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INTERCHINA HOLDINGS COMPANY LIMITED

國 中 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The board of directors (the “Board”) of Interchina Holdings Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (Re-presented)
Continuing operations			
Turnover	2	89,495	47,235
Cost of sales		(29,175)	(8,423)
Other revenue	3	20,141	1,139
Staff costs		(17,724)	(12,287)
Amortisation and depreciation		(16,916)	(1,213)
Administrative costs		(30,326)	(11,919)
Share-based payment expense		(76,408)	–
Impairment loss recognised in respect of goodwill		–	(11,006)
Impairment loss recognised in respect of an associate		–	(225,146)
Fair value change in derivative financial instruments		–	16,629
Fair value change in investment properties		34,057	(150,194)
Loss from operations	4	(26,856)	(355,185)
Finance costs		(34,156)	(10,207)
Share of results of associates		–	3,146
Loss before taxation		(61,012)	(362,246)
Taxation	5	(8,375)	13,335
Loss for the period from continuing operations		(69,387)	(348,911)

CONDENSED CONSOLIDATED INCOME STATEMENT – Continued

		For the six months ended	
		30 September	
	<i>Notes</i>	2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Re-presented)
Discontinued operation			
Loss for the period from discontinued operation	<i>10</i>	<u>(4,999)</u>	<u>(128,471)</u>
Loss for the period		<u>(74,386)</u>	<u>(477,382)</u>
Attributable to:			
Equity holders of the Company		<u>(78,225)</u>	<u>(477,302)</u>
Minority interests		<u>3,839</u>	<u>(80)</u>
		<u>(74,386)</u>	<u>(477,382)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company			
Basic and diluted	<i>6</i>		
From continuing operations		<u>HK(0.351 cents)</u>	<u>HK (1.740 cents)</u>
From continuing and discontinued operations		<u>HK(0.375 cents)</u>	<u>HK (2.381 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Loss for the period	(74,386)	(477,382)
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	185	54,551
Total comprehensive income for the period	(74,201)	(422,831)
Total comprehensive income attributable to:		
Equity holders of the Company	(78,040)	(422,751)
Minority interests	3,839	(80)
	(74,201)	(422,831)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 September 2009 <i>HK\$'000</i> (Unaudited)	31 March 2009 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		537,286	503,228
Interests in leasehold land and land use rights		32,529	–
Property, plant and equipment		80,238	20,092
Intangible assets		675,576	685,811
Other financial assets		442,958	444,805
Goodwill		387,588	387,557
Other non-current assets		2,282	2,277
		2,158,457	2,043,770
Current assets			
Inventories		4,960	4,198
Trade and other receivables and prepayments	7	487,950	282,577
Loan receivables	8	48,773	102,898
Financial assets at fair value through profit or loss		40	80
Tax recoverable		348	511
Bank balances – trust and segregated accounts		12,936	7,323
Cash and cash equivalents		161,730	34,259
		716,737	431,846
Assets classified as held for sale	10	855,202	589,680
		1,571,939	1,021,526
Total assets		3,730,396	3,065,296
Capital and reserves			
Share capital		2,219,219	2,028,619
Share premium and reserves		(307,151)	(309,154)
		1,912,068	1,719,465
Equity attributable to equity holders of the Company		221,612	155,686
Minority interests		221,612	155,686
Total equity		2,133,680	1,875,151

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued

		30 September 2009	31 March 2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Bank borrowings – due after one year		275,653	291,936
Other borrowings – due after one year		241,379	12,425
Convertible notes		33,405	–
Deferred tax liabilities		109,553	106,590
		<u>659,990</u>	<u>410,951</u>
Current liabilities			
Trade and other payables and deposits received	9	199,881	339,687
Tax payable		13,676	9,660
Derivative financial instruments		2,498	–
Bank borrowings – due within one year		213,432	92,936
Other borrowings – due within one year		31,347	126,541
		<u>460,834</u>	<u>568,824</u>
Liabilities classified as held for sale	10	475,892	210,370
		<u>936,726</u>	<u>779,194</u>
Total liabilities		<u>1,596,716</u>	<u>1,190,145</u>
Total equity and liabilities		<u>3,730,396</u>	<u>3,065,296</u>
Net current assets		<u>635,213</u>	<u>242,332</u>
Total assets less current liabilities		<u>2,793,670</u>	<u>2,286,102</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group (the “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 Interim Financial Statements have been prepared on historical cost basis except that the following assets and liabilities are stated at their fair value:

- investment property;
- financial assets at fair value through profit or loss; and
- derivative financial instruments

Assets of disposal groups held for sale are stated at fair value less costs to sell.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, the following new interpretations or revised standards, amendments and interpretations (“New HKFRSs”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1st April 2009.

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

The adoption of the new HKFRSs, except for HKAS 1 (Revised) and HKFRS 8 as described below, had no material effect on how the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures (Revised 2009) ⁵
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ³
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemption for First-time Adopters ⁴
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions ⁴
HKFRS 3 (Revised 2008)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹

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

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

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

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

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised 2008) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary.

The directors of the Company is currently assessing the impact on adoption of the above standards, amendments and interpretations in future period, anticipate that the application of other new and revised standards, amendments or interpretations will not have a material impact on the results and the financial position of the Group for the current or prior accounting periods.

Certain comparative figures have been re-presented as a result of the reclassification of the discontinued operation.

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. On first-time adoption HKFRS 8 Operating Segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments:

Continuing operations

- | | |
|--|---|
| (i) Environmental protection and water treatment operation | – development of environmental protection and water treatment operation |
| (ii) Property investment operation | – leasing of rental property |
| (iii) Securities and financial operation | – provision of financial services |

Discontinued operation

- | | |
|---|--|
| (i) City development and investment operation | – infrastructure construction for urbanisation operation and property development for sale |
|---|--|

The following tables present turnover and results for the Group's operating segments:

For the six months ended 30 September 2009

	Continuing operations				Discontinued operation		Consolidated total HK\$'000
	Envi-ronmental protection and water treatment operation HK\$'000	Property investment operation HK\$'000	Securities and financial operation HK\$'000	Elimination HK\$'000	Total HK\$'000	City development and investment operation HK\$'000	
TURNOVER*							
Hong Kong	–	90	4,787	–	4,877	–	4,877
The People's Republic of China (the "PRC")	75,788	8,830	–	–	84,618	–	84,618
	75,788	8,920	4,787	–	89,495	–	89,495
SEGMENT RESULTS							
Hong Kong	–	(52)	(1,133)	–	(1,185)	–	(1,185)
The PRC	23,883	40,981	–	–	64,864	(4,479)	60,385
	23,883	40,929	(1,133)	–	63,679	(4,479)	59,200
Unallocated interest income					163	10	173
Unallocated corporate expenses					(90,698)	–	(90,698)
Loss from operations					(26,856)	(4,469)	(31,325)

2. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2008 (re-presented)

	Continuing operations				Discontinued operation		Consolidated total HK\$'000
	Envi- ronmental protection and water treatment operation HK\$'000	Property investment operation HK\$'000	Securities and financial operation HK\$'000	Elimination HK\$'000	Total HK\$'000	City development and investment operation HK\$'000	
TURNOVER*							
Hong Kong	–	270	9,942	–	10,212	–	10,212
The PRC	29,244	7,779	–	–	37,023	–	37,023
	<u>29,244</u>	<u>8,049</u>	<u>9,942</u>	<u>–</u>	<u>47,235</u>	<u>–</u>	<u>47,235</u>
SEGMENT RESULTS							
Hong Kong	–	(1,736)	7,597	–	5,861	–	5,861
The PRC	16,764	(147,195)	–	–	(130,431)	(125,003)	(255,434)
	<u>16,764</u>	<u>(148,931)</u>	<u>7,597</u>	<u>–</u>	<u>(124,570)</u>	<u>(125,003)</u>	<u>(249,573)</u>
Unallocated interest income					175	1	176
Unallocated corporate expenses					(230,790)	–	(230,790)
Loss from operations					<u>(355,185)</u>	<u>(125,002)</u>	<u>(480,187)</u>

* Finance income on other financial assets under service concession arrangement of HK\$22,306,000 (for the six months ended 30 September 2008: HK\$19,759,000) is included in the revenue derived from “Turnover” disclosed above.

3. OTHER REVENUE

	Continuing operations		Discontinued operation		Consolidated total	
	For the six months ended 30 September 2009 HK\$'000	2008 HK\$'000	For the six months ended 30 September 2009 HK\$'000	2008 HK\$'000	For the six months ended 30 September 2009 HK\$'000	2008 HK\$'000
Interest income	163	175	10	1	173	176
Government subsidies	16,998	–	–	–	16,998	–
Dividend income	26	3	–	–	26	3
Sundry income	2,954	961	–	–	2,954	961
	<u>20,141</u>	<u>1,139</u>	<u>10</u>	<u>1</u>	<u>20,151</u>	<u>1,140</u>

4. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	Continuing operations		Discontinued operation		Consolidated total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	4,546	1,213	–	214	4,546	1,427
Amortisation of leasehold land, land use rights and intangible assets	12,370	–	–	333	12,370	333
Operating lease rentals in respect of premises	2,734	955	–	–	2,734	955
Net foreign exchange loss	–	9	–	–	–	9
	<u>4,546</u>	<u>1,213</u>	<u>–</u>	<u>214</u>	<u>4,546</u>	<u>1,427</u>
	<u>12,370</u>	<u>–</u>	<u>–</u>	<u>333</u>	<u>12,370</u>	<u>333</u>
	<u>2,734</u>	<u>955</u>	<u>–</u>	<u>–</u>	<u>2,734</u>	<u>955</u>
	<u>–</u>	<u>9</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9</u>

5. TAXATION

	Continuing operations		Discontinued operation		Consolidated total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax						
Hong Kong Profits Tax	163	475	–	–	163	475
The PRC Enterprise Income Tax	5,496	–	–	–	5,496	–
	<u>5,659</u>	<u>475</u>	<u>–</u>	<u>–</u>	<u>5,659</u>	<u>475</u>
Deferred tax	2,716	(13,810)	–	–	2,716	(13,810)
	<u>2,716</u>	<u>(13,810)</u>	<u>–</u>	<u>–</u>	<u>2,716</u>	<u>(13,810)</u>
	<u>8,375</u>	<u>(13,335)</u>	<u>–</u>	<u>–</u>	<u>8,375</u>	<u>(13,335)</u>

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (for the six months ended 30 September 2008: 16.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the current and prior period.

The PRC Enterprise Income Tax

The provision for the PRC Enterprise Income Tax is based on the estimated taxable income in the PRC at the rate of taxation applicable to the six months ended 30 September 2009 and 2008.

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	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to ordinary equity holders of the Company for the calculation of basic and diluted loss per share		
From continuing operations	73,226	348,831
From discontinued operation	4,999	128,471
	<hr/>	<hr/>
From continuing and discontinued operations	78,225	477,302
	<hr/> <hr/>	<hr/> <hr/>
	As at 30 September	
Number of shares	2009	2008
Weighted average number of ordinary shares for the calculation of basic and diluted loss per share	20,866,457,368	20,048,488,714
	<hr/> <hr/>	<hr/> <hr/>

Diluted loss per share for the six months ended 30 September 2009 and 2008 were the same as the basic loss per share. The Company's outstanding share options, convertible note options and convertible notes were not included in the calculation of diluted loss per share because the effect of Company's did not assume conversion of the Company's outstanding share options, convertible note options and convertible notes were anti-dilutive.

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (31 March 2009: 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 follow:

	As at 30 September 2009 <i>HK\$'000</i> (Unaudited)	As at 31 March 2009 <i>HK\$'000</i> (Audited)
Trade receivables:		
0 – 30 days	39,444	17,263
31 – 60 days	26	588
61 – 90 days	6	588
Over 90 days	8,068	12,978
	<hr/>	<hr/>
	47,544	31,417
Margin clients accounts receivables	1,227	1,227
Clearing houses, brokers and dealers	6,413	3,346
Prepayments and deposits	303,644	164,370
Other receivables	129,382	82,477
	<hr/>	<hr/>
	488,210	282,837
Less: Impairment of other receivables	(260)	(260)
	<hr/>	<hr/>
	487,950	282,577
	<hr/> <hr/>	<hr/> <hr/>

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.

8. LOAN RECEIVABLES

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

9. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	As at 30 September 2009 <i>HK\$'000</i> (Unaudited)	As at 31 March 2009 <i>HK\$'000</i> (Audited)
Trade payables:		
0 – 30 days	20,791	22,588
31 – 60 days	118	–
61 – 90 days	–	–
Over 90 days	4,402	–
	<hr/>	<hr/>
	25,311	22,588
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	106	100
Other payables and deposits received	174,464	316,999
	<hr/>	<hr/>
	199,881	339,687
	<hr/> <hr/>	<hr/> <hr/>

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.

10. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LOSS FROM DISCONTINUED OPERATION

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 RMB330,000,000. The consideration will be 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 announcements dated 12 December 2008, 27 April 2009 and 16 July 2009 and circular dated 24 July 2009.

10. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LOSS FROM DISCONTINUED OPERATION (Continued)

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

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Assets of disposal group classified as held for sale		
Interests in leasehold land and land use rights	42,427	42,760
Property, plant and equipment	314,577	243,249
Other non-current assets	95	106
Properties under development for sale	490,805	490,805
Other receivables and prepayments	170,914	28,784
Cash and cash equivalents	48,047	276
	<hr/>	<hr/>
	1,066,865	805,980
Remeasurement to fair value less costs to sell (<i>Note</i>)	(211,663)	(216,300)
	<hr/>	<hr/>
	855,202	589,680
	<hr/> <hr/>	<hr/> <hr/>
Liabilities of disposal group classified as held for sale		
Other payables	418,421	210,370
Bank and other borrowings	57,471	–
	<hr/>	<hr/>
	475,892	210,370
	<hr/> <hr/>	<hr/> <hr/>

Note: The amount of HK\$211,633,000 (31 March 2009: HK\$216,300,000) represented the loss on remeasurement to fair value less cost to sell, which is calculated based on the difference between the aggregate net asset value of ICIM and CIC and the cash consideration of RMB330,000,000 (equivalent to approximately HK\$379,310,000).

10. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LOSS FROM DISCONTINUED OPERATION (Continued)

Upon the completion of the Disposal, ICIM and CIC ceased to be subsidiaries of the Company and the business of city development and investment operation which was solely carried out by ICIM and CIC became a discontinued operation to the Group.

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

	For the six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	10	1
Staff cost	(932)	(1,324)
Amortisation and depreciation	(527)	(547)
Administrative costs	(3,020)	(2,624)
Impairment loss for properties under development	–	(120,508)
Finance costs	(5,167)	(3,469)
	<u>(9,636)</u>	<u>(128,471)</u>
Gain on remeasurement to fair value less costs to sell	4,637	–
	<u>(4,999)</u>	<u>(128,471)</u>
Taxation	–	–
	<u>(4,999)</u>	<u>(128,471)</u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30 September 2009 (30 September 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2009 (the “Period”), the Group’s business development can be divided into three major lines of business, namely environmental protection and water treatment operation, property investment operation and securities and financial operation.

Environmental Protection and Water Treatment Operation

Following the Group completed the acquisition of Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) in December 2008, the Group achieved remarkable result and fast growth in environmental protection and water treatment operation for the Period. The Group’s revenue from this segment amounted to HK\$75,788,000, representing an increase of 159.2% when compared with the last year revenue of HK\$29,244,000. The increase in revenue was mainly attributed by the increase in the average daily processing capacity of the Group’s projects from 180,000 tonnes in the corresponding period of last year to 492,500 tonnes during the current period.

At the end of September 2009, the Group had ten water projects in the PRC, a summary of which is as follow:

Project	Province	The Group's interest	Daily processing capacity (tonnes)
Project under operation			
Qinhuangdao Sewage Treatment Plant ("Qinhuangdao Project")	Hebei	100%	120,000
Changli Sewage Treatment Plant ("Changli Project")	Hebei	100%	40,000
Maanshan Sewage Treatment Plant ("Maanshan Project")	Anhui	100%	60,000
Hanzhong Xingyuan Water Supply Plant ("Xingyuan Project")	Shannxi	70.2%	110,000
Yanliang Water Supply Plant ("Yanliang Project")	Shannxi	69.5%	120,000
Xiongyue Sewage Treatment Plant ("Qinghai Project")	Qinghai	66.7%	42,500
Sub-total			<u>492,500</u>
Project under construction			
Hanzhong Shimen Water Supply Plant ("Shimen Project") – <i>expected to be completed by mid of 2011</i>	Shannxi	80%	100,000
Ordos Sewage & Water Treatment Plant ("Ordos Project) – <i>expected to be completed by end of 2010</i>	Inn Mongolia	100%	35,000
Dongying Sewage & Water Treatment Plant ("Dongying Project")* – <i>expected to be completed by end of 2010</i>	Shandong	38.9%	150,000
Taiyuan Haofeng Sewage Treatment Plant ("Taiyuan Project")** – <i>expected to be completed by end of 2010</i>	Shanxi	56.8%	160,000
Sub-total			<u>445,000</u>
Total			<u><u>937,500</u></u>

* Shandong Municipal Government granted to the Group an exclusive right to invest, finance, design, construct and operate the Dongying Project for a period of 30 years in June 2009.

** Taiyuan City Municipal Management Council granted to the Group an exclusive right to finance, design, enhance, remodel and operate the Taiyuan Project for a period of 25 years in August 2009.

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

In light of the favourable long-term outlook of the PRC economy, the Company is strongly of the view that Heilongjiang Interchina will enable the Group having an independent platform to raise capital more efficiently through the domestic A share market. It also enable the Group to more concentrate and focuses its resources on developing the environmental water treatment business. Subsequent to the Period ended, on 4 November 2009, Heilongjiang Interchina proposed an additional issuance of no more than 130,000,000 new A shares to 10 target investors at a price not less than RMB6.55 to raise not more than RMB900,000,000 (the "Proposed Share Increase"). The proceeds will be used by Heilongjiang Interchina for acquisition of 14 water treatment plants, including (i) Qinhuangdao Project, Maanshan Project, Changli Project and Ordos Project with aggregate daily processing capacity of 255,000 tonnes currently owned by Interchina Water Treatment Limited ("Interchina Water Treatment"), a fellow subsidiary of Heilongjiang Interchina; (ii) a sewage treatment plant located in Baoan, Shenzhen, with daily processing capacity of 150,000 tonnes, (iii) a sewage treatment located in Quanzhou, Fujian, with daily processing capacity of 45,000 tonnes; and (iv) eight sewage treatment plants located in Fujin, Jiangsu and Liaoning with aggregate daily processing capacity of 430,000 tonnes respectively. Heilongjiang Interchina entered into the sales and purchase agreements with Interchina Water Treatment and the relevant vendors in respect of the above acquisition (i), (ii) and (iii). Upon the completion of the Proposed Share Increase, the Company's interests in Heilongjiang Interchina will be effectively reduced from 70.2% to approximately 50.24%, the net assets value of Heilongjiang Interchina attributable to the Group will be enlarged substantively. Furthermore, the Company considered that the Proposed Share Increase not only can strengthen the capital base of Heilongjiang Interchina but enable Heilongjiang Interchina to raise additional funding at a low finance cost for the Group's environmental water treatment business. The relevant approval procedures of the Proposed Share Increase by the regulatory authorities of Hong Kong and the PRC are in progress, details of which were set out in the Company's announcements dated 13 November 2009.

The Group has decided to focus its investments in environmental protection and water treatment operation through Heilongjiang Interchina. In addition to the existing daily processing capacity of 937,500 tonnes, upon the completion of the above acquisitions, the total average daily aggregate processing capacity of the Group reach 1,562,500 tonnes. The Group is getting more closer to its goal of attaining aggregate daily processing capacity of 10,000,000 tonnes within 3 years. 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.

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

Property Investment Operation

During the Period, the Group was successful in delivering stable revenue growth and positive result from property investment operation. Rental income for the Period amounted to HK\$8,920,000 which represents an increase of 10.8% when compared with last year's rental income of HK\$8,049,000. The increase in rental income was due to the increase in rental rates as well as improvement in occupancy rates of the Group's Investment properties.

During the Period, the Group's investment properties recorded a revaluation gain of HK\$34,057,000. Our investment properties located in the CBD of Shanghai and Beijing, the PRC will provide 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 Period, the Group's revenue from securities and financial operation amounted to HK\$4,787,000 which represents a decrease of 51.8% when compared with last year's revenue of HK\$9,942,000. As a small to medium size broker firm, the Group was under tremendous pressure and competition from other major securities broker firms and banks in Hong Kong. In addition, the Group had adopted a prudent approach in conducting its financing business and had strengthened its customer credit control.

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

Discontinued Operation

On 10 December 2008, the Company entered into a disposal agreement with an independent third party which disposed the Group's entire equity interests of two major subsidiaries in the city development and investment operation and shareholders' loan, for a consideration of RMB330,000,000 (the "Disposal"). On 24 July 2009, the Group published the circular entitled "Very Substantial Disposal" disclosing the details of the Disposal. In the extraordinary general meeting held on 18 August 2009, the Group successfully obtained shareholders' approval for the Disposal. Upon completion of the Disposal, the Group has no business operation and activities in the city development and investment operation. This segment is presented as discontinuing operation in the condensed consolidated financial statements for the period ended 30 September 2009.

PROSPECT

In terms of the total reserve of water resources, China, accounts for 7% of the world's reserve of water resources while accommodating 21% of the total population of the world. Per capita water resources of 2,220 cubic meters represents only one fourth of the average of the world index, which makes China one of the thirteen countries with the fewest per capita resources. In respect of the distribution of water resources, certain regions in China are in short of water. For example, the Northern China accounts for 6% of the total water resources in China, while housing more than one third of China's total population. In addition, the insufficient ground water resources aggravated the exploitation of the underground water, which will in turn result in a series of adverse effects, including ground subsidence. We predict that the water demand of cities in China will grow at an average annual rate of 4%, and the imbalance between water supply and demand will be further intensified. It is forecasted that 26 out of 31 provinces will be facing with the crisis of water shortage in 2010.

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

FINANCIAL REVIEW

RESULTS

During the Period, the Group's revenue from its continuing operations was approximately HK\$89,495,000 (30 September 2008: re-presented HK\$47,235,000), representing an increase of 89.5% from the corresponding period in last year. The increase in revenue is attributable to the Group has completed the acquisition of 70.2% interest in Heilongjiang Interchina in December 2008. For the Period, Heilongjiang Interchina contributed a revenue of approximately HK\$46,424,000 representing 51.9% of the total revenue of the Group. No revenue had been recorded from the discontinuing operation this year and the corresponding period in last year.

During the Period, although revenue of the Group increased as compared with the corresponding period in last year, as the Company recognised share-based payment expense of HK\$76,408,000 based on the fair value of the share options granted in respect of the share option scheme during the Period, loss for the period from its continuing operations amount to HK\$69,387,000. By excluding the effect of the share-based payment expenses, the Group recorded an operating profit of HK\$7,021,000 compared with last year's operating loss of HK\$348,911,000. This improvement was mainly driven by (i) the improvement in the operating results in both environmental protection and water treatment operation and property investment operation as stated previously, (ii) a revaluation gain of approximately HK\$34,057,000 arising on change in fair value of the Group's investment properties (30 September 2008: revaluation loss HK\$150,194,000) and (iii) the operating loss last year included impairment loss of HK\$225,146,000 in respect of an associate.

During the Period, the operating loss from the discontinuing operation was HK\$4,999,000 (30 September 2008: re-presented HK\$128,471,000), representing a decrease of 96.1% from the corresponding period in last year. The operating loss last year included impairment loss of HK\$120,508,000 in respect of the properties under development for sale.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2009, the Group's total assets were HK\$3,730,396,000 (31 March 2009: HK\$3,065,296,000) and the total liabilities were HK\$1,596,716,000 (31 March 2009: HK\$1,190,145,000), and the equity reached HK\$2,133,680,000 (31 March 2009: HK\$1,875,151,000).

As at 30 September 2009, the Group's cash on hand and deposits in bank was approximately HK\$174,666,000 (31 March 2009: HK\$41,582,000).

As at 30 September 2009, the Group had outstanding borrowings of HK\$795,216,000 (31 March 2009: HK\$523,838,000) comprising bank borrowings of HK\$489,085,000 (31 March 2009: HK\$384,872,000), other borrowings of HK\$272,726,000 (31 March 2009: HK\$138,966,000) and convertible notes of HK\$33,405,000 (31 March 2009: Nil) whereas 62% of the Group's outstanding borrowings carried interest on floating rate basis and the remaining 38% were at fixed interest rate. The gearing ratio was 21.3% (total outstanding borrowings/total assets). The maturity profile of the outstanding borrowings was spread over a period of more than five years with HK\$244,779,000 repayable within one year, HK\$502,704,000 repayable after one year but within five years and HK\$47,733,000 repayable after five years.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. As at 30 September 2009, 10.4% of the Group's cash on hand and deposits in bank was held in Hong Kong dollars and 89.6% in Renminbi; whereas 10.9% of the Group's outstanding borrowings was denominated in Hong Kong dollars and the rest in Renminbi.

In June 2009, the Group completed the issuance of 2-year convertible notes bearing interest at 5% p.a. convertible into a total of 350,000,000 shares of HK\$0.1 each. The detail of which were set out in the Company's announcement dated 9 June 2009. As at 30 September 2009, the relevant convertible notes had not been converted into share capital. Subsequent to the period ended on 11 December 2009, the convertible notes had been fully converted into share capital.

Pursuant to the Subscription Agreement dated 27 July 2009, in August 2009, the Company completed the issuance of 1-year convertible notes bearing interest at 5% p.a. convertible into a total of 1,200,000,000 shares of HK\$0.1 each (the “First Tranche Convertible Notes”) and granted option to subscribe for 1-year convertible notes bearing interest at 5% p.a. convertible into a total of 2,500,000,000 shares of HK\$0.1 each (the “Second Tranche Convertible Notes”) for a total consideration of HK\$252,500,000. The detail of which were set out in the Company’s announcement dated 27 July 2009. As at 30 September 2009, the First Tranche Convertible Notes had been converted into share capital and the Second Tranche Convertible Notes had not been issued. The net proceed from the issue of the First Tranche Convertible Notes had been used to repay the existing indebtedness of the Company and the net proceed from the issue of the Second Tranche Convertible Notes will be applied as general working capital of the Group. As at 30 September 2009, the Second Tranche Convertible Notes has not been issued.

During the Period, a total of 1,568,000,000 share options were granted by the Company at an exercise price of HK\$0.103 per share. During the Period, a total of 706,000,000 share options granted were exercised, for which a total of 706,000,000 new shares were issued. The proceeds in the sum of HK\$72,718,000 generated from the exercise of share options were used as general working capital of the Group.

As mentioned in the announcement dated 21 August 2009 and the circular dated 24 August 2009 issued by the Company, the Company intended to implement a capital reduction by canceling the issued and paid up capital to the extent of HK\$0.09 on each of the share in issue and any further shares which may be issued prior to the date in which the petition for the confirmation of the capital reduction is heard by the Court of First Instance in Hong Kong and by reducing the nominal value of all the issued and unissued shares from HK\$0.10 to HK\$0.01 each (“Capital Reduction”). Upon the Capital Reduction becoming effective, every ten reduced shares will be consolidated into one consolidated share (“Share Consolidation”, together with Capital Reduction collectively “Capital Reorganisation”). The Company also proposed immediately following the Capital Reorganisation being effective, to increase the authorised share capital of the Company from HK\$400,000,000 divided into 4,000,000,000 consolidated shares to HK\$1,000,000,000 divided into 10,000,000,000 consolidated shares by the creation of an additional 6,000,000,000 new consolidated shares (the “Proposed increase in authorised share capital”). The Capital Reduction is conditional upon the passing of a special resolution by the shareholders of the Company, the confirmation of the Capital Reduction by the High Court of the Hong Kong Special Administrative Region (“High Court”), the registration of the order of the High Court and the minutes thereof by the Registrar of Companies in Hong Kong and the grant of approval of the listing of, and permission to deal in, the shares in issue upon the Capital Reduction becoming effective by the Listing Committee of the Stock Exchange. The resolutions approving the Capital Reduction, Share Consolidation and the Proposed increase in authorised share capital were duly passed by the shareholders of the Company at an extraordinary general meeting on 18 September 2009. A petition to the High Court for confirmation of the Capital Reduction is still underway. The Company will make further announcement(s) in relation to the progress of the Capital Reorganisation.

Significant acquisition and disposal

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

On 17 September 2009, the Group entered into a sale and purchase agreement with Mr. Zhao Libo with respect to the acquisition of 47.27% equity interest in Regent Victor Development Limited (“Regent Victor”), for a consideration of HK\$5,200,004. On the same date, the Group entered into a share subscription agreement with Regent Victor to subscribe for 8,999,996 new shares of Regent Victor at HK\$1.00 each. Upon the completion of the above transactions, the Group ultimately held 71% equity interest in Regent Victor. Regent Victor is mainly engaged in investment holding, which directly holds 80% equity interests in 太原豪峰污水處理有限公司. 太原豪峰污水處理有限公司 was granted an exclusive right to upgrade, manage and operate a sewage treatment plant in Taiyuan, Shanxi Province, the PRC for 25 years. Details of the acquisition were set out in the Company’s announcement dated 18 September 2009.

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

Pledge of Group’s Assets

As at 30 September 2009, the Group’s assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK\$200,734,000, intangible assets with carrying amounts of HK\$289,750,000 and other financial assets with carrying amounts of HK\$332,532,000. 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 Period, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group’s treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the Period, 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 30 September 2009, the Group had a total of 825 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 period ended 30 September 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 September 2009, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules.

The code provision A.4.1 of the 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules"). The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 September 2009 and all directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the period ended 30 September 2009.

AUDIT COMMITTEE

The Audit Committee of the Company was established in accordance with Appendix 14 to the Listing Rules. The existing Audit Committee comprises Mr. Ho Yiu Yue, Louis (Chairman), Mr. Ko Ming Tung, Edward, Ms. Ha Ping and Dr. Fu Tao, all being independent non-executive Directors.

The Audit Committee met with the management and external auditors on 16 December 2009, to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's interim results for the six months ended 30 September 2009 before proposing to the Board for approval. The Audit Committee has reviewed the results announcement and the interim report of the Company for the six months ended 30 September 2009.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee to consider the remuneration for directors and senior management of the Company. The Remuneration Committee comprises Mr. Ho Yiu Yue, Louis (Chairman) and Ms. Ha Ping who are independent non-executive Directors and Mr. Lam Cheung Shing, Richard, who is an executive Director.

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 Interim 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
Wing Man Yi
Chairman

Hong Kong, 18 December 2009

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