

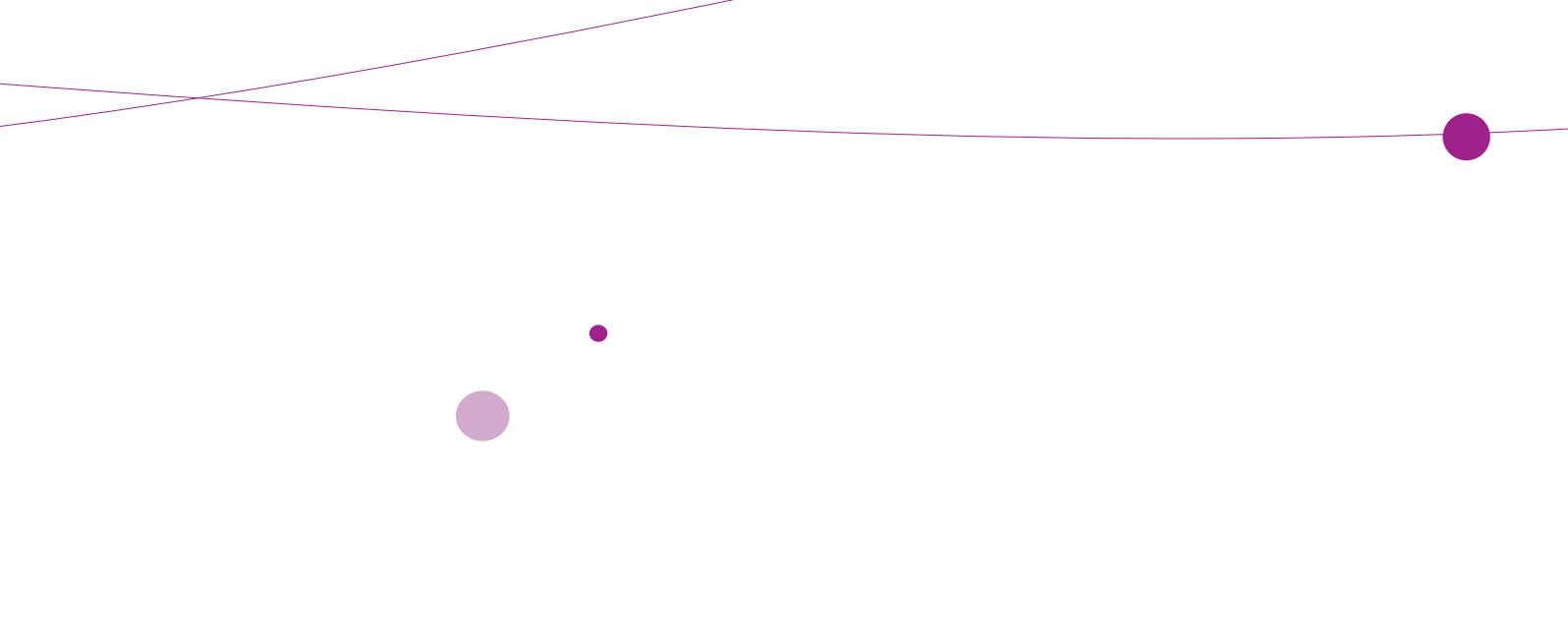
國|中|控|股|有|限|公|司  
INTERCHINA HOLDINGS CO LTD

Stock Code: 202

INTERCHINA HOLDINGS CO LTD  
INTERCHINA HOLDINGS CO LTD  
INTERCHINA HOLDINGS CO LTD  
INTERCHINA HOLDING

Interim Report  
2009

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Ms. Wing Man Yi (*Chairman*)  
Mr. Lam Cheung Shing, Richard (*Deputy Chairman*)  
Mr. Zhu Yongjun (*Deputy Chairman*)

#### Independent Non-executive Directors

Ms. Ha Ping  
Mr. Ho Yiu Yue, Louis  
Mr. Ko Ming Tung, Edward  
Dr. Fu Tao

### AUDIT COMMITTEE

Mr. Ho Yiu Yue, Louis (*Chairman*)  
Ms. Ha Ping  
Mr. Ko Ming Tung, Edward  
Dr. Fu Tao

### REMUNERATION COMMITTEE

Mr. Ho Yiu Yue, Louis (*Chairman*)  
Ms. Ha Ping  
Mr. Lam Cheung Shing, Richard

### COMPANY SECRETARY

Mr. Lau Chi Lok

### PRINCIPAL OFFICE IN HONG KONG

Room 701, 7/F., Aon China Building  
29 Queen's Road Central  
Hong Kong

### AUDITORS

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*  
31/F., Gloucester Tower  
The Landmark  
11 Pedder Street, Central  
Hong Kong

### SOLICITORS

K & L Gates  
35/F., Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

### PRINCIPAL BANKERS

The Bank of East Asia Limited  
Standard Chartered Bank Limited  
Fubon Bank (Hong Kong) Limited

### SHARE REGISTRARS

Tricor Tengis Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Hong Kong

### STOCK CODE

0202



Chartered Accountants  
Certified Public Accountants

31/F Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF INTERCHINA HOLDINGS COMPANY LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 4 to 31, which comprises the condensed consolidated statement of financial position of Interchina Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flow for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 “Interim Financial Reporting”.

#### **HLB Hodgson Impey Cheng**

Chartered Accountants  
Certified Public Accountants

Hong Kong, 18 December 2009

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (Re-presented)
<b>Continuing operations</b>			
Turnover	3	89,495	47,235
Cost of sales		(29,175)	(8,423)
Other revenue	4	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	5	(26,856)	(355,185)
Finance costs		(34,156)	(10,207)
Share of results of associates		–	3,146
<b>Loss before taxation</b>		<b>(61,012)</b>	<b>(362,246)</b>
Taxation	6	(8,375)	13,335
<b>Loss for the period from continuing operations</b>		<b>(69,387)</b>	<b>(348,911)</b>
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	15	(4,999)	(128,471)
<b>Loss for the period</b>		<b>(74,386)</b>	<b>(477,382)</b>
<b>Attributable to:</b>			
Equity holders of the Company		(78,225)	(477,302)
Minority interests		3,839	(80)
		<b>(74,386)</b>	<b>(477,382)</b>
<b>Loss per share for loss attributable to the ordinary equity holders of the Company Basic and diluted</b>			
	7		
<b>From continuing operations</b>		<b>HK(0.351 cents)</b>	<b>HK (1.740 cents)</b>
<b>From continuing and discontinued operations</b>		<b>HK(0.375 cents)</b>	<b>HK (2.381 cents)</b>

The accompanying notes form an integral part of these financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	9	537,286	503,228
Interests in leasehold land and land use rights		32,529	–
Property, plant and equipment	10	80,238	20,092
Intangible assets	11	675,576	685,811
Other financial assets	12	442,958	444,805
Goodwill		387,588	387,557
Other non-current assets		2,282	2,277
		<b>2,158,457</b>	<b>2,043,770</b>
<b>Current assets</b>			
Inventories		4,960	4,198
Trade and other receivables and prepayments	13	487,950	282,577
Loan receivables	14	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
		<b>716,737</b>	<b>431,846</b>
Assets classified as held for sale	15	855,202	589,680
		<b>1,571,939</b>	<b>1,021,526</b>
<b>Total assets</b>		<b>3,730,396</b>	<b>3,065,296</b>
<b>Capital and reserves</b>			
Share capital	20	2,219,219	2,028,619
Share premium and reserves		(307,151)	(309,154)
Equity attributable to equity holders of the Company		1,912,068	1,719,465
Minority interests		221,612	155,686
<b>Total equity</b>		<b>2,133,680</b>	<b>1,875,151</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Bank borrowings – due after one year	18	275,653	291,936
Other borrowings – due after one year	18	241,379	12,425
Convertible notes	19	33,405	–
Deferred tax liabilities		109,553	106,590
		<b>659,990</b>	<b>410,951</b>
<b>Current liabilities</b>			
Trade and other payables and deposits received	16	199,881	339,687
Tax payable		13,676	9,660
Derivative financial instruments	17	2,498	–
Bank borrowings – due within one year	18	213,432	92,936
Other borrowings – due within one year	18	31,347	126,541
		<b>460,834</b>	<b>568,824</b>
Liabilities classified as held for sale	15	475,892	210,370
		<b>936,726</b>	<b>779,194</b>
<b>Total liabilities</b>		<b>1,596,716</b>	<b>1,190,145</b>
<b>Total equity and liabilities</b>		<b>3,730,396</b>	<b>3,065,296</b>
<b>Net current assets</b>		<b>635,213</b>	<b>242,332</b>
<b>Total assets less current liabilities</b>		<b>2,793,670</b>	<b>2,286,102</b>

Approved by the Board of Directors on 18 December 2009 and signed on its behalf by:

**Wing Man Yi**  
Director

**Lam Cheung Shing, Richard**  
Director

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

### The Group

	Equity attributable to ordinary equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note 1)	Share options reserve HK\$'000	Exchange reserve HK\$'000	Convertible notes reserve HK\$'000 (Note 2)	Acc- umulated losses HK\$'000	Sub- total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2008, as previously reported	1,728,619	366,454	571,996	6,470	179,945	-	(822,960)	2,030,524	6,849	2,037,373
Effect on adoption of new accounting policy - HK (IFRIC) - Int 12	-	-	-	-	9,639	-	82,825	92,464	2,463	94,927
At 1 April 2008, as restated	1,728,619	366,454	571,996	6,470	189,584	-	(740,135)	2,122,988	9,312	2,132,300
Total comprehensive income for the period	-	-	-	-	54,551	-	(477,302)	(422,751)	(80)	(422,831)
Issue of convertible notes	-	-	-	-	-	32,027	-	32,027	-	32,027
Recognition of deferred tax for convertible notes	-	-	-	-	-	(5,284)	-	(5,284)	-	(5,284)
Conversion of convertible notes	300,000	5,028	-	-	-	(26,743)	-	278,285	-	278,285
At 30 September 2008	2,028,619	371,482	571,996	6,470	244,135	-	(1,217,437)	2,005,265	9,232	2,014,497
At 1 April 2009	2,028,619	371,482	571,996	6,470	245,529	-	(1,504,631)	1,719,465	155,686	1,875,151
Total comprehensive income for the period	-	-	-	-	185	-	(78,225)	(78,040)	3,839	(74,201)
Capital contribution from a minority shareholder of subsidiary	-	-	-	-	-	-	-	-	56,322	56,322
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	5,765	5,765
Issue of share options	-	-	-	76,408	-	-	-	76,408	-	76,408
Exercise of share options	70,600	33,331	-	(31,213)	-	-	-	72,718	-	72,718
Issue of convertible notes	-	-	-	-	-	4,025	-	4,025	-	4,025
Recognition of deferred tax for convertible notes	-	-	-	-	-	(664)	-	(664)	-	(664)
Conversion of convertible notes	120,000	-	-	-	-	(1,844)	-	118,156	-	118,156
<b>At 30 September 2009</b>	<b>2,219,219</b>	<b>404,813</b>	<b>571,996</b>	<b>51,665</b>	<b>245,714</b>	<b>1,517</b>	<b>(1,582,856)</b>	<b>1,912,068</b>	<b>221,612</b>	<b>2,133,680</b>

Note:

- 1) The special reserve of the Group mainly represents the difference between the nominal value of shares of Burlingame International Limited ("Burlingame") and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the scheme of arrangement as set out in the document issued by the company and Burlingame dated 27 July 2000.
- 2) Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated losses.)

The accompanying notes form an integral part of these financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended  
30 September

	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash used in operating activities	(261,242)	(148,932)
Net cash used in investing activities	(46,093)	(301,499)
Net cash generated from financing activities	434,621	420,403
Net increase/(decrease) in cash and cash equivalents	127,286	(30,028)
Cash and cash equivalents at beginning of the period	34,259	30,193
Effect of foreign exchange rate changes	185	24,478
Cash and cash equivalents at end of the period	161,730	24,643
<b>Analysis of the balances of cash and cash equivalents:</b>		
Cash and bank balances	174,666	29,292
Less: Bank balances – trust and segregated accounts	(12,936)	(4,649)
	161,730	24,643

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

### 1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is Room 701, 7th Floor, Aon China Building, 29 Queen’s Road Central, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in environmental protection and water treatment operation, property investment operation and securities and financial operation.

During the period, the Group discontinued its city development and investment operation. Details were set out in note 15 to the condensed consolidated financial statements.

The condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), which is the same as the functional currency of the Company.

### 2. 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.

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



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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.

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

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2009
- <sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
- <sup>3</sup> Effective for annual periods beginning on or after 1 February 2010
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2010
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2011
- <sup>6</sup> 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.

## 3. 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 |
|---|--|

### 3. SEGMENT INFORMATION (Continued)

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	
<b>TURNOVER*</b>							
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
<b>SEGMENT RESULTS</b>							
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)

### 3. 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	
<b>TURNOVER*</b>							
Hong Kong	-	270	9,942	-	10,212	-	10,212
The PRC	29,244	7,779	-	-	37,023	-	37,023
	29,244	8,049	9,942	-	47,235	-	47,235
<b>SEGMENT RESULTS</b>							
Hong Kong	-	(1,736)	7,597	-	5,861	-	5,861
The PRC	16,764	(147,195)	-	-	(130,431)	(125,003)	(255,434)
	16,764	(148,931)	7,597	-	(124,570)	(125,003)	(249,573)
Unallocated interest income					175	1	176
Unallocated corporate expenses					(230,790)	-	(230,790)
Loss from operations					(355,185)	(125,002)	(480,187)

\* 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.

### 4. 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
	20,141	1,139	10	1	20,151	1,140

## 5. 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 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
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

## 6. 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 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current tax						
Hong Kong Profits Tax	163	475	-	-	163	475
The PRC Enterprise Income Tax	5,496	-	-	-	5,496	-
	5,659	475	-	-	5,659	475
Deferred tax	2,716	(13,810)	-	-	2,716	(13,810)
	8,375	(13,335)	-	-	8,375	(13,335)

### 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.

## 7. 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 HK\$'000 (Unaudited)	2008 HK\$'000 (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
From continuing and discontinued operations	78,225	477,302

Number of shares	As at 30 September	
	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

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 did not assume conversion of the Company's outstanding share options, convertible note options and convertible notes were anti-dilutive.

## 8. INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 September 2009 (for the six months ended 30 September 2008: Nil).

## 9. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 September 2009 have been arrived at on the basis of valuations carried out on that date by Savills Valuation and Professional Services Limited and 上海房地產估價師事務所有限公司, independent valuers, which have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

At 30 September 2009, investment properties with carrying amount of approximately HK\$200,734,000 (31 March 2009: HK\$179,796,000) have been pledged to secure banking facilities granted to the Group.

## 10. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000 (Unaudited)
<b>Net book value</b>	
At 1 April 2009	20,092
Additions	64,704
Disposals	(12)
Depreciation	(4,546)
<b>At 30 September 2009</b>	<b>80,238</b>

At 30 September 2009, the net book value of property, plant and equipment comprised of the followings:

	HK\$'000 (Unaudited)
<b>Net book value</b>	
Construction in progress	62,342
Furniture and fixtures	7,334
Equipment, motor vehicles and others	10,508
Leasehold improvements	54
	<b>80,238</b>

At 30 September 2009 and 31 March 2009, none of the Group's property, plant and equipment was pledged to secure bank loans.

## 11. INTANGIBLE ASSETS

	<b>Concession intangible assets</b> HK\$'000 (Unaudited)
<b>Net book value</b>	
At 1 April 2009	685,811
Additions	2,135
Amortisation	(12,370)
<b>At 30 September 2009</b>	<b>675,576</b>

The intangible assets represented the tap water processing operating rights under Build-Operation-Transfer ("BOT") arrangement.

## 12. OTHER FINANCIAL ASSETS

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Receivables under service concession arrangements	442,958	444,805

Other financial assets, bear interest at rates ranging from 6.37% to 13.88%, represented the considerations paid for the construction of sewage water treatment plants under BOT arrangements. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

## 13. 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 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (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
	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
	488,210	282,837
Less: Impairment of other receivables	(260)	(260)
	487,950	282,577

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.

#### 14. 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.

#### 15. 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.

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)
<b>Assets of disposal group classified as held for sale</b>		
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
	<b>1,066,865</b>	805,980
Remeasurement to fair value less costs to sell (Note)	<b>(211,663)</b>	(216,300)
	<b>855,202</b>	589,680
<b>Liabilities of disposal group classified as held for sale</b>		
Other payables	418,421	210,370
Bank and other borrowings	57,471	–
	<b>475,892</b>	210,370

Note: The amount of HK\$211,663,000 (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).

## 15. 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 HK\$'000 (Unaudited)	2008 HK\$'000 (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)
	<b>(9,636)</b>	(128,471)
Gain on remeasurement to fair value less costs to sell	4,637	–
Loss for the period from discontinued operation	<b>(4,999)</b>	(128,471)
Taxation	–	–
	<b>(4,999)</b>	(128,471)

## 16. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

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

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.

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Financial liabilities in relation to convertible note options	2,498	–

On 27 July 2009, the Company entered into a subscription agreement with the Mr. Yao Kangda (the “Subscriber”) in relation to (i) issue convertible notes with principal amount of HK\$120,000,000 (the “First Tranche Convertible Notes”) to the Subscriber; and (ii) grant of the convertible note option (the “Convertible Note Option”) to the Subscriber at the premium of HK\$2,500,000, being option to subscribe for the convertible notes in the principal amount of HK\$250,000,000 (the “Second Tranche Convertible Notes”) at conversion price of HK\$0.1 per share. Details of which were set out in the Company’s announcement date 27 July 2009.

The Convertible Note Option shall be exercisable from the date of grant to 30 April 2010. It is exercisable in whole or in part and can be exercised on multiple occasions during the exercise period, provided that the principal amount of the Second Tranche Convertible Notes subject to the relevant exercise shall be an integral multiple of HK\$10,000,000.

The value of the Convertible Note Option was valued by Ascent Partners Transaction Service Limited, an independent valuer, by using the Hull-White trinomial interest rate model. The inputs into the model were as follow:

### The Convertible Note Option

Spot price	HK\$0.109
Conversion price	HK\$0.10
Expected exercise period	0.71 years
Nature of the option	Call
Volatility of interest rate	0.64%

## 18. BANK AND OTHER BORROWINGS

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Bank borrowings, secured	381,811	277,031
Bank borrowings, unsecured	107,274	107,841
Total bank borrowings	<b>489,085</b>	384,872
Other borrowings, secured	241,379	120,000
Other borrowings, unsecured	31,347	18,966
Total other borrowings	<b>272,726</b>	138,966
Total borrowings	<b>761,811</b>	523,838
The maturity profile are as follow:		
On demand or repayable within one year:		
bank borrowings	213,432	92,936
other borrowings	31,347	126,541
Portion classified as current liabilities	<b>244,779</b>	219,477
On demand or repayable in the second year:		
bank borrowings	44,446	55,759
other borrowings	241,379	1,816
	<b>285,825</b>	57,575
Bank borrowings repayable:		
in the third to fifth years, inclusive	183,474	170,718
after the fifth year	47,733	65,459
Other borrowings repayable:		
in the third to fifth years, inclusive	-	5,448
after the fifth year	-	5,161
	<b>231,207</b>	246,786
Portion classified as non-current liabilities	<b>517,032</b>	304,361
Total borrowings	<b>761,811</b>	523,838

## 18. BANK AND OTHER BORROWINGS (Continued)

The bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on Hong Kong Inter Bank Offered Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi ranging from 2.45% to 8.25% (31 March 2009: 2.55% to 8.25%) per annum.

The Group's borrowings are denominated in the following currencies:

	<b>As at 30 September 2009 HK\$'000 (Unaudited)</b>	As at 31 March 2009 HK\$'000 (Audited)
Hong Kong dollars	<b>53,512</b>	150,015
Renminbi	<b>708,299</b>	373,823
Total	<b>761,811</b>	523,838

## 19. CONVERTIBLE NOTES

### For the year ended 31 March 2009

During the year ended 31 March 2009, the Company issued convertible notes with principal amount of HK\$300,000,000 and carrying interest at 3.0% per annum and will be matured on 4 July 2012. The convertible notes are denominated in Hong Kong dollars. The initial conversion price is HK\$0.10 per share. The effective interest rate of the liability component is 8.57% per annum.

On 2 April 2008, 16 April 2008 and 21 April 2008, the convertible notes of approximately HK\$50,000,000, HK\$200,000,000 and HK\$50,000,000 were converted into 500,000,000, 2,000,000,000 and 500,000,000 ordinary shares respectively at HK\$0.10 each of the Company. Following the conversion, 3,000,000,000 ordinary shares under the convertible notes were issued.

### For the six months ended 30 September 2009

Pursuant to a subscription agreement, on 15 June 2009, the Company issued convertible notes with principal amount of HK\$35,000,000 to Favour City Limited. The convertible notes carry interest at 5% per annum and initial conversion price of HK\$0.1 per share. The effective interest rate of the liability component of the convertible notes is 7.91% per annum. Details of which were set out in the Company's announcements date 9 June 2009 and 10 June 2009.

## 19. CONVERTIBLE NOTES (Continued)

### For the six months ended 30 September 2009 (Continued)

On 31 July 2009, the Company issued the First Tranche Convertible Notes to the Subscriber. The First Tranche Convertible Notes carry interest at 5% per annum and carries initial conversion price of HK\$0.1 per share. The effective interest rate of the liability component of the First Tranche Convertible Notes is 7.05% per annum. Details of which were set out in the Company's announcement date 27 July 2009.

On 4 August 2009, the First Tranche Convertible Notes of HK\$120,000,000 were converted into 1,200,000,000 ordinary shares at HK\$0.1 each of the Company.

The movement of the liability component of the convertible notes for the period/year is set out below:

	<b>As at 30 September 2009 HK\$'000 (Unaudited)</b>	As at 31 March 2009 HK\$'000 (Audited)
Liability component at beginning of the period/year	–	–
Proceeds of issue	<b>155,000</b>	305,028
Equity component	<b>(4,025)</b>	(32,027)
Liability component at date of issue	<b>150,975</b>	273,001
Imputed interest expense for the period/year	<b>221</b>	–
Conversion into ordinary share	<b>(117,791)</b>	(273,001)
Liability component at end of the period/year	<b>33,405</b>	–

## 20. SHARE CAPITAL

	Number of shares		Nominal value	
	30 September 2009	31 March 2009	30 September 2009 HK\$'000	31 March 2009 HK\$'000
<b>Ordinary shares of HK\$0.10 each</b>				
<b>Authorised:</b>	<b>40,000,000,000</b>	40,000,000,000	<b>4,000,000</b>	4,000,000
<b>Issued and fully paid:</b>				
At beginning of the period/year	<b>20,286,193,632</b>	17,286,193,632	<b>2,028,619</b>	1,728,619
Exercise of share options	<b>706,000,000</b>	–	<b>70,600</b>	–
Conversion of convertible notes	<b>1,200,000,000</b>	3,000,000,000	<b>120,000</b>	300,000
At end of the period/year	<b>22,192,193,632</b>	20,286,193,632	<b>2,219,219</b>	2,028,619

All shares issued by the Company rank pari passu with the then existing shares in all respects.

### For the year ended 31 March 2009

The convertible notes with principal amounts of HK\$300,000,000 were converted into shares at conversion price of HK\$0.10 per share. 3,000,000,000 ordinary shares were issued upon the conversion of the convertible notes.

### For the six months ended 30 September 2009

The Company allotted and issued 706,000,000 new shares of HK\$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK\$0.103 per share.

The convertible notes with principal amounts of HK\$120,000,000 were converted into shares at conversion price of HK\$0.10 per share. 1,200,000,000 ordinary shares were issued upon the conversion of the convertible notes.

## 21. BUSINESS COMBINATION

On 18 September 2009, the Group acquired 47.27% equity interest in Regent Victor Development Limited (“Regent Victor”) from an independent third party. On the same date, the Group further subscribed 8,999,996 shares in Regent Victor and result held 71% equity interest in Regent Victor.

The details of the assets and liabilities acquired in the transaction and the goodwill arising are as follow:

	<b>Fair value</b> HK\$'000 (Unaudited)
<b>Net book value</b>	
Other receivables and prepayments	10,997
Cash and bank balances	6
Other payables	(69)
Net assets acquired	10,934
Less: remaining share of net assets	(5,765)
	5,169
Goodwill	31
	<u>5,200</u>
Satisfied by:	
Cash	<u>5,200</u>
Net cash outflow in respect of the acquisition of subsidiary:	
Cash consideration paid	5,200
Bank balances and cash acquired	(6)
	<u>5,194</u>

The subsidiary acquired did not make any significant revenue, result or cash flow to the Group.

As the revenue and result of the acquired subsidiary before the acquisition were not significant to the Group, the total group revenue and result, as if the acquisition had been completed on 1 April 2009, are not disclosed as the information does not give additional value.

## 22. CAPITAL COMMITMENTS

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment and properties under developments for sale	<b>359,807</b>	109,087

## 23. OPERATING LEASE COMMITMENTS

### The Group as lessee

At 30 September 2009 and 31 March 2009, the Group had commitments for future minimum lease payments under noncancellable operating leases in respect of rented premises which fall due as follows:

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Within one year	5,964	2,920
In the second to fifth year inclusive	12,082	5,208
After five years	11,388	11,930
	<b>29,434</b>	20,058

Operating lease payments represent rentals payable by the Group for certain of its office properties and land use rights in the PRC. Leases for the office properties are negotiated for an average term of three years. Lease for land use rights in the PRC is negotiated for 20 years.

### 23. OPERATING LEASE COMMITMENTS (Continued)

#### The Group as lessor

At 30 September 2009 and 31 March 2009, the Group had contracted with tenants for the following future minimum lease payments:

	<b>As at 30 September 2009 HK\$'000 (Unaudited)</b>	As at 31 March 2009 HK\$'000 (Audited)
Within one year	10,260	9,647
In the second to fifth year inclusive	12,452	14,342
After five years	697	1,046
	<b>23,409</b>	25,035

### 24. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties:

- (a) The Group paid interest amounted to approximately HK\$68,000 (for the six months ended 30 September 2008: HK\$90,000) to a director of the Company's subsidiary.
- (b) The Group paid interest amounted to approximately HK\$92,000 (for the six months ended 30 September 2008: HK\$56,000) to a related company of the Company.
- (c) The Group received rental income amounted to approximately HK\$90,000 (for the six months ended 30 September 2008: HK\$270,000) from a director of the Company.
- (d) On 17 September 2009, the Group entered into a loan agreement with each of Mr. Zhao Libo ("Mr. Zhao") and Mr. Han Xiao ("Mr. Han") in relation to the proposed provision of a loans to them, each in the principal amount of HK\$2,900,000 (the "Loan"). Both Mr. Zhao and Mr. Han are directors and substantial shareholders of Regent Victor Development Limited ("Regent Victor"), an indirectly non-wholly owned subsidiary of the Company. The Loans shall be secured by the charge on Regent Victor shares held by each of Mr. Zhao and Mr. Han, being 2,900,000 Regent Victor shares each. Details of which were set out in the Company's announcement dated 18 September 2009.

As at 30 September 2009, the balance due from each of Mr. Zhao and Mr. Han were approximately of HK\$2,899,000 (31 March 2009: Nil).

## 24. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (e) Compensation of key management personnel

Compensation for key management personnel, including amount paid to the Company's directors and the senior executives is as follow:-

	For the six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Salaries and other short-term benefits	5,688	5,034
Pension scheme contributions	95	170
Share-based payment	29,530	–
	<b>35,313</b>	5,204

## 25. SUBSEQUENT EVENTS

- (i) On 4 November 2009, Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”), a subsidiary of the Company, submitted a proposal (the “Share Increase Proposal”) to the Shanghai Stock Exchange to increase its issued A shares for fund-raising (the “Share Increase”). Pursuant to the Share Increase Proposal, up to 130,000,000 Heilongjiang Interchina's shares will be issued to not more than 10 investors at a price not less than RMB6.55 per share, but the maximum proceeds shall not exceed RMB900,000,000. The Company is indirectly interested in approximately 70.2% of the capital of Heilongjiang Interchina. Upon completion of the Share Increase in full, it is expected that the Company's interest in Heilongjiang Interchina will be diluted to 50.24%.

Heilongjiang Interchina intended to acquire four fellow subsidiaries of Heilongjiang Interchina within the Group (the “Internal Disposal and the Internal Acquisition”). Upon completion of the Internal Disposal and the Internal Acquisition, the four fellow subsidiaries shall remain subsidiaries of the Company, but its intermediate holding company shall be changed to Heilongjiang Interchina.

Heilongjiang Interchina entered into an agreement to acquire the entire equity interest in 通用沙井污水處理(深圳)有限公司 (General Shajing Sewage Treatment (Shenzhen) Company Limited), at the aggregate consideration of RMB21,666,100.

Details of which were set out in the Company's announcement dated 13 November 2009.



## 25. SUBSEQUENT EVENTS *(Continued)*

- (ii) As disclosed in note 19 to the condensed consolidated financial statements, on 11 December 2009, 350,000,000 ordinary shares were issued upon conversion of the convertible notes.
  
- (iii) As disclosed in note 17 to the condensed consolidated financial statements, on 18 December 2009, the Company issued part of the Second Tranche Convertible Notes in the aggregate principal amount of HK\$20,000,000. On the same date, the holder of the Second Tranche Convertible Notes converted into shares at the conversion price of HK\$0.1 per share and 200,000,000 ordinary shares were issued upon conversion of the Second Tranche Convertible Notes on 18 December 2009.

## 26. APPROVAL OF INTERIM FINANCIAL STATEMENT

The unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 18 December, 2009.

## 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)
<b>Project under operation</b>			
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			492,500

Project	Province	The Group's interest	Daily processing capacity (tonnes)
<b>Project under construction</b>			
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			445,000
Total			937,500

\* 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, re-model 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.

## SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 2 September 2002, the shareholders of the Company adopted the share option scheme (the “Share Option Scheme”) and a previous share option scheme was terminated on the same date. Under the Share Option Scheme, the Board may, at their discretion, invite a wider category of participants as defined in the Company’s circular issued on 30 July 2002 (the “Participants”), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

Details of the share options granted under the Share Option Scheme and the outstanding options as at 30 September 2009 were as follows:

Name of category of participant	Date of granted (DD/MM/YY)	Exercise price per share HK\$	Exercise Period (DD/MM/YY)	Number of share options				Outstanding as at 30 September 2009
				Outstanding as at 31 March 2009	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Director</b>								
Wing Man Yi	30/07/09	0.103	31/07/09 to 02/09/12	-	202,000,000	-	-	202,000,000
Lam Cheung Shing, Richard	30/07/09	0.103	31/07/09 to 02/09/12	-	202,000,000	-	-	202,000,000
Zhu Yongjun	30/07/09	0.103	31/07/09 to 02/09/12	-	202,000,000	-	-	202,000,000
Ha Ping	28/08/07	0.146	29/08/07 to 02/09/12	5,000,000	-	-	-	5,000,000
	30/07/09	0.103	31/07/09 to 02/09/12	-	20,000,000	-	-	20,000,000
Ho Yiu Yue, Louis	30/07/09	0.103	31/07/09 to 02/09/12	-	10,000,000	-	-	10,000,000
Ko Ming Tung, Edward	30/07/09	0.103	31/07/09 to 02/09/12	-	10,000,000	-	-	10,000,000
Fu Tao	30/07/09	0.103	31/07/09 to 02/09/12	-	10,000,000	-	-	10,000,000
Mu Simon Ximing*	30/07/09	0.103	31/07/09 to 02/09/12	-	10,000,000	-	(10,000,000)	-
Wong Hon Sum**	28/08/07	0.146	29/08/07 to 02/09/12	5,000,000	-	-	(5,000,000)	-
Tang Tin Sek**	28/08/07	0.146	29/08/07 to 02/09/12	5,000,000	-	-	(5,000,000)	-



Name of category of participant	Date of granted (DD/MM/YY)	Exercise price per share HK\$	Exercise Period (DD/MM/YY)	Number of share options				Outstanding as at 30 September 2009
				Outstanding as at 31 March 2009	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Consultants</b>								
In aggregate	28/08/07	0.146	29/08/07 to 02/09/12	33,000,000	-	-	-	33,000,000
	30/07/09	0.103	31/07/09 to 02/09/12	-	524,000,000	(504,000,000)	-	20,000,000
<b>Employees</b>								
In aggregate	28/08/07	0.146	29/08/07 to 02/09/12	40,000,000	-	-	-	40,000,000
	30/07/09	0.103	31/07/09 to 02/09/12	-	378,000,000	(202,000,000)	-	176,000,000
				<u>88,000,000</u>	<u>1,568,000,000</u>	<u>(706,000,000)</u>	<u>(20,000,000)</u>	<u>930,000,000</u>

\* Retired on 18 September 2009

\*\* Resigned on 1 April 2009

- (1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (2) The exercise price of the share option is subject to adjustment in the case of a capitalization issue, rights issue, sub-division or consolidation of the Company's share or reduction of the Company's share capital.
- (3) The number of share options and exercised price had been adjusted following the completion of open offer. Options to subscribe for 1,568,000,000 shares were granted under the Share Option Scheme during the six months ended 30 September 2009. The fair value of the options granted is calculated by using the Binomial Model. The significant inputs into the model are as follows:

Date of grant	30 July 2009
Exercise price	HK\$0.103
Stock price at the date of grant	HK\$0.103
Expiration date	2 September 2012
Expected volatility	95.526% ~ 113.33%
Annual risk free rate*	0.1% ~ 0.984%
Expected life	Approximate 1 ~ 3 years
Expected ordinary dividend	Nil

\* The risk free rates are the 1-year, 2-year and 3-year Hong Kong Exchange Fund Note yields as at 30 July 2009

The result of the Binomial Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option Pricing Model.

The total expenses recognised in the Company's income statement for the Period in respect of the grant of the aforesaid 1,568,000,000 options is HK\$76,408,000.

At 30 September 2009, the Company had 930,000,000 share options (31 March 2009: 88,000,000) outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in issue of 930,000,000 additional ordinary shares of HK\$0.1 each of the Company.

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### Long positions in shares and underlying shares

Name of Director	Number of shares and underlying shares held, capacity and nature of interest			Approximate percentage of the issued share capital of the Company (Note 2)
	Beneficial owner	Equity derivatives (Note 1)	Total interest	
Ms. Wing Man Yi	300,000,000	202,000,000	502,000,000	2.26%
Mr. Lam Cheung Shing, Richard	77,000,000	202,000,000	279,000,000	1.26%
Mr. Zhu Yongjun	–	202,000,000	202,000,000	0.91%
Ms. Ha Ping	–	25,000,000	25,000,000	0.11%
Mr. Ho Yiu Yue, Louis	–	10,000,000	10,000,000	0.05%
Mr. Ko Ming Tung, Edward	–	10,000,000	10,000,000	0.05%
Dr. Fu Tao	–	10,000,000	10,000,000	0.05%

Notes:

- (1) These represent the interests in share options granted to the Directors as beneficial owner under a share option scheme of the Company adopted on 2 September 2002.
- (2) The calculation of percentages is based on 22,192,193,632 shares of the Company in issue as at 30 September 2009.

Save as disclosed above, as at 30 September 2009, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions in shares and underlying shares

Name of substantial shareholder	Number of shares and underlying shares held, capacity and nature of interest			Approximate percentage to the issued share capital of the Company (Note 5)
	Directly beneficially owned	Through controlled corporation	Total interest	
Zhang Yang ("Mr. Zhang")	4,672,190,000	103,495,000 (Note 1)	4,775,685,000	21.52%
Yao Kangda ("Mr. Yao")	3,941,780,000 (Note 2)	–	3,941,780,000	17.76%
Kingston Finance Limited	1,200,000,000	–	1,200,000,000	5.41%
Chu Yuet Wah ("Mrs. Chu")	–	1,200,000,000 (Note 3)	1,200,000,000	5.41%
Ma Siu Fong ("Ms. Ma")	–	1,200,000,000 (Note 4)	1,200,000,000	5.41%

Notes:

- These shares are held by Wealth Land Development Corp., which is wholly and beneficially owned by Mr. Zhang.
- These shares represent (i) 1,441,780,000 Shares held by Mr. Yao; (ii) 2,500,000,000 shares to be allotted and issued to Mr. Yao upon the exercise in full of the conversion rights attaching to the convertible notes to be issued by the Company, details of which are set out in the announcement of the Company dated 27 July 2009.
- Mrs. Chu is deemed to be interested in these interests through her controlling interests of 51% in Kingston Finance Limited.
- Ms. Ma is deemed to be interested in these interests through her controlling interests of 49% in Kingston Finance Limited.
- The calculation of percentages is based on 22,192,193,632 shares of the Company in issue as at 30 September 2009.

Save as disclosed above, as at 30 September 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



## CHANGE OF DIRECTORS' INFORMATION

The change of directors' information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

1. Mr. Wong Hon Sum and Mr. Tang Tin Sek have resigned as independent non-executive director of the Company with effect from 1 April 2009.
2. Mr. Ho Yiu Yue, Louis and Mr. Ko Ming Tung, Edward were appointed as independent non-executive director of the Company with effect from 2 April 2009.
3. Mr. Zhang Yang has resigned as Chairman and executive director of the Company with effect from 11 May 2009.
4. Mr. Lam Cheung Shing, Richard was appointed as new Chairman of the Company with effect from 11 May 2009 and re-designated as Deputy Chairman of the Company and appointed as Chief Executive Officer of the Company with effect from 16 June 2009.
5. Dr. Mu Simon Ximing was appointed as executive director of the Company with effect from 11 June 2009 and has retired as executive director of the Company with effect from 18 September 2009.
6. Ms. Wing Man Yi was appointed as executive director and Chairman of the Company with effect from 11 June 2009 and 16 June 2009 respectively.
7. Mr. Chan Wing Yuen, Hubert has resigned as Chief Executive Officer and executive director of the Company with effect from 11 June 2009.
8. Dr. Fu Tao was appointed as independent non-executive director of the Company with effect from 16 June 2009.

## 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.

By order of the Board of  
**Interchina Holdings Company Limited**  
**Wing Man Yi**  
*Chairman*