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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 2011

FINANCIAL HIGHLIGHTS

- Turnover amounted to HK\$363,417,000, representing an increase of 191.8% as compared to HK\$124,538,000 in the corresponding period of the preceding year.
- Loss for the period amounted to HK\$124,924,000, representing an increase of 4.8% as compared to HK\$119,172,000 in the corresponding period of the preceding year.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2011 (for the six months ended 30 September 2010: Nil).
- At 30 September 2011, total equity amounted to HK\$4,257,556,000, representing a decrease of 0.8% as compared to HK\$4,292,028,000 as at 31 March 2011.
- At 30 September 2011, net assets per share was HK\$1.20, same as the year ended 31 March 2011.

RESULTS

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 referred to as the “Group”) for the six months ended 30 September 2011 and the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2011. The turnover of the Group was HK\$363,417,000 for the period, representing an increase of 191.8% as compared to HK\$124,538,000 in the same period of last year. Loss for the period was HK\$124,924,000, representing an increase of 4.8% as compared to HK\$119,172,000 in the same period of last year.

Analysis of the Group's turnover and profit/(loss) contributed by each business segment during the period are set out below:

	Turnover <i>HK\$'000</i>	Profit/(loss) <i>HK\$'000</i>
Environmental protection and water treatment operation	171,987	36,359
Property investment operation	10,973	20,223
Securities and financial operation	24,626	(72,642)
Supply and procurement operation	155,831	(1,209)
	<u>363,417</u>	<u>(17,269)</u>
Total from major operations		(17,269)
Other unallocated expenses*		<u>(107,655)</u>
Loss for the period		<u>(124,924)</u>

* Other unallocated expenses mainly consisted of finance costs of HK\$82,974,000, taxation of HK\$11,113,000 and other operating and headquarter expenses of HK\$13,568,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Environmental Protection and Water Treatment Operation

The Group mainly operates the environmental protection and water treatment operation through its wholly-owned subsidiary, Interchina (Tianjin) Water Treatment Company Limited ("Interchina (Tianjin)") and the 53.77% owned Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, listed on the Shanghai Stock Exchange). As at 30 September 2011, the Group's environmental protection and water treatment operation comprised a total of 13 projects, which includes 5 water supply projects and 8 sewage treatment projects with aggregate daily processing capacity of approximately 1,357,500 tonnes, representing an increase of 420,000 tonnes as compared with 10 sewage and water treatment projects with aggregate daily operation capacity of 937,500 tonnes in the same period of last year. Analysis of the segment revenue of environmental protection and water treatment operation during the period are set out below:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Sewage and water treatment income	106,453	45,226
Construction service income	44,252	24,485
Finance income under service concession arrangement	21,282	29,071
	<u>171,987</u>	<u>98,782</u>
Total revenue of this segment		<u>98,782</u>

The sewage and water treatment income of HK\$106,453,000 was recorded for the period, representing an increase of HK\$61,227,000 or 135.4% as compare with the same period of last year. The increase in the aggregate daily operation capacity were mainly attributable to the Ordos Project, Dongying Project and Taiyuan Project which commenced operation in November 2010, July 2011 and August 2011 respectively and the Zhuozhou Project was acquired in December 2010. Besides, the increase in construction services income by HK\$19,767,000 or 80.7% as compare with the same period of last year was mainly attributable to the 85% equity interest in 北京中科國益環保工程有限公司 (Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited), a company established in the PRC with principal business in providing environmental protection engineering services and solutions in the PRC was acquired in December 2010. The segment profit of HK\$36,359,000 was recorded for the period, representing an increase of HK\$654,000 or 1.8% as compared with the same period of last year.

Set out below is a summary of the Group's water projects as at 30 September 2011:

Project	Province	The Group's controlling 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
Zhuozhou Sewage & Water Treatment Plants ("Zhuozhou Project") ¹	Hebei	100%	80,000
Hanzhong Xingyuan Water Supply Plant ("Xingyuan Project")	Shannxi	100%	110,000
Yanliang Water Supply Plant ("Yanliang Project")	Shannxi	99%	120,000
Maanshan Sewage Treatment Plant ("Maanshan Project")	Anhui	100%	60,000
Xiongyue Sewage Treatment Plant ("Qinghai Project")	Qinghai	95%	42,500
Ordos Sewage & Water Treatment Plant ("Ordos Project")	Inn Mongolia	100%	35,000
Dongying Water Supply Plant ("Dongying Project")	Shandong	55.4%	150,000
Taiyuan Haofeng Wastewater Treatment Plant ("Taiyuan Project")	Shanxi	80%	160,000
Sub-total			<u>917,500</u>

Project	Province	The Group's controlling interest	Daily processing capacity (tonnes)
Project under construction			
Hanzhong Shimen Water Supply Plant ("Shimen Project") ²	Shannxi	80%	100,000
Xiangtan Water Supply Plant ("Xiangtan Project") ³	Hunan	81.8%	300,000
Hekou Wastewater Treatment Plant ("Hekou Project") ⁴	Shandong	100%	<u>40,000</u>
Sub-total			<u>440,000</u>
Total			<u><u>1,357,500</u></u>

- (1) Zhuozhou Project consists of Eastern plant and Western plant with average daily treatment capacity of 40,000 tonnes respectively and is currently under upgrading work to Grade 1A of the national waste water discharge standard.
- (2) The pipeline connection of Shimen Project is outstanding and is expected to be completed by mid of 2012.
- (3) The construction of Xiangtan Project is expected to be completed by the end of 2012.
- (4) The construction of Hekou Project is expected to be completed by the end of 2012.

During the period, the Group has continuously expanded its environmental protection and water treatment operation and successfully obtained two projects. On 16 May 2011, Heilongjiang Interchina, entered into a joint venture agreement with 湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited) ("Xiangtan Jiuhua") in relation to the establishment of Xiangtan Interchina Water Treatment Company Limited ("Xiangtan Interchina") in the PRC for the construction and operation of water supply projects in the Xiangtan Jiuhua Demonstration Zone. Heilongjiang Interchina will inject RMB122,700,000 and Xiangtan Jiuhua will inject RMB27,300,000 to Xiangtan Interchina representing 81.8% and 18.2% of the registered capital of Xiangtan Interchina respectively. Xiangtan Interchina is formally established on 26 August 2011. Xiangtan Interchina will invest, construct, produce and operate a water supply plant project of the Xiangtan Jiuhua Demonstration Zone with a daily capacity of 300,000 tonnes during the franchise period of 30 years. Detail of the transaction was set out in the Company's announcement dated 18 May 2011. On 25 August 2011, Heilongjiang Interchina entered into the franchise agreement with the People's Government of Dongying City, Hekou District. The People's Government of Dongying City, Hekou District has granted franchise to Heilongjiang Interchina for investment, construction and operation, during the franchise period, of the sewage treatment project of Shandong Hekou Lanse Economic Development Zone in the PRC with a daily capacity of 40,000 tonnes, for a franchise period of 30 years. Detail of the transaction was set out in the Company's announcement dated 26 August 2011.

During the period under review, the upgrading work for the Changli Project and Zhuozhou Project had been completed, laying a solid foundation for the further expansion of this segment. The Group has entered into supplemental agreement with the People's Government of Changli City and Zhuozhou City respectively to increase the sewage treatment fee after the completion of upgrading to Grade 1A of the national waste water discharge standard.

In order to coordinate with the Xian Municipal Government policy in water resources allocation in Xian, subsequent to the period ended, in October 2011, the Group entered into a share transfer agreement with 西安閻良航城水務有限公司 (Xian Yanliang Hang Cheng Water Co., Ltd.) ("Hang Cheng Water") pursuant to which the Group agreed to sell and Hang Cheng Water agreed to acquire 99% equity interest in Xian Aviation Technology Assets Zone Water Supply Co., Ltd. ("Xian Aviation Water") and sale loan at an aggregate consideration of RMB149,500,000 (equivalent to approximately HK\$184,568,000). The major asset of Xian Aviation Water is the Yanliang Project with daily operation capacity of 120,000 tonnes. Detail of the transaction was set out in the Company's announcement dated 28 October 2011.

With the objectives of the Twelve "Five-Year Plan" gradually in shape, energy-saving environmental protection industry becomes the first of China's Seven Strategic Emerging Industries. It is expected that the environmental protection and water treatment operation projects of the Group will also benefit from it. Currently, the Company has gained access to the domestic A-share market investment and financing platform with its holding of Heilongjiang Interchina. With the Company listing status in Hong Kong and the A-share listing status of Heilongjiang Interchina in Shanghai, the Company will raise free-cost capital through its listing platform in Hong Kong, invest in environmental and water projects and inject the matured project into A-share Heilongjiang Interchina platform to generate high PE growth. By the way, we can enjoy low investment cost, high PE growth return and remarkable exchange gain brought by the appreciation of Renminbi. We expect that the daily processing capacity of the Heilongjiang Interchina with gradually increase to 4,500,000 tonnes within next two to five years and becoming a leading domestic water business enterprise. In addition, the Group is currently actively seeking opportunity to acquire companies with advanced environmental technology in the European and U.S. to strengthen the technology competitiveness of the Group.

Property Investment Operation

The Group's property investment operation, which mainly comprise two investment properties located in the centre of Beijing and Shanghai, recorded revenue of HK\$10,973,000 for the period, representing a decrease of HK\$1,781,000 or 14% as compared with the same period of last year. The segment profit of HK\$20,223,000 was recorded for the period, representing an increase of HK\$1,631,000 or 8.8% as compared with the same period of last year. The increase in segment profit was mainly attributable to there is a fair value gain of HK\$21,361,000 on the appreciation of the property values for the period (for the six months ended 30 September 2010: HK\$15,650,000).

During the period, the Group has further acquired 32 commercial units and some car parking spaces of the Beijing property with aggregate areas of approximately 9,600 square meters at the consideration of HK\$162,000,000. At 30 September 2011, the Beijing property was almost fully let out whereas the Shanghai property was still under renovation. The Group is planning to develop the Shanghai property as an entertainment centre to provide food and beverage, karaoke facility etc. in the district through leasing. It expects the Shanghai property can contribute rental revenue to the Group after the Chinese New Year in 2012.

Securities and Financial Operation

During the period under review, the Group's securities and financial operation recorded revenue of HK\$24,626,000 (for the six month ended 30 September 2010: HK\$13,002,000) and the segment loss of HK\$72,642,000 (for the six month ended 30 September 2010: loss of HK\$18,433,000). The increase in the segment loss is mainly attributable to the unrealised loss arising from the drop in fair value of the securities investment of HK\$113,060,000 recorded for the period due to recent downturn in the global financial markets.

As a small size broker firm, the Group was under tremendous pressure and competition from other major securities broker firms and banks in Hong Kong. The recent fluctuation of the securities market has also affected the Group's business plan to this segment. Where there are suitable opportunities, the Group does not eliminate the possibility of selling or withdrawing the securities and financial operation, so as to concentrate the Group's financial resources in the environmental and water treatment operation and nature resources operation in long term.

Supply and Procurement Operation

During the period, Interchina Qian Yuan (Shanghai) Co., Ltd, an indirect wholly-owned subsidiary of the Company commenced the supply and procurement of metal minerals and electronic components in Shanghai and recorded a turnover of HK\$155,831,000 and segment loss of HK\$1,209,000 for the period. Subsequent to the period ended, the management has reassessed the possibility of development this segment and potential risk of this business. It decided to cease the operation as soon as practicable, so as to concentrate the Group's financial resources in the environmental and water treatment operation and nature resources operation in long term.

Nature Resources Operation

On 2 March 2011, the Group entered into a sale and purchase agreement for the acquisition of the entire equity interest in Universe Glory Limited ("Universe Glory"), for consideration of HK\$800,000,000 (the "Universe Glory Acquisition"). Upon completion of the Universe Glory Acquisition, Universe Glory shall be directly interested in 65% equity interest in P.T. Satwa Lestari Permai ("SLP"), a company incorporated in the Republic of Indonesia, which is licensed by the Indonesian Government for exploration, exploitation, refining and processing of manganese ore. The flagship asset of SLP is a mining block of approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggara, Indonesia ("Mining Block") and have rights for exploitation, refining, processing and export in the Mining Block. Based on the preliminary technical report prepared by professional valuer in accordance with JORCO Code,

it is estimated that the Mining Block has aggregate resources of approximately 18,800,000 tonnes which consists of measured resources of approximately 3,750,000 tonnes, indicated resources of approximately 5,050,000 tonnes and inferred resources of approximately 10,000,000 tonnes. The Board considers that the Universe Glory Acquisition has milestone significance to the Group's investments in the mining sector. The Universe Glory Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and detail of the transaction was set out in the Company's announcement dated 2 March 2011.

Pursuant to the agreement, the Universe Glory Acquisition will be completed in August 2011. However, additional time is required for Universe Glory to obtain the operation and production of IUP for the Mining Block, the Group and the vendor has agreed to further extend the long stop date from 31 August 2011 to 31 December 2011. It is expected that the Universe Glory Acquisition will be completed in December 2011. Upon completion of the Universe Glory Acquisition, the Group should directly hold the 65% interest in the Mining Block. The Group has commissioned Northwest Nonferrous International Investment Company Limited to plan a further exploration and formal exploitation and production program in the Mining Block and planned to create favorable conditions for commencement of exploitation project by building roads, setting up electricity supply system and preliminary construction within the Mining Block. The construction of processing centre is nearly completed.

In the coming years, the Company will continue seek for other suitable nature resources investment opportunities for business expansion and growth of the Group. It is expected that this segment can bring a significant cashflows and returns to the Group in the near future.

Prospect

Recent global debt crisis has brought forth the uncertainty over external economic environment as well as slowdown the economic growth of China. Driven by the current favourable government policies on environmental protection and water treatment industry, we believe that the environmental protection and water treatment operation as the core business of the Group is less influenced by economy volatility. While focusing on its existing environmental protection and water treatment development, the Group will also actively expand nature resources operation as another core business of the Group, so as to strengthen the Group's profit in the long run.

Challenges will be abundant in the year 2012. The Group will closely monitor the performance of each business sector and place stronger emphasis on operating cash flow management, stringent control on working capital and cost management. In addition, the Group will continue to look for any potential investment opportunities capable of enhancing the Group's asset portfolio strengthen the foothold of the Group and maximise shareholders' benefit.

Financial Review

Operating Results

During the period, the Group recorded a continuing growth in revenue amounted to HK\$363,417,000, representing an increase of 191.8% as compared to the same period of last year of HK\$124,538,000. The increase was mainly attributable to the revenue derived from environmental protection and water treatment operation increased 74.1% to HK\$171,987,000 and a revenue of HK\$155,831,000 contributed by the Group's newly established supply and procurement business in the PRC during the period.

During the period, the Group recorded a loss of HK\$124,924,000, representing a slightly increase of 4.8% as compared to the same period of last year of HK\$119,172,000. The Group cannot turn into profit from loss for the period was mainly attributable to (i) the result of the downturn in global investment market conditions during the period, a loss arising on change in fair value of investment in listed securities of HK\$94,088,000 was recorded, representing an increase of HK\$65,582,000 or 230% as compared with the same period of last year of HK\$28,506,000; and (ii) the increase in finance cost of HK\$49,701,000 as a result of increase in bank and other borrowings for the Group's expansion.

Financial Position

As at 30 September 2011, the Group's total assets were HK\$7,157,627,000 (31 March 2011: HK\$6,834,487,000) and the total liabilities were HK\$2,900,071,000 (31 March 2011: HK\$2,542,459,000), and the equity reached HK\$4,257,556,000 (31 March 2011: HK\$4,292,028,000). As at 30 September 2011, the current ratio of the Group was approximately 1.49 (31 March 2011: 2.76) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 29.4% (31 March 2011: 27.9%).

Financial Resources and Capital Structure

As at 30 September 2011, the Group's cash on hand and deposits in bank was approximately HK\$398,612,000 (31 March 2011: HK\$1,078,187,000). Around 6% of the Group's cash on hand and deposits in bank was denominated in Hong Kong dollars with the rest mainly in Renminbi.

As at 30 September 2011, the Group's total borrowings comprising bank borrowings of HK\$903,786,000 (31 March 2011: HK\$697,406,000), other borrowings of HK\$1,203,431,000 (31 March 2011: HK\$1,209,766,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK\$1,677,141,000 repayable within one year, HK\$408,471,000 repayable after one year but within five years and HK\$21,605,000 repayable after five years. Around 12% of the Group's total borrowings was denominated in Hong Kong dollars with the rest mainly in Renminbi. The increase in bank and other borrowings was mainly due to the increase in investment by financing from non-financial institutions in China for the business development.

During the period, pursuant to the share option scheme, a total 7,250,000 share options granted were exercised, for which a total of 7,250,000 new shares were issued. The proceeds in the sum of approximately HK\$6,473,000 generated from the exercise of share options were used as general working capital of the Group.

Foreign Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. During the period, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities. The Group will closely manage and monitor foreign currency risks whenever its financial impact is material to the Group.

Significant Acquisition and Disposal

Save as the acquisition has been described in the "Business Review" section, there was no material acquisition or disposal during the period.

Pledged of Group's Assets

As at 30 September 2011, the Group's assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK\$367,414,000, property, plant and equipment with carrying amounts of HK\$338,298,000, intangible assets with carrying amounts of HK\$477,101,000 and other financial assets with carrying amounts of HK\$394,302,000. In addition, certain shares of subsidiary held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Contingent Liability

At 30 September 2011, the Group had no significant contingent liability.

Human Resources and Remuneration Policy

As at 30 September 2011, the Group had approximately 910 employees in Hong Kong and the PRC. 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September

	Notes	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover	3	363,417	124,538
Cost of sales		(236,644)	(48,407)
Other income and gain, net	4	27,424	29,185
Fair value change in investment properties		21,361	15,650
Staff costs		(34,474)	(23,113)
Amortisation and depreciation		(22,384)	(15,060)
Administrative costs		(55,400)	(35,535)
Share-based payment expenses		—	(91,064)
Loss arising on change in fair value of financial assets at fair value through profit or loss		<u>(94,088)</u>	<u>(28,506)</u>
Loss from operations	5	(30,788)	(72,312)
Finance costs	6	(82,974)	(33,273)
Share of result of an associate		<u>(49)</u>	<u>—</u>
Loss before taxation		(113,811)	(105,585)
Taxation	7	<u>(11,113)</u>	<u>(13,587)</u>
Loss for the period		<u>(124,924)</u>	<u>(119,172)</u>
Attributable to:			
Owners of the Company		(142,519)	(122,987)
Non-controlling interests		<u>17,595</u>	<u>3,815</u>
		<u>(124,924)</u>	<u>(119,172)</u>
Loss per share for loss attributable to the owners of the Company			
Basic and diluted	8	<u>(HK4.00 cents)</u>	<u>(HK4.62 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September

	2011 HK\$'000 (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Loss for the period	(124,924)	(119,172)
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>66,955</u>	<u>34,576</u>
Total comprehensive loss for the period	<u>(57,969)</u>	<u>(84,596)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(75,564)	(88,411)
Non-controlling interests	<u>17,595</u>	<u>3,815</u>
	<u>(57,969)</u>	<u>(84,596)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2011 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Investment properties		945,680	746,881
Property, plant and equipment	9	416,952	299,878
Prepaid lease payments		16,083	15,781
Intangible assets	10	1,355,976	1,051,305
Other financial assets		497,468	483,996
Goodwill		444,086	426,017
Interest in an associate		1,115	1,122
Available-for-sale financial assets		1,235	1,190
Other non-current assets		101,031	97,515
		3,779,626	3,123,685
Current assets			
Inventories		9,321	6,511
Trade and other receivables and prepayments	11	2,591,030	2,239,489
Loan receivables	12	233,777	223,768
Financial assets at fair value through profit or loss		145,185	162,771
Tax recoverable		76	76
Bank balances — trust and segregated accounts		6,474	5,202
Cash and cash equivalents		392,138	1,072,985
		3,378,001	3,710,802
Total assets		7,157,627	6,834,487
Equity			
Share capital		356,267	355,542
Share premium and reserves		3,036,384	3,104,884
		3,392,651	3,460,426
Equity attributable to owners of the Company		3,392,651	3,460,426
Non-controlling interests		864,905	831,602
		4,257,556	4,292,028
Total equity		4,257,556	4,292,028

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2011 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Bank borrowings — due after one year		214,027	198,000
Other borrowings — due after one year		216,049	822,976
Deferred tax liabilities		201,709	175,923
		<u>631,785</u>	<u>1,196,899</u>
Current liabilities			
Trade and other payables and deposits received	<i>13</i>	577,449	444,414
Tax payable		13,696	14,950
Bank borrowings — due within one year		689,759	499,406
Other borrowings — due within one year		987,382	386,790
		<u>2,268,286</u>	<u>1,345,560</u>
Total liabilities		<u>2,900,071</u>	<u>2,542,459</u>
Total equity and liabilities		<u>7,157,627</u>	<u>6,834,487</u>
Net current assets		<u>1,109,715</u>	<u>2,365,242</u>
Total assets less current liabilities		<u>4,889,341</u>	<u>5,488,927</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited 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; and
- financial instruments classified as available-for-sale or as trading securities.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011, except for the adoption of the new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA as noted below.

HKFRSs (Amendments)	Improvement to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) - Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above new HKFRSs has had no material effect on the accounting policies of the Group and the methods of computation in the condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

Environmental protection and water treatment operation	—	Operation of water plants and sewage treatment plants in the PRC
Property investment operation	—	Leasing of rental property in the PRC and Hong Kong
Securities and financial operation	—	Securities investment provision of financial service
Supply and procurement operation	—	Supply and procurement of metal minerals and electronic components

The following is an analysis of the segment revenue and results:

For the six months ended 30 September 2011

	Environmental protection and water treatment operation <i>HK\$'000</i> (Unaudited)	Property investment operation <i>HK\$'000</i> (Unaudited)	Securities and financial operation <i>HK\$'000</i> (Unaudited)	Supply and procurement operation <i>HK\$'000</i> (Unaudited)	Consolidated total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>171,987</u>	<u>10,973</u>	<u>24,626</u>	<u>155,831</u>	<u>363,417</u>
Segment results	<u>36,359</u>	<u>20,223</u>	<u>(72,642)</u>	<u>(1,209)</u>	(17,269)
Interest income and other income					6,240
Unallocated loss					<u>(19,759)</u>
Loss from operations					(30,788)
Finance costs					(82,974)
Share of results of an associate					<u>(49)</u>
Loss before taxation					(113,811)
Taxation					<u>(11,113)</u>
Loss for the period					<u>(124,924)</u>

For the six months ended 30 September 2010

	Environmental protection and water treatment operation <i>HK\$'000</i> (Unaudited)	Property investment operation <i>HK\$'000</i> (Unaudited)	Securities and financial operation <i>HK\$'000</i> (Unaudited)	Supply and procurement operation <i>HK\$'000</i> (Unaudited)	Consolidated total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>98,782</u>	<u>12,754</u>	<u>13,002</u>	<u>—</u>	<u>124,538</u>
Segment results	<u>35,705</u>	<u>18,592</u>	<u>(18,433)</u>	<u>—</u>	<u>35,864</u>
Interest income and other income					3,744
Unallocated loss					(20,856)
Share-based payment expenses					<u>(91,064)</u>
Loss from operations					(72,312)
Finance costs					<u>(33,273)</u>
Loss before taxation					(105,585)
Taxation					<u>(13,587)</u>
Loss for the period					<u>(119,172)</u>

4. OTHER INCOME AND GAIN, NET

	For the six months ended 30 September	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Bank interest income	3,361	135
Government subsidies	5,556	12,989
Consultancy service income	12,222	11,238
Dividend income	2	3
Net foreign exchange gain	2,879	3,542
Fair value change in derivative financial instruments	—	66
Sundry income	3,404	1,212
	<u>27,424</u>	<u>29,185</u>

5. LOSS FROM OPERATIONS

	For the six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss from operations has been arrived at after charging:		
Depreciation	3,487	1,955
Amortisation of leasehold land and intangible assets	18,897	13,235
Operating lease rentals in respect of premises	2,912	2,504
	<u>25,296</u>	<u>17,694</u>

6. FINANCE COSTS

	For the six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank charges	2,123	81
Interest on bank borrowings	13,707	10,755
Interest on other borrowings	67,144	21,799
Interest on convertible notes	—	638
	<u>82,974</u>	<u>33,273</u>

7. TAXATION

	For the six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	1,930	1,484
The PRC Enterprise Income Tax	3,285	6,185
	<u>5,215</u>	<u>7,669</u>
Deferred tax	5,898	5,918
	<u>11,113</u>	<u>13,587</u>

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (for the six months ended 30 September 2010: 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 of the PRC Enterprise Income Tax is based on the estimated taxable income for the PRC at the rate of taxation applicable to the six months ended 30 September 2011 and 2010.

8. 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	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(142,519)</u>	<u>(122,987)</u>
	At 30 September	
Number of shares	2011	2010
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>3,561,521,011</u>	<u>2,659,284,935</u>

The calculation of diluted loss per share for the six months ended 30 September 2011 and 2010 were the same as the basic loss per share. The Company's outstanding share option was not included in the calculation of the diluted loss per share as these potential ordinary shares would have anti-dilutive effect.

9. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
	(Unaudited)
Net book value:	
At 1 April 2011	299,878
Exchange alignment	2,025
Additions	119,244
Acquisition of subsidiaries	35
Written off	(743)
Depreciation	<u>(3,487)</u>
At 30 September 2011	<u>416,952</u>

At 30 September 2011, the net book value of property, plant and equipment comprises the following:

	HK\$'000
	(Unaudited)
Net book value:	
Building	28,518
Leasehold improvements	24,911
Plant and machinery	336,455
Furniture and fixtures	10,196
Equipment, motor vehicles and others	<u>16,872</u>
	<u>416,952</u>

At 30 September 2011, plant and machinery and equipment, motor vehicle and others with carrying amounts of approximately HK\$336,455,000 and HK\$1,843,000 respectively (31 March 2011: plant and machinery: HK\$244,509,000, furniture and fixture: HK\$30,000 and equipment, motor vehicle and others: HK\$1,542,000 respectively) have been pledged to secure general banking facilities granted to the Group.

10. INTANGIBLE ASSETS

	Concession intangible assets HK\$'000 (Unaudited)
Net book value:	
At 1 April 2011	1,051,305
Exchange alignment	26,742
Additions	296,544
Amortisation	<u>(18,615)</u>
At 30 September 2011	<u><u>1,355,976</u></u>

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (31 March 2011: 60 days) to its trade customers. Trade receivables that are less than 60 days past due are not considered impaired. The aged analysis of trade receivables is as follows:

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Trade receivables:		
0–30 days	579,734	385,223
Over 90 days	<u>—</u>	<u>10,622</u>
	579,734	395,845
Margin clients accounts receivables	1,228	9,222
Clearing houses, brokers and dealers	1,581	1,075
Prepayments and deposits	1,739,310	1,726,522
Other receivables	<u>271,490</u>	<u>109,138</u>
	2,593,343	2,241,802
Less: Impairment of other receivables and prepayment	<u>(2,313)</u>	<u>(2,313)</u>
	<u><u>2,591,030</u></u>	<u><u>2,239,489</u></u>

Loans to margin clients are secured by client's pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed, as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

The Group's prepayments and deposits as at 30 September 2011, inter alia, are as follows:

- (i) deposits of approximately HK\$672,715,000 (31 March 2011: 504,762,000) paid for acquisition of companies principally engaged in the exploration, mining, processing and sale of Manganese resources in the Republic of Indonesia. Details of the acquisition were set out in the Company's announcement dated 2 March 2011;
- (ii) deposits of approximately HK\$198,765,000 (31 March 2011: HK\$292,007,000) paid for acquisition of certain investment properties in the PRC;
- (iii) deposits of approximately HK\$306,914,000 (31 March 2011: HK\$295,952,000) paid for acquisition of several potential water projects in the PRC; and
- (iv) prepayments of approximately HK\$225,956,000 (31 March 2011: HK\$349,149,000) to various contractors for construction of environmental protection and water treatment projects in the PRC.

12. LOAN RECEIVABLES

The loan receivables were unsecured, carrying at the prevailing interest rate ranging from 9% to 9.6% per annum with fixed repayment terms.

Loan receivables relate to a number of independent debtors. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	At 30 September 2011 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
Trade payables:		
0–30 days	84,150	152,735
Over 90 days	3,935	3,795
	88,085	156,530
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	117	1,732
Other payables and deposits received	489,247	286,152
	577,449	444,414

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.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2011 (for the six months ended 30 September 2010: Nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2011, in the opinion of the Board, the Company complied with all code provisions set out in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules, except for one code provision under the CG Code. 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.

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 six months ended 30 September 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company and had reviewed with management of the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters including review of the interim results of the Group for the six months ended 30 September 2011.

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 2011 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
Lam Cheung Shing, Richard
Executive Director and Chief Executive Officer

Hong Kong, 29 November 2011

As at the date of this announcement, the executive Directors are Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun and Mr. Wong Hin Shek, and the independent non-executive Directors are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Chi Chi Hung, Kenneth.