THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Interchina Holdings Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

INTERCHINA HOLDINGS COMPANY LIMITED
國中控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DEEMED DISPOSAL OF SUBSIDIARY, VERY SUBSTANTIAL DISPOSAL IN RELATION TO POSSIBLE DISPOSAL OF SHARES IN A SUBSIDIARY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of Interchina Holdings Company Limited (the "**Company**") is set out on pages 5 to 26 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Room 701, Aon China Building, 29 Queen's Road Central, Hong Kong on Friday, 19 October 2012, at 10:00 a.m. is set out on pages 96 to 98 of this circular. A form of proxy for use at the extraordinary general meeting of the Company is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the share registrar of the Company, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the extraordinary general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting of the Company or any adjournment thereof should you so wish.

28 September 2012

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Beijing TDR"	Beijing TDR Enviro-Tech Co., Ltd (北京天地人環保科技有限公司), a company established in the PRC
"Beijing TDR Acquisition"	the acquisition of an aggregate of 90% of equity interest of Beijing TDR pursuant to the Sale and Purchase Agreement, details of which are set out in the announcement of the Company dated 27 June 2012
"Beijing Zhongkei"	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 and a 90%-owned subsidiary of Heilongjiang Interchina as at the Latest Practicable Date
"Board"	the board of Directors
"Company"	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liabilities, the issued Shares of which are listed on the Stock Exchange
"connected person"	has the meaning ascribed to it in Rule 1.01 of the Listing Rules and as extended under Rule 14A.11 of the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deemed Disposal"	the reduction of the Company's interest in the capital of Heilongjiang Interchina from approximately 53.77% to 39.12% upon completion of the Non-public Share Issue in full
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the Heilongjiang Interchina Shares pursuant to the Disposal Mandate
"Disposal Mandate"	a specific mandate proposed by the Board to seek approval from the Shareholders to allow the Board to dispose of up to 110,000,000 Heilongjiang Interchina Shares on the terms as set out under the paragraph headed "Terms of the Disposal Mandate" in the section headed "Letter from the Board" of this circular

"EGM"	the extraordinary general meeting of the Company to be convened and held for considering and, if thought fit, approving the Non-public Share Issue, the Deemed Disposal, and the Disposal
"Group"	the Company and its subsidiaries
"Heilongjiang Interchina"	Heilongjiang Interchina Water Treatment Company Limited, a company established in the PRC and the A shares of which are listed on the Shanghai Stock Exchange
"Heilongjiang Interchina Board"	the board of directors of Heilongjiang Interchina
"Heilongjiang Interchina Group"	Heilongjiang Interchina and its subsidiaries
"Heilongjiang Interchina New Share(s)"	the new domestic shares (A shares) of RMB1.00 each in the share capital of Heilongjiang Interchina to be issued by Heilongjiang Interchina under the Non-public Share Issue
"Heilongjiang Interchina Share(s)"	the shares of RMB1.00 each in the share capital of Heilongjiang Interchina
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huaibei Zhonglian Acquisition"	the acquisition of the entire equity interest of 淮北中聯環水環境有限公司 (Huaibei Zhonglian Huanshui Environmental Company Limited*) at the consideration of RMB34,300,000
"Interchina CAS Ecological Scientific Innovation"	國中中科環境科技創新有限責任公司 (Interchina CAS Ecological Scientific Innovation Co. Limited*), a company to be established under the strategic cooperation framework agreement entered into between Heilongjiang Interchina and Research Centre for Eco-Environmental Sciences, Chinese Academy of Sciences dated 31 May 2012
"Interchina Tianjin"	Interchina (Tianjin) Water Treatment Company Limited, a company established in the PRC and a wholly owned subsidiary of the Company
"Issue Price"	the proposed issue price of not less than RMB8.03 per Heilongjiang Interchina New Share under Non-public Share Issue
"Latest Practicable Date"	26 September 2012, being the latest practicable date prior to the bulk-printing of this circular for the purpose of ascertaining certain information contained in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mining Acquisition"	the acquisition in relation to existing natural resources project (as set out in the announcement of the Company dated 28 June 2012)
"Non-public Share Issue"	the proposed non-public offering of Heilongjiang Interchina New Shares to not more than ten subscribers at the Issue Price
"Non-public Share Issue Proposal"	the proposal previously submitted to the Shanghai Stock Exchange regarding the Non-public Share Issue which had been superseded by the Revised Non-public Share Issue Proposal as at the Latest Practicable Date
"PRC" or "China"	the People's Republic of China (which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Proposed Disposal of Property"	the proposed disposal of the Shanghai Property as set out in the announcement of the Company dated 29 August 2012
"Price Determination Date"	21 June 2012, being the day of Heilongjiang Interchina Board's resolutions approving the Non-public Share Issue Proposal
"Remaining Group"	the Group immediately after completion of the Non-public Share Issue and/or exercise in full of the Disposal Mandate
"Revised Non-public Share Issue Proposal"	the revised proposal as approved by the board of Heilongjiang Interchina on 20 September 2012 and submitted to the Shanghai Stock Exchange regarding the Non-public Share Issue
"Sale and Purchase Agreement"	the sale and purchase agreement entered into between Heilongjiang Interchina and 韓德民 (Han Demin), 韓立新 (Han Lixin), 韓宇 (Han Yu), 韓子石 (Han Zishi), 朱東柯 (Zhu Dongke), 張靜 (Zhang Jing) and 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.) dated 21 June 2012 in respect of the acquisition of an aggregate of 90% of equity interest of Beijing TDR at the aggregate consideration of RMB495,000,000
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Shanghai Property"	has the meaning ascribed to it in the paragraph headed "Financial and trading prospects" in Appendix II of this circular
"Share(s)"	ordinary share(s) of HK$0.1 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

* *For identification purposes only*

Conversion of RMB into HK$ is based on the exchange rate of RMB0.81 = HK$1.00.

INTERCHINA HOLDINGS COMPANY LIMITED
國中控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 202)

Executive Directors:
Mr. Jiang Zhaobai *(Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Zhu Yongjun
Mr. Shen Angang
Mr. Zhu Deyu
Mr. Lu Yaohua

Independent non-executive Directors:
Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Mr. Chen Yi, Ethan

Registered office:
Room 701, 7th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

28 September 2012

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DEEMED DISPOSAL OF SUBSIDIARY, VERY SUBSTANTIAL DISPOSAL IN RELATION TO POSSIBLE DISPOSAL OF SHARES IN A SUBSIDIARY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 21 June 2012, the board of directors of Heilongjiang Interchina, a subsidiary of the Company with its A shares listed on the Shanghai Stock Exchange, the PRC, approved a proposal (being the Non-public Share Issue Proposal) in respect of the issue of not more than 160,000,000 Heilongjiang Interchina New Shares at the price of not less than RMB8.03 per Heilongjiang Interchina New Share to not more than ten subscribers. The maximum proceeds shall not exceed RMB1,290,000,000. The proposed Non-public Share Issue is subject to the approval of (i) the shareholders of Heilongjiang Interchina; (ii) the CSRC; and (iii) the Shareholders at the EGM. Approval from the shareholders of Heilongjiang Interchina has been obtained on 11 July 2012. Heilongjiang Interchina has submitted a formal Non-public Share Issue Proposal to the Shanghai Stock Exchange. On 27 August 2012, Heilongjiang Interchina received a notice of acceptance of the formal Non-public Share Issue from the CSRS.

On 20 September 2012, the Company announced that the board of directors of Heilongjiang Interchina had approved to amend certain terms of the Non-public Share Issue Proposal (the revised proposal shall be regarded as the Revised Non-public Share Issue Proposal).

As at the Latest Practicable Date, the Company through Interchina Tianjin indirectly held approximately 53.77% equity interests in Heilongjiang Interchina. It is expected that upon completion of the Non-public Share Issue, the Group's interest in Heilongjiang Interchina will be diluted to 39.12%, constituting the Deemed Disposal.

On 4 September 2012, the Company announced that it would like to seek the Shareholders' approval in relation to the Disposal Mandate which involves the possible disposal of Heilongjiang Interchina Shares held by the Group in one or more transactions which in aggregate will constitute a very substantial disposal of the Company. Details of the terms of the Disposal Mandate are set out below.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Non-public Share Issue, the Deemed Disposal, and the Disposal. The purpose of this circular is to provide you with further information of the Non-public Share Issue, further information on the Disposal, financial information relating to the Group as well as the Heilongjiang Interchina Group, financial information relating to the Remaining Group and other information as required under the Listing Rules.

(A) THE NON-PUBLIC SHARE ISSUE

The Revised Non-public Share Issue Proposal

On 21 June 2012, the board of directors of Heilongjiang Interchina, a subsidiary of the Company with its A shares listed on the Shanghai Stock Exchange, the PRC approved a proposal (being the Non-public Share Issue Proposal) in respect of the issue of not more than 160,000,000 Heilongjiang Interchina New Shares at the price of not less than RMB8.03 per Heilongjiang Interchina New Share to not more than ten subscribers. The maximum proceeds shall not exceed RMB1,290,000,000. As announced by the Company on 21 June 2012, the net proceeds from the then proposed Non-public Share Issue pursuant to the Non-public Share Issue Proposal was expected to be not more than RMB1,242,000,000 which Heilongjiang Interchina planned to apply in the following manner:

(a) as to approximately RMB495,000,000 for the Beijing TDR Acquisition, details of which are set out in the announcement of the Company dated 27 June 2012;

(b) as to approximately RMB34,300,000 for the Huaibei Zhonglian Acquisition;

(c) as to approximately RMB422,700,000 for the development of the existing water projects of Heilongjiang Interchina;

(d) as to approximately RMB100,000,000 for increase in the registered capital of Beijing TDR;

(e) as to approximately RMB45,000,000 for increase in the registered capital of Beijing Zhongkei;

(f) as to approximately RMB45,000,000 as registered capital of Interchina CAS Ecological Scientific Innovation; and

(g) the balance of RMB100,000,000 as general working capital of Heilongjiang Interchina Group.

On 21 June 2012, Heilongjiang Interchina and 上海環瑞投資管理有限公司 (Shanghai Huan Rui Investment & Management Co., Ltd) (the "**Vendor**") entered into a conditional acquisition agreement (the "**Acquisition Agreement**") in relation to the Huaibei Zhonglian Acquisition. An amount of RMB8,400,000 was paid by Heilongjiang Interchina to the Vendor as deposit. The Huaibei Zhonglian Acquisition did not constitute any notifiable transaction of the Company under the Listing Rules.

Since approval from the relevant local government cannot be obtained within the agreed timeframe in relation to the Acquisition Agreement, Heilongjiang Interchina and the Vendor mutually agreed to terminate the Acquisition Agreement with immediate effect and the Vendor has refunded the deposit of RMB8,400,000 to Heilongjiang Interchina and thereafter each party shall absolutely and irrevocably release each other from all obligations and duties under the Acquisition Agreement.

Based on the above, on 20 September 2012, the Company announced that the board of directors of Heilongjiang Interchina had approved to amend certain terms of the Non-public Share Issue Proposal (being the Revised Non-public Share Issue Proposal) as follows:

(i) part of the net proceeds raised from the Non-public Share Issue would not be used in the Huaibei Zhonglian Acquisition as it has already been terminated; and

(ii) the maximum proceeds raised from the Non-public Share Issue will be reduced by RMB34,300,000 from RMB1,290,000,000 to RMB1,255,700,000.

Set out below are the principal terms of the Revised Non-public Share Issue Proposal:

		Non-public Share Issue Proposal	Revised Non-public Share Issue Proposal
Number of Heilongjiang Interchina New Shares to be issued	:	not more than 160,000,000, the exact amount is subject to the limit approved by the shareholders of Heilongjiang Interchina and to be determined with the underwriter. On 27 July 2012, 中國民族證券有限責任公司 (China Minzu Securities Company Limited) has been appointed as the underwriter for the Non-public Share Issue. It is agreed that the Non-public Share Issue will be made on best effort basis. To best knowledge, information and belief of the Directors having made all reasonable enquiries, 中國民族證券有限責任公司 (China Minzu Securities Company Limited) is a party independent of the Group and its connected persons.	not more than 160,000,000, the exact amount is subject to the limit approved by the shareholders of Heilongjiang Interchina and to be determined with the underwriter. On 27 July 2012, 中國民族證券有限責任公司 (China Minzu Securities Company Limited) has been appointed as the underwriter for the Non-public Share Issue. It is agreed that the Non-public Share Issue will be made on best effort basis. To best knowledge, information and belief of the Directors having made all reasonable enquiries, 中國民族證券有限責任公司 (China Minzu Securities Company Limited) is a party independent of the Group and its connected persons.
Issue Price	:	to be determined based on the principles of price priority from subscribers after the approval from the CSRC has been obtained, which shall be not less than RMB8.03, being 90% of the average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange for the 20 trading days immediately before the Price Determination Date. In case there is bonus issue of Heilongjiang Interchina Shares, declaration of dividend or capitalisation during the period between the Price Determination Date and the date the Heilongjiang Interchina New Shares are issued, the Issue Price shall be adjusted accordingly.	to be determined based on the principles of price priority from subscribers after the approval from the CSRC has been obtained, which shall be not less than RMB8.03, being 90% of the average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange for the 20 trading days immediately before the Price Determination Date. In case there is bonus issue of Heilongjiang Interchina Shares, declaration of dividend or capitalisation during the period between the Price Determination Date and the date the Heilongjiang Interchina New Shares are issued, the Issue Price shall be adjusted accordingly.
Maximum proceeds:	:	shall not exceed RMB1,290,000,000	shall not exceed RMB1,255,700,000

		Non-public Share Issue Proposal	Revised Non-public Share Issue Proposal
Subscribers	:	to be determined, but tentatively not more than ten subscribers, which might include financial institutions, securities investment and fund management companies, trust investment companies, insurance companies, qualified PRC offshore investors, individuals or other qualified investors under the PRC laws. As at the Latest Practicable Date, the Company and Heilongjiang Interchina did not intend to issue any Heilongjiang Interchina New Shares to its or the Company's connected persons	to be determined, but tentatively not more than ten subscribers, which might include financial institutions, securities investment and fund management companies, trust investment companies, insurance companies, qualified PRC offshore investors, individuals or other qualified investors under the PRC laws. As at the Latest Practicable Date, the Company and Heilongjiang Interchina did not intend to issue any Heilongjiang Interchina New Shares to its or the Company's connected persons
Lock-up	:	the Heilongjiang Interchina New Shares issued shall be subject to a lock-up of 12 months from the date of issue	the Heilongjiang Interchina New Shares issued shall be subject to a lock-up of 12 months from the date of issue

The executive Board resolved that the Company should not participate in the Non-public Share Issue on 9 July 2012. Therefore the Non-public Share Issue constitutes the Deemed Disposal.

Heilongjiang Interchina has submitted a formal Non-public Share Issue Proposal to the Shanghai Stock Exchange. The proposed Non-public Share Issue is subject to the approval of (i) the shareholders of Heilongjiang Interchina; (ii) the CSRC; and (iii) the Shareholders at the EGM. Approval from the shareholders of Heilongjiang Interchina has been obtained on 11 July 2012. On 27 August 2012, Heilongjiang Interchina received a notice of acceptance of the formal Non-public Share Issue from the CSRS. Other than the approval from the shareholders of Heilongjiang Interchina having been obtained, no other conditions had been fulfilled as at the Latest Practicable Date. Heilongjiang Interchina has submitted the Revised Non-public Share Issue Proposal to the Shanghai Stock Exchange and the CSRC on 20 September 2012 and 26 September 2012.

The shareholders of Heilongjiang Interchina have approved (i) the maximum number of Heilongjiang Interchina Shares to be issued was 160 million; and (ii) the minimum placing price per Heilongjiang Interchina Share be RMB8.03. Based on (i) and (ii) above and the termination of the Huaibei Zhonglian Acquisition, the maximum proceeds from the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal will be approximately RMB1,255,700,000. The exact number of Heilongjiang Interchina New Shares to be issued will be adjusted downward if the placing price per Heilongjiang Interchina New Share is higher than RMB8.03, subject to the maximum proceeds of RMB1,255,700,000. The Company will make further announcement when detailed terms of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal have been fixed.

The Directors consider that the terms of the Non-public Share Issue as set out in the Revised Non-public Share Issue Proposal are fair and reasonable and are on normal commercial terms, which are in the interests of the Company and the Shareholders as a whole.

Use of proceeds

The net proceeds from the proposed Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal is expected to be not more than RMB1,207,700,000 which Heilongjiang Interchina has revised to apply in the following manner:

(a) as to approximately RMB495,000,000 for the Beijing TDR Acquisition, details of which are set out in the announcement of the Company dated 27 June 2012;

(b) as to approximately RMB422,700,000 for the development of the existing water projects of Heilongjiang Interchina;

(c) as to approximately RMB100,000,000 for increase in the registered capital of Beijing TDR;

(d) as to approximately RMB45,000,000 for increase in the registered capital of Beijing Zhongkei;

(e) as to approximately RMB45,000,000 as registered capital of Interchina CAS Ecological Scientific Innovation; and

(f) the balance of RMB100,000,000 as general working capital of Heilongjiang Interchina Group.

Information of Heilongjiang Interchina

Heilongjiang Interchina is principally engaged in sewage and water treatment operation, construction of sewage and water treatment plants, the provision of technical services that is related to sewage treatment in the PRC. As at 31 March 2012, Heilongjiang Interchina operated 9 sewage treatment projects, 3 water supply projects and a construction company. The aggregate daily processing capacity of Heilongjiang Interchina reached approximately 1,237,500 tonnes.

Set out in Appendix I of this circular is the financial information of Heilongjiang Interchina.

Financial effect of the Deemed Disposal

Upon completion of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal, the Remaining Group's interest in Heilongjiang Interchina will decrease from 53.77% to 39.12% and Heilongjiang Interchina will cease to be a subsidiary of the Company, but instead will become an associate of the Company.

According to the Scenario I unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III of this circular, the result of the Group will turn from the loss of approximately HK$295 million to the profit of HK$2,564 million, as if the Deemed Disposal had taken place on 1 April 2011. According to the Scenario I unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III of this circular, the total assets of the Group will decrease from approximately HK$7,229 million to approximately HK$6,447 million whilst the total liabilities of the Group will decrease from approximately HK$2,500 million to approximately HK$1,694 million, as if the Deemed Disposal had taken place on 31 March 2012.

It is estimated that there will be a gain of approximately HK$1,007,329,000 from the Deemed Disposal, which is based on:

(a) the derecognition of the total net assets of Heilongjiang Interchina Group upon completion of the Non-Public Share Issue pursuant to the Revised Non-public Share Issue Proposal, which is calculated by using:

  (i) the net assets of Heilongjiang Interchina of approximately HK$925,471,000 as at 31 March 2012 attributable to the Company (being the net assets of Heilongjiang Interchina of approximately HK$1,757,964,000 as at 31 March 2012 less the non-controlling interest of Heilongjiang Interchina of HK$832,493,000); minus

  (ii) the amount of exchange reserve (based on the audited consolidated financial statements of the Company as at 31 March 2012) of approximately HK$42,987,000 to be released upon completion of the Deemed Disposal; but adding to it

  (iii) the amount of attributable goodwill (based on the audited consolidated financial statements of the Company as at 31 March 2012) of approximately HK$387,557,000 recognised at the time of acquisition of Heilongjiang Interchina in 2009; and

(b) the recognition of 39.12% equity interests in Heilongjiang Interchina as an associate of the Company by way of equity method upon completion of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal, which is based on the estimated market capitalisation of Heilongjiang Interchina of HK$2,277,370,000 upon completion of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal attributable to the Company, representing 39.12% of the estimated market capitalisation of Heilongjiang Interchina of HK$5,821,500,000 upon completion of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal (calculated using the maximum total issued Heilongjiang Interchina Shares multiplied by the Issue Price and the Company's shareholding percentage upon completion of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal).

However, it should be noted that the estimated market capitalisation of Heilongjiang Interchina upon completion of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal is calculated based on the enlarged total issued number of Heilongjiang Interchina Shares of 587,225,000, representing the issued total number of Heilongjiang Interchina Shares of 427,225,000 as at the Latest Practicable Date, plus the maximum number of 160,000,000 Heilongjiang Interchina New Shares to be issued under the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal at the minimum Issue Price. The actual gain to be recognised by the Company shall be calculated by reference to the financial position of Heilongjiang Interchina at the time of completion of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal, the actual number of Heilongjiang Interchina New Shares to be issued under the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal and the actual amount of Issue Price.

The gain on the Deemed Disposal is a non-cash transaction and no proceeds will be received by the Company in relation thereto.

Reasons for the Non-public Share Issue and Deemed Disposal

The Group is principally engaged in environmental and water treatment operation, securities and financial operation, property investment and natural resources operations. The cessation of securities and financial operation is underway and is subject to the approval from the Securities and Futures Commission. The Group's previous operation of supply and procurement ceased in April 2012.

Heilongjiang Interchina is principally engaged in sewage and water treatment operation, construction of sewage and water treatment plants, the provision of technical services that is related to sewage treatment in the PRC. As set out in the announcement of the Company dated 27 June 2012, Heilongjiang Interchina had entered into the Beijing TDR Acquisition which required funding for completion. Meanwhile, Heilongjiang Interchina was also looking for other funding for its growth and expansion.

After considering the financial market and other finance options such as bank borrowing, the Directors consider that the Non-public Share Issue represents an optimal option to the Group. While it can provide the capital funding to Heilongjiang Interchina for the Beijing TDR Acquisition and to further expand its existing projects on hand as well as other environmental related projects, the Company is not required to have any immediate cash outlay. In order to maintain the 53.77% interest in Heilongjiang Interchina, the Company will need to commit approximately RMB690,800,000 (equivalent to approximately HK$853,000,000), which the Directors consider will increase the financial burden of the Company. The cash on hand of the Group amounted to only HK$398,751,000 as at 31 March 2012. Considering the financial market in Hong Kong, the Directors consider it difficult to raise sufficient fund to meet subscription commitment of Heilongjiang Interchina should the Company participate in the Non-public Share Issue.

The Company considers that the businesses of the Heilongjiang Interchina Group are capital intensive and Heilongjiang Interchina required financial resources to further expand its businesses in both the existing and new geographical locations. The Company cannot, purely for the purpose of maintaining its shareholding interests (53.77%) in Heilongjiang Interchina through participating in the Non-public Share Issue, disregard the relevant financial risks including the liquidity risk and cash flow and interest rate risk as well as the return of the total investment in Heilongjiang Interchina. As at the Latest Practicable Date, the investment cost in Heilongjiang Interchina was approximately RMB627 million. If the Company participates in the Non-Public Share Issue in order to maintain its shareholding interest, the total investment cost in Heilongjiang Interchina will be further increased to approximately RMB1,318 million. Therefore, the Company considers it should not participate in the Non-public Share Issue due to such increase in its financial burden.

It is also of the view that the shareholder base of Heilongjiang Interchina need to be broaden in particular to invite financial institutions and fund management companies to become shareholder who can further enhance the operation and management of Heilongjiang Interchina and can drive its management standard to a higher level. Although, upon completion of the Non-public Share Issue, the Group's interests in Heilongjiang Interchina will be diluted, the Group will continue to be the single largest shareholder of Heilongjiang Interchina. Whilst Heilongjiang Interchina will cease to be a subsidiary of the Company upon completion of the Non-public Share Issue and become a strategic investment of the Company, it is expected that the investment in Heilongjiang Interchina by the Remaining Group will continue to contribute positively to the results of the Remaining Group through equity sharing.

Accordingly, the Directors consider that the Deemed Disposal is in the best interests of the Company and the Shareholders as a whole, and that its terms are fair and reasonable, having reached after arm's length negotiations.

Listing Rules implications

As at the Latest Practicable Date, the Company through Interchina Tianjin indirectly held approximately 53.77% equity interests in Heilongjiang Interchina. It is expected that upon completion of the Non-public Share Issue, the Group's interest in Heilongjiang Interchina will be diluted to 39.12%, constituting the Deemed Disposal. The executive Board consisted of Lam Cheung Shing, Richard, Zhu Yongjun, Shen Angang, Wong Hin Shek (who has retired as an executive Director on 15 August 2012) and Choi Fun Tai, Bosco (who has resigned as an executive Director on 24 September 2012) resolved that the Company should not participate in the Non-public Share Issue on 9 July 2012.

As the relevant percentage ratios (as defined in the Listing Rules) exceed 75%, the Deemed Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval at the EGM.

(B) THE DISPOSAL MANDATE

The Disposal Mandate

As at the Latest Practicable Date, the Company held 229,725,000 Heilongjiang Interchina Shares, representing approximately 53.77% of the issued share capital of Heilongjiang Interchina. Heilongjiang Interchina is principally engaged in sewage and water treatment operation, construction of sewage and water treatment plants, the provision of technical services that is related to sewage treatment in the PRC.

The Company would like to seek the Shareholders' approval in relation to the Disposal Mandate which involves the possible disposal of Heilongjiang Interchina Shares held by the Group in one or more transactions which in aggregate will constitute a very substantial disposal of the Company. The Board resolved and approved the proposed terms of the Disposal Mandate on 27 August 2012, 31 August 2012 and 4 September 2012.

Terms of the Disposal Mandate

The Disposal Mandate to be sought from the Shareholders will be on the following terms:

Maximum number of Heilongjiang Interchina Shares to be sold	:	not more than 110,000,000 Heilongjiang Interchina Shares, being approximately 25.75% of the issued share capital of Heilongjiang Interchina as at the Latest Practicable Date
Minimum disposal price	:	the higher of (a) RMB8.03, being the same as the minimum placing price of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal, and representing (i) a discount of 2.3% to the average closing price of RMB8.222 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange for the last 30 consecutive trading days up to and including 27 August 2012; and (ii) a discount of approximately 18.6% to the average closing price of RMB9.862 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange for the 12 months ended on 27 August 2012; or (b) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal
Settlement of consideration	:	cash

Mandate period	:	the Disposal Mandate to be sought from the Shareholders is to be valid for a period of six months from the date on which the Disposal Mandate is approved by the Shareholders
Potential buyer(s)	:	the persons to whom the Heilongjiang Interchina Shares will be disposed and the ultimate beneficial owner of such persons will, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, be third parties who are independent of the Company and its connected persons

The Company intends to dispose of 110,000,000 Heilongjiang Interchina Shares via the bulk-volume trading system of the Shanghai Stock Exchange at or above the minimum disposal price. The bulk-volume trading system is a trading platform under the Shanghai Stock Exchange and was specifically designed for trading of securities of not less than 50,000 shares (in terms of share number) or RMB3,000,000 (in terms of value) on each transaction. The advantage of it is that it is cost-saving (because it incurs less commission rate) and efficient. Before the transaction is executed, a potential buyer is already identified. The final trading price is to be within the daily lowest trading price and the daily highest trading price of the shares to be processed. These are block trade transactions but not necessarily conducted under any placing agreements with specific investment banks/financial institutions as placing agent.

The minimum disposal price of RMB8.03 has been determined after taking into account the minimum placing price of the Non-public Share Issue and the price performance of Heilongjiang Interchina Shares. Such minimum disposal price of RMB8.03 represents:

(i) a premium of 5.4% over the lowest closing price of RMB7.62 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange during the last 30 consecutive trading days up to and including 27 August 2012, being the date immediately prior to the suspension of trading in the Shares pending the release of the announcement of the Company dated 4 September 2012;

(ii) a discount of 11.2% to the highest closing price of RMB9.04 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange during the last 30 consecutive trading days up to and including 27 August 2012;

(iii) a discount of 2.3% to the average closing price of RMB8.222 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange for the last 30 consecutive trading days up to and including 27 August 2012;

(iv) a discount of 10.3% to the closing price of RMB8.95 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange on 27 August 2012; and

(v) a discount of approximately 18.6% to the average closing price of RMB9.862 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange for the 12 months ended on 27 August 2012.

Such minimum disposal price represents price-to-earning ratio of approximately 49.26, based on the net profit of Heilongjiang Interchina for the year ended 31 December 2011. The other threshold of the minimum disposal price, being 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal, has been set to accommodate fluctuations in the market while exercising the Disposal Mandate, so as to maximise the return for the Company and the Shareholders as a whole. The Directors consider that the terms of the Disposal Mandate, including the minimum disposal price per Heilongjiang Interchina Share, are fair and reasonable.

Board representation

As at the Latest Practicable Date, the Group had two representatives namely, Mr. Lam Cheung Shing, Richard and Mr. Zhu Yongjun on the board of directors of Heilongjiang Interchina. The Board currently does not have any plan to change the composition of the board of directors of Heilongjiang Interchina before completion of the Deemed Disposal and/or the Disposal. However, the Group intends to appoint a minimum of one representative on the board of directors of Heilongjiang Interchina after Heilongjiang Interchina becomes an associate investment of the Group.

Financial effect of the Disposal and use of proceeds

As at the Latest Practicable Date, the Company through Interchina Tianjin indirectly held 229,725,000 Heilongjiang Interchina Shares, being approximately 53.77% of the issued share capital of Heilongjiang Interchina. Upon exercise in full of the Disposal Mandate, the Group's interest in Heilongjiang Interchina will decrease from 53.77% to 28.02% and Heilongjiang Interchina will cease to be a subsidiary of the Company but instead will become an associate of the Company.

According to the Scenario II unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III of this circular, the result of the Group will turn from the loss of approximately HK$295 million to the profit of HK$2,358 million, as if the Disposal had taken place on 1 April 2011. According to the Scenario II unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III of this circular, the total assets of the Group will decrease from approximately HK$7,229 million to approximately HK$6,492 million whilst the total liabilities of the Group will decrease from approximately HK$2,500 million to approximately HK$1,694 million, as if the Disposal had taken place on 31 March 2012.

The Shareholders should note that the actual amounts of proceeds, accounting gain or loss and effects on the net assets and earnings of the Group depend on (i) net assets of Heilongjiang Interchina Group as at the relevant time; and (ii) the actual number of

Heilongjiang Interchina Shares disposed of by the Group and the actual selling price of the Heilongjiang Interchina Shares disposed of by the Group pursuant to the Disposal Mandate.

Realised profit upon completion of the Disposal

Based on the average investment cost of the Heilongjiang Interchina Shares held by the Company as at 31 March 2012 of RMB2.73 per Heilongjiang Interchina Share and the minimum disposal price of RMB8.03, the expected realised profit after tax on the Disposal is approximately RMB434,600,000.

Use of proceeds

Based on (i) the minimum disposal price of RMB8.03; and (ii) the maximum number of 110,000,000 Heilongjiang Interchina Shares to be disposed of under the Disposal Mandate, the Disposal will raise approximately RMB734,900,000 (equivalent to approximately HK$907,284,000) for the Group. The Group intends to use the proceeds in the following manner: (i) as to approximately 60% for repayment of bank and other borrowings of the Group; and (ii) as to the remaining 40% as funding for any potential investment opportunity which can enhance the quality of assets of the Group and increase the profitability of the Group.

As at the Latest Practicable Date, save for the Mining Acquisition, the Group had not yet identified any such investment opportunity but the Group will aim to look for any investment which can provide a stable income stream and with higher rate of return as compared to the environmental water operation. The Group has not fixed an arbitrary parameter regarding the nature of projects to be invested. The Company takes the view that as in the past, it is in the interests of the Company and Shareholders to keep an open mind when looking for investment opportunities. Afterall, the Group has a history of engaging in diversified business of different nature. Further announcement will be made as and when appropriate in relation thereto in accordance with the Listing Rules.

As at 31 July 2012, the outstanding bank and other borrowings of the Remaining Group amounted to approximately HK$1,251,300,000, of which HK$1,214,660,000 would become due within one year and most of the remaining balance was non-current nature. Out of the debts, approximately HK$1,144,938,000 was secured by the 220,940,000 Heilongjiang Interchina Shares owned by the Group. Assuming 110,000,000 Heilongjiang Interchina Shares are to be fully disposed of pursuant to the Disposal Mandate, the Remaining Group will have to repay approximately 50% of the HK$1,144,938,000 borrowings as secured by the Heilongjiang Interchina Shares, being HK$574,690,000. After repayment as set out above, the outstanding borrowings of the Remaining Group would be reduced to HK$676,610,000 (of which HK$639,970,000 will be due within one year). The Company will closely monitor the financial status of the Remaining Group and the financial market in order to determine whether to renew the outstanding borrowings of HK$574,690,000 as secured by the remaining 110,940,000 Heilongjiang Interchina Shares, or to repay part of the borrowings. The Remaining Group will repay the remaining

HK$65,280,000 of the outstanding borrowings in accordance with their repayment schedule by its existing internal resources. The proceeds from the Disposal, however, would not be used to repay outstanding borrowings of Heilongjiang Interchina Group.

It is estimated that after completion of placing of 854 million Shares on 16 August 2012, the Deemed Disposal, the Disposal and the Proposed Disposal of the Property, the Company will have additional capital of approximately HK$1,494,284,000.

Such amount is intended to be used as follows:

	Placing of 854 million Shares	**The Deemed Disposal**	**The Disposal**	**The Proposed Disposal of the Property**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Net proceeds	284,500	N/A	907,284	302,500	1,494,284
Proposed usage					
Funding the Mining Acquisition and any potential investments (not identified yet)	150,000	N/A	332,684	302,500	785,184
Repayment of bank and other borrowings	134,500	N/A	574,600	—	709,100

As at the Latest Practicable Date, save for the Deemed Disposal, the Disposal, the Proposed Disposal of the Property and the Mining Acquisition, the Company had no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about (i) any acquisition of business and/or assets or investment opportunity; (ii) any fund raising activities (including equity issue); (iii) any disposal, termination, and/or scaling-down of the Company's existing businesses and major assets of the Remaining Group; or (iv) any disposal of all or any portion of the remaining Heilongjiang Interchina Shares held by the Company.

Reasons for the Disposal

Background

The Group completed the acquisition of 229,725,000 Heilongjiang Interchina Shares, (representing 70.2% of the then issued share capital of Heilongjiang Interchina) in January 2009 at an aggregate consideration of approximately RMB627,150,000. The average cost of investment in Heilongjiang Interchina Shares amounted to approximately RMB2.73 per Heilongjiang Interchina Share.

In February 2011, Heilongjiang Interchina successfully issued an aggregate of 100,000,000 Heilongjiang Interchina Shares to seven institutional investors at RMB7.5 per Heilongjiang Interchina Share (the "**First Non-public Share Issue**"). Since the Group did not participate in the First Non-public Share Issue, the Group's equity interest in Heilongjiang Interchina was diluted from approximately 70.2% to 53.77%.

In June 2012, the board of Heilongjiang Interchina approved the Non-public Share Issue Proposal and on 20 September 2012, Heilongjiang Interchina approved the Revised Non-public Share Issue Proposal. It is expected that upon completion of the Non-public Share Issue, the Group's interest in Heilongjiang Interchina will be diluted from 53.77% to 39.12%, constituting the Deemed Disposal.

The Board is of the view that participation in the Non-public Share Issue would increase the financial burden of the Group. As set out in the announcement of the Company dated 12 July 2012, in order to maintain the existing 53.77% interest in Heilongjiang Interchina, the Company will need to commit approximately RMB690,800,000 (equivalent to approximately HK$853,000,000). The cash on hand of the Group is not enough to satisfy such amount and the current market condition does not favour the fund raising of such amount.

However, if the 160,000,000 Heilongjiang Interchina New Shares are to be issued at RMB8.03 per Heilongjiang Interchina New Share, the total net asset value of Heilongjiang Interchina will be increased by approximately RMB1.285 billion (HK$1.586 billion). Even if the Group's interest in Heilongjiang Interchina will be diluted by 14.65% due to the Deemed Disposal, the enlarged net asset value of Heilongjiang Interchina attributable to the Company upon completion of the Deemed Disposal will still be increased significantly by HK$362,969,000, as compared to that as at 31 December 2011, when the Non-public Share Issue had not yet been announced.

Based on the above, the Board considers that the Deemed Disposal is fair and reasonable, and is in the best interest of the Company and Shareholders as a whole.

Price performance of Heilongjiang Interchina Shares

Taking into the account (i) the trading price of each Heilongjiang Interchina Share has maintained at not less than RMB7.5 after the First Non-public Share Issue (representing an increase of RMB4.77 or 174.7% to the average investment cost of RMB2.73 per Heilongjiang Interchina Share), (ii) the closing price of RMB8.94 per Heilongjiang Interchina Share on 27 August 2012 as quoted on the Shanghai Stock Exchange (representing an increase of RMB6.21 or 227.5% to the average investment cost of RMB2.73 per Heilongjiang Interchina Share); and (iii) the minimum disposal price of RMB8.03 per Heilongjiang Interchina Share (representing an increase of RMB5.3 or 194.1% to the average investment cost of RMB2.73 per Heilongjiang Interchina Share) (the prices referred to in each of (i), (ii) and (iii) are hereinafter referred as "**Benchmarked Prices**"), the Company is of the view that the investment in Heilongjiang Interchina is a successful one.

Although the trading price of each Heilongjiang Interchina Share has been maintained at a comparatively high level, the price-to-earning ratio of Heilongjiang Interchina is also relatively high. Heilongjiang Interchina recorded a profit after tax of RMB69,785,089.21 for the year ended 31 December 2011 and based on the number of total issued Heilongjiang Interchina Shares of 427,225,000 as at the Latest Practicable Date, the profit after tax per Heilongjiang Interchina Share is approximately RMB0.163. Based on Benchmarked Prices, Heilongjiang Interchina has a price-to-earning ratio of (a) 46.01 after the First Non-public Share Issue; (b) 54.85 as at 27 August 2012 based on the closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange on that day and (c) 49.26 based on the minimum disposal price.

The Company had considered the recent trading price of Heilongjiang Interchina Shares and the relevant price-to-earning ratio of Heilongjiang Interchina and concluded that the Disposal is a good opportunity to realise part of investment in Heilongjiang Interchina.

Borrowings of the Group

As set out above, the Group still has substantial outstanding bank and other borrowings repayable within one year and the finance cost incurred as such is considerable. As at 31 July 2012, assuming completion of the Deemed Disposal and the Disposal, the outstanding bank and other borrowings of the Remaining Group amounted to approximately HK$1,251,300,000, of which HK$1,214,660,000 would become due within one year and most of the remaining balance was non-current nature. The Disposal can help reduce the Remaining Group's debt position in order to lower the finance cost.

The Mining Acquisition

As set out in the announcement of the Company dated 28 June 2012, the Group signed a memorandum of understanding in relation to the Mining Acquisition. The terms of such acquisition (including the consideration) have yet been finalised at this stage, but pursuant to the memorandum of understanding, the parties shall enter into a formal sale and purchase agreement before 30 September 2012. The Board considers that it is prudent to maintain reasonable cash level from time to time to meet the needs of commitments and to facilitate any investment potentials should they arise.

Increase in net asset value

Assuming the Company can dispose of the 110,000,000 Heilongjiang Interchina Shares at RMB8.03 per Heilongjiang Interchina Share (being the minimum disposal price), the net asset value of the Group will be increased by RMB734,900,000 (HK$907,284,000). Although at the same time, (i) the Company's interest in Heilongjiang Interchina will be decreased by 25.75% from 53.77% to 28.02% (assuming the Deemed Disposal had not completed); and (ii) the net asset value of Heilongjiang Interchina attributable to the Company will be decreased by HK$452,675,000, the Company can still record a net increase in net asset value by HK$454,609,000 upon completion of the Disposal.

The Directors consider that global economic outlook remained uncertain — which may also affect the Chinese economy. Therefore the Disposal represents a good opportunity for the Group to realise part of its investment in Heilongjiang Interchina at a fair and reasonable price. In addition, the proceeds from the Disposal will bring an immediate cash inflow to the Group, which can reduce the Group's borrowings as well as the relevant finance costs, with additional funding for expansion of the Group's business when a suitable business opportunity arises. Based on the above analysis, the Board considers that the Disposal is fair and reasonable, and is in the best interest of the Company and Shareholders as a whole.

Upon completion of the Disposal and Deemed Disposal, the Group's interest in Heilongjiang Interchina will be further diluted to 20.39%. Hence, Heilongjiang Interchina will cease to be a subsidiary of the Company and become an associate investment. The Company will continue to be the single largest shareholder of Heilongjiang Interchina upon completion of both the Deemed Disposal and the Disposal.

The Directors consider that the Disposal and the terms of the Disposal Mandate are fair and reasonable and is in the interest of the Shareholders as a whole, as the Directors can have a reasonable time to observe the price performance of the Heilongjiang Interchina Shares and realise the investment in Heilongjiang Interchina at the appropriate time. The Disposal Mandate can allow adequate flexibility for the Company during the 6-month period to act promptly, effectively and efficiently with reference to the changing market conditions and economic situation so as to protect the interests of the Company and the Shareholders.

The Directors will ensure that the Disposal to be effected pursuant to the Disposal Mandate will be conducted on normal commercial terms and will be fair and reasonable. The Disposal and the Deemed Disposal are not inter-conditional. As at the Latest Practicable Date, the Group was not in any discussion with any party in relation to the Disposal and no potential purchaser of Heilongjiang Interchina had been identified so far.

Listing Rules implications

As at the Latest Practicable Date, the Company held 229,725,000 Heilongjiang Interchina Shares, representing approximately 53.77% of the existing issued share capital of Heilongjiang Interchina. The Disposal Mandate, if exercised in full, will constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at the EGM.

The Group will report on the progress of the Disposal in the relevant interim report and/or annual report of the Company and make further announcements when any significant disposal under the Disposal Mandate has been made.

Financial effect of both the Deemed Disposal and the Disposal

Cessation as subsidiary

On 12 July 2012, the Company announced the Deemed Disposal, which, if completed in full, would render the reduction of the Group's interest in Heilongjiang Interchina from approximately 53.77% to approximately 39.12%. It is expected that upon exercise in full of the Disposal Mandate, together with completion in full of the Deemed Disposal, the Group's interest in Heilongjiang Interchina will be further diluted to approximately 20.39%. Assuming the Deemed Disposal did not take place but upon exercise in full of the Disposal Mandate, the Group's interest in Heilongjiang Interchina will decrease from 53.77% to 28.02%. In either case, Heilongjiang Interchina will cease to be a subsidiary of the Company but instead will become an associate of the Company. The Company considers that the Disposal would not have any material adverse effect on the total assets and total liabilities of the Group. If the Deemed Disposal is not completed but the Disposal is completed, Heilongjiang Interchina will be treated as an 28.02% associate investment of the Group. If both of the Deemed Disposal and the Disposal are completed, Heilongjiang Interchina will be also treated as an 20.39% associate investment of the Group, representing a dilution effect of 7.63% in the equity interest of Heilongjiang Interchina.

Please see the below table illustrating the shareholding structure of Heilongjiang Interchina before and immediately after completion of (i) the Deemed Disposal; (ii) the Disposal; and (iii) both the Deemed Disposal and the Disposal:

	As at the Latest Practicable Date	**Immediately after completion of the Deemed Disposal**	**Immediately after completion of the Disposal**	**Immediately after completion of both the Deemed Disposal and the Disposal**
The Company's interest in Heilongjiang Interchina	53.77%	39.12%	28.02%	20.39%
Public shareholders of Heilongjiang Interchina under Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal *(Note 1)*	—	27.25%	—	27.25%
Public shareholders of Heilongjiang Interchina under the Disposal *(Note 2)*	—	—	25.75%	18.73%
Other public shareholders	46.23%	33.63%	46.23%	33.63%
	100%	100%	100%	100%

Notes:

(1) It is calculated based on the maximum number of 160,000,000 Heilongjiang Interchina New Shares to be issued under the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal.

(2) It is calculated based on the maximum number of 110,000,000 Heilongjiang Interchina Shares to be disposed under the Disposal Mandate.

Sufficiency of operation

On 28 August 2012, Equal Smart Profit Limited, an indirect wholly-owned subsidiary of the Company entered into an non-legally binding letter of intent (the "**Letter of Intent**") with an intended purchaser in relation to the disposal (being the Proposed Disposal of the Property) of the Shanghai Property, being a property consisted of the second basement, the first basement, the first floor and second floor of No. 1546 Dalian Road, Yangpu District, Shanghai, the PRC, with the total building area of approximately 18,370.15 square metres at the intended consideration of RMB280,000,000. The Letter of Intent will expire on 30 September 2012. As at the Latest Practicable Date, formal sale and purchase agreement had not been entered into and negotiation between two parties was still underway.

The Company does not consider there will be issue in meeting the requirements of Rule 14.82 of the Listing Rules upon completion of placing of 854 million Shares on 16 August 2012, the Deemed Disposal, the Disposal and the Proposed Disposal of the Property.

Upon completion of the Deemed Disposal, the Disposal and the Proposed Disposal of the Property, excluding the amount of 20.39% equity interest of Heilongjiang Interchina, the Group will still have total assets of approximately HK$4,188,602,000.

Upon completion of the Deemed Disposal, the Disposal and the Proposed Disposal of the Property, the Group will be principally engaged in the property investment operation and the natural resources operation. It is estimated that based on the remaining investment property on hand, it will generate annual rental income of not less than HK$20 million for the year ending 31 March 2013. It is also estimated that once the Company has completed the Mining Acquisition, production and trading of manganese ore will commence within 6 months.

According to the Scenario III unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III of this circular, the result of the Group will turn from the loss of approximately HK$295 million to the profit of HK$2,351 million, as if both the Deemed Disposal and the Disposal had taken place on 1 April 2011. According to the Scenario III unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III of this circular, the total assets of the Group will decrease from approximately HK$7,229 million to approximately HK$6,492 million whilst the total liabilities of the Group will decrease from approximately HK$2,500 million to approximately HK$1,694 million, as if the Deemed Disposal and the Disposal had taken place on 31 March 2012.

The Shareholders should note that the actual amounts of proceeds, accounting gain or loss and effects on the net assets and earnings of the Group depend on (i) net assets of Heilongjiang Interchina Group as at the relevant time; (ii) the actual number of Heilongjiang Interchina New Shares to be issued under the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal at the actual amount of Issue Price; and (iii) the actual number of Heilongjiang Interchina Shares disposed of by the Group and the actual selling prices of the Heilongjiang Interchina Shares disposed of by the Group pursuant to the Disposal Mandate.

EGM

The EGM will be convened to be held for the Shareholders to consider and, if thought fit, to approve the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal, the Deemed Disposal, and the Disposal. To the best knowledge of the Company, no Shareholder had a material interest in the Deemed Disposal and/or the Disposal as at the Latest Practicable Date, and therefore, no Shareholder is required to abstain from voting at the EGM. In this regard, reference is made to the announcement of the Company dated 13 August 2012 in relation to the receipt of the "Update Report on the Progress of Acquisition of Heilongjiang Interchina by Rich Monitor Limited/Ms. Chu Yuet Wah" by the Board. As at the Latest Practicable Date, the Board had not received any agenda in relation to any action plan from any Shareholders regarding the above, and the Board had never made any discussion in relation to such with Rich Monitor Limited or Ms. Chu Yuet Wah. Therefore, the Deemed Disposal and the Disposal are not related to the above and certainly are not conducted to facilitate Rich Monitor Limited or Ms. Chu Yuet Wah or avoid Rich Monitor Limited or Ms. Chu Yuet Wah's obligation to make a mandatory offer as regards Heilongjiang Interchina. Given (a) Rich Monitor Limited or Ms. Chu Yuet Wah had not appointed any director as its/her representative on the Board and/or the board of Heilongjiang Interchina; (b) Rich Monitor Limited or Ms. Chu Yuet Wah are not parties to the arrangements regarding the Deemed Disposal and the Disposal; and (c) the intention of the Deemed Disposal and the Disposal is not to confer Rich Monitor Limited or Ms. Chu Yuet Wah any benefit (economic or otherwise), the Board does not consider Rich Monitor Limited and/or Ms. Chu Yuet Wah have a material interest in such arrangement and they should not be required to abstain from voting on the relevant resolutions approving the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal, the Deemed Disposal, and the Disposal.

A notice convening the EGM to be held at Room 701, Aon China Building, 29 Queen's Road Central, Hong Kong at 10:00 a.m. on Friday, 19 October 2012 is set out on pages 96 to 98 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the office of the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the EGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Directors consider the terms of the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal and the Deemed Disposal, and the Disposal Mandate to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Non-public Share Issue pursuant to the Revised Non-public Share Issue Proposal, the Deemed Disposal, and the Disposal.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

Yours faithfully,
for and on behalf of the Board
Lam Cheung Shing, Richard
Executive Director

Set out below are unaudited consolidated statement of comprehensive income, unaudited consolidated statement of financial position, unaudited consolidated statement of changes in equity and unaudited consolidated statement of cash flows of the Disposal Group for the year ended 31 March 2010, 2011 and 2012 (the "**Unaudited Consolidated Financial Information**"), which have been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular in connection with the Deemed Disposal and the Disposal. The Group's auditor, HLB Hodgson Impey Cheng Limited, has reviewed the Unaudited Consolidated Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements", issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which applies to a review of historical financial information performed by the independent auditor of the entity and concluded that nothing has come to their attention that causes them to believe that the Unaudited Consolidated Financial Information is not prepared, in all material respect, in accordance with the accounting policies adopted by the Company for the relevant years in the preparation of the unaudited consolidated financial information of the Company and the basis set out in note 2 to the Unaudited Consolidation Financial Information.

For the purpose of preparation of the Unaudited Consolidated Financial Information to be included in this circular, the Directors have prepared the Unaudited Consolidated Financial Information in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules which requires that the financial information must contain at least a statement of financial position, a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for each of the three financial years of the company immediately preceding the issue of the circular and where applicable, a stub period. However, the Unaudited Consolidated Financial Information does not contain sufficient explanatory notes to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Turnover	94,950	362,882	373,842
Cost of sales	(56,802)	(242,438)	(169,825)
Gross profit	38,148	120,444	204,017
Other income and gain, net	38,549	108,459	106,293
Staff costs	(13,075)	(21,043)	(28,290)
Amortisation and depreciation	(24,918)	(29,219)	(43,655)
Administrative costs	(17,806)	(48,843)	(32,973)
Other operating expenses	—	—	(52,555)
Fair value change in investment properties	570	146	222
Profit from operations	21,468	129,944	153,059
Finance costs	(6,807)	(14,646)	(30,290)
Share of result of an associate	—	(44)	(109)
Loss on disposal of a subsidiary	—	—	(19,118)
Profit before taxation	14,661	115,254	103,542
Taxation	(8,641)	(37,440)	(9,887)
Profit for the year	6,020	77,814	93,655
Other comprehensive income			
Exchange differences on translation of financial statements of overseas subsidiaries	(3,611)	139,670	51,129
Reclassification adjustments upon disposal of a subsidiary	—	—	(2,293)
Total comprehensive income for the year	2,409	217,484	142,491
Profit for the year attributable to:			
Owners of the Company	6,436	75,672	65,934
Non-controlling interests	(416)	2,142	27,721
	6,020	77,814	93,655
Total comprehensive income attributable to:			
Owners of the Company	2,825	(16,502)	95,420
Non-controlling interests	(416)	233,986	47,071
	2,409	217,484	142,491

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 March		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investment properties	1,053	1,250	1,519
Property, plant and equipment	10,921	283,591	363,464
Prepaid lease payments	—	15,781	102,315
Intangible assets	526,498	917,987	925,194
Other financial assets	87,839	483,996	494,408
Goodwill	4,198	33,811	29,455
Interest in an associate	—	1,122	1,104
Available-for-sale financial assets	—	1,190	69,136
	630,509	1,738,728	1,986,595
Current assets			
Prepaid lease payments	—	—	3,436
Inventories	2,260	5,628	9,837
Trade and other receivables and prepayments	213,436	117,380	350,675
Derivative financial instruments	—	—	62,889
Amounts due from the ultimate holding company	—	—	7,000
Amount due from fellow subsidiaries	—	48,328	73,616
Cash and cash equivalents	74,359	433,346	152,132
	290,055	604,682	659,585
Total assets	920,564	2,343,410	2,646,180
Equity			
Share capital	376,121	492,400	492,400
Share premium and reserves	(342,335)	359,324	433,071
Equity attributable to owners of the Company	33,786	851,724	925,471
Non-controlling interests	488,831	735,459	832,493
	522,617	1,587,183	1,757,964
Non-current liabilities			
Bank borrowings — due after one year	13,636	189,881	123,579
Deferred tax liabilities	100,720	91,012	98,519
	114,356	280,893	222,098

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables and deposits received	40,942	170,015	186,106
Tax payable	22,997	10,050	8,140
Amounts due to fellow subsidiaries	86,698	74,079	429
Bank borrowings — due within one year	131,818	220,595	471,443
Other borrowings — due within one year	1,136	595	—
	283,591	475,334	666,118
Total liabilities	397,947	756,227	888,216
Total equity and liabilities	920,564	2,343,410	2,646,180
Net current assets/(liabilities)	6,464	129,348	(6,533)
Total assets less current liabilities	636,973	1,868,076	1,980,062

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Special reserve *HK$'000*	Statutory surplus reserve *HK$'000*	Accu-mulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2009	376,121	370,107	(77,278)	—	29,519	(667,508)	30,961	432,925	463,886
Exchange differences on translation of overseas subsidiaries	—	—	(3,611)	—	—	—	(3,611)	—	(3,611)
Net profit/(loss) for the year	—	—	—	—	—	6,436	6,436	(416)	6,020
Total comprehensive (loss)/income for the year	—	—	(3,611)	—	—	6,436	2,825	(416)	(2,409)
Transfer to statutory surplus reserve	—	—	—	—	1,763	(1,763)	—	—	—
Capital contribution from a non-controlling interest of a subsidiary	—	—	—	—	—	—	—	56,322	56,322
At 31 March 2010 and 1 April 2010	376,121	370,107	(80,889)	—	31,282	(662,835)	33,786	488,831	522,617
Exchange differences on translation of overseas subsidiaries	—	—	(92,174)	—	—	—	(92,174)	231,844	139,670
Net profit for the year	—	—	—	—	—	75,672	75,672	2,142	77,814
Total comprehensive (loss)/income for the year	—	—	(92,174)	—	—	75,672	(16,502)	233,986	217,484
Transfer to statutory surplus reserve	—	—	—	—	(78,419)	78,419	—	—	—
Placement of shares	116,279	755,814	—	—	—	—	872,093	—	872,093
Transaction cost on placement of shares	—	(29,651)	—	—	—	—	(29,651)	—	(29,651)
Acquisition of subsidiaries	—	—	—	88,076	—	(96,078)	(8,002)	12,642	4,640
At 31 March 2011 and 1 April 2011	492,400	1,096,270	(173,063)	88,076	(47,137)	(604,822)	851,724	735,459	1,587,183
Exchange differences on translation of overseas subsidiaries	—	—	31,756	—	—	—	31,756	19,373	51,129
Reclassification adjustment upon disposal of a subsidiary	—	—	(2,270)	—	—	—	(2,270)	(23)	(2,293)
Net profit for the year	—	—	—	—	—	65,934	65,934	27,721	93,655
Total comprehensive income for the year	—	—	29,486	—	—	65,934	95,420	47,071	142,491
Transfer to statutory surplus reserve	—	—	—	—	23,667	(23,667)	—	—	—
Acquisition of a subsidiary	—	—	—	(7,432)	—	(13,472)	(20,904)	20,904	—
Acquisition of additional interest in subsidiaries	—	—	—	—	—	(769)	(769)	(2,439)	(3,208)
Disposal of a subsidiary	—	—	—	—	—	—	—	(2,205)	(2,205)
Incorporation of a subsidiary	—	—	—	—	—	—	—	33,703	33,703
At 31 March 2012	**492,400**	**1,096,270**	**(143,577)**	**80,644**	**(23,470)**	**(576,796)**	**925,471**	**832,493**	**1,757,964**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	14,661	115,254	103,542
Adjustments for:			
Depreciation of property, plant and equipment	461	4,074	1,310
Amortisation of prepaid lease payments and intangible assets	24,457	25,145	42,345
Fair value gain on derivative financial instrument	—	—	(50,543)
Fair value gain on investment properties	(564)	(146)	(222)
Share of result of an associate	—	44	109
Loss on disposal of a subsidiary	—	—	19,118
Interest income	(94)	(1,527)	(2,568)
Dividend income	—	(495)	—
Interest expenses	6,807	14,646	30,290
Operating cash flows before movements in working capital	45,728	156,995	143,381
Decrease/(increase) in other financial assets	38	(396,157)	(10,412)
Increase in intangible assets	—	(265,748)	(294,157)
Decrease/(increase) in inventories	1,117	747	(4,525)
(Increase)/decrease in trade and other receivables and prepayment	(145,619)	122,638	(303,578)
Increase in amount due from the ultimate holding company	—	—	(7,000)
Decrease/(increase) in amounts due from fellow subsidiaries	35,299	(48,328)	(25,288)
Increase/(decrease) in amounts due to fellow subsidiaries	83,423	(12,619)	(47,493)
(Decrease)/increase in trade and other payables and deposits received	(25,044)	94,482	35,004
Cash used in operating activities	(5,058)	(347,990)	(514,068)
Profits tax refund/(paid)	5,178	(65,031)	52,389
Interest received	94	1,527	2,568
Dividend received	—	495	—
Net cash generated from/(used in) operating activities	214	(410,999)	(459,111)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Year ended 31 March 2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*
Investing activities			
Purchase of property, plant and equipment	(9,107)	(250,476)	(81,263)
Acquisition of leasehold land	—	(16,325)	(86,146)
Acquisition of additional interest in a subsidiary	—	—	(3,208)
Acquisition of subsidiaries	—	(79,100)	—
Purchase of available-for-sale financial assets	—	(1,190)	(67,946)
Purchase of derivative financial instruments	—	—	(12,346)
Capital contribution from non-controlling shareholders	56,322	—	33,703
Proceeds from placement of shares	—	842,442	—
Net cash generated from/(used in) investing activities	47,215	495,351	(217,206)
Financing activities			
Interest paid	(6,807)	(14,646)	(30,290)
New bank and other borrowings raised	704,638	1,170,369	321,593
Repayment of bank and other borrowings	(687,233)	(995,425)	(69,740)
Proceeds from disposal of a subsidiary	—	—	154,704
Net cash generated from financing activities	10,598	160,298	376,267
Net increase/(decrease) in cash and cash equivalents	58,027	244,650	(300,050)
Cash and cash equivalents at beginning of the year	16,714	74,359	433,346
Effect of change in foreign exchange rate	(382)	114,337	18,836
Cash and cash equivalents at end of the year	74,359	433,346	152,132
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	74,359	433,346	152,132

NOTES TO THE UNAUDITED CONSOLIDATION FINANCIAL INFORMATION

1. General

On 21 June 2012, the board of directors of Heilongjiang Interchina Water Treatment Company Limited (the "**Heilongjiang Interchina**"), a subsidiary of the Company with its shares listed on the Shanghai Stock Exchange, the People's Republic of China, approved a proposal in respect of the issue of 160,000,000 Heilongjiang Interchina new shares (the "**Non-public Share Issue**") at the price of not less than RMB8.03 per share. The Company through Interchina (Tianjin) Water Treatment Company Limited ("**Interchina (Tianjin)**") indirectly holds approximately 53.77% equity interest in Heilongjiang Interchina. Following the board of directors of Company resolution that the Company will not participate in the Non-public Share Issue on 9 July 2012, it is expected that upon completion of the Non-public Share Issue, the Group's interest in Heilongjiang Interchina will be diluted to 39.12% and as a result the Non-public Share Issue will constitute a deemed disposal (the "**Deemed Disposal**").

On 4 September 2012, the board of directors of the Company proposed to dispose 110,000,000 Heilongjiang Interchina's shares, through Interchina (Tianjin), at the higher of (i) RMB8.03 per share, being the same as the minimum placing price of the Non-public Share Issue; or (ii) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal. It is expected that upon completion of the disposal, the Group's interest in Heilongjiang Interchina will be further reduced to 20.39%, constituting the disposal by the Company (the "**Disposal**").

2. Basis of Preparation of the Unaudited Consolidated Financial Information

The Unaudited Consolidated Financial Information of Heilongjiang Interchina Water Treatment Company Limited and its subsidiaries (collectively, the "**Disposal Group**") for each of the three years ended 31 March 2012 has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Deemed Disposal and the Disposal.

The Unaudited Consolidated Financial Information has been prepared in accordance with the relevant accounting policies adopted by the Company for the relevant years in the preparation of the consolidated financial information of the Company. The Unaudited Consolidated Financial Information does not contain sufficient explanatory notes to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Company for the past 3 financial years has been published in the reports as follows:

(1) the financial information of the Company for the year ended 31 March 2012 is disclosed in pages 26 to 110 of the annual report of Company for the year ended 31 March 2012;

(2) the financial information of the Company for the year ended 31 March 2011 is disclosed in pages 34 to 127 of the annual report of the Company for the year ended 31 March 2011; and

(3) the financial information of the Company for the year ended 31 March 2010 is disclosed in pages 29 to 119 of the annual report of the Company for the year ended 31 March 2010.

The annual reports of the Company for the years ended 31 March 2010, 31 March 2011 and 31 March 2012 have been published on the website of Stock Exchange at www.hkex.com.hk and the website of the Company at www.interchina.com.hk.

2. INDEBTEDNESS

As at 31 August 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings:

	HK$'000
Remaining Group	
Unguaranteed secured bank borrowings *(Note 1)*	39,427
Unguaranteed unsecured bank borrowings	61,728
Unguaranteed secured other borrowings *(Note 2)*	1,169,630
Total indebtedness of the Remaining Group	1,270,785
Heilongjiang Interchina Group	
Unguaranteed secured bank borrowings *(Note 3)*	455,397
Guaranteed unsecured bank borrowings *(Note 4)*	148,396
Total indebtedness of the Heilongjiang Interchina Group	603,793
Total indebtedness of the Group	1,874,578

Notes:

(1) The unguaranteed secured bank borrowings of the Remaining Group were secured by the following:

(a) certain investment properties of the Remaining Group as at 31 August 2012 of approximately HK$379,531,000; and

(b) certain intangible assets of the Remaining Group as at 31 August 2012 of approximately HK$140,711,000.

(2) The unguaranteed secured other borrowings of the Remaining Group represented borrowing from certain financial institutions in the PRC which were secured by 220,940,000 Heilongjiang Interchina Shares held by the Remaining Group, bearing average interest rate at approximately 12.5% per annum and was repayable within one year.

(3) The unguaranteed secured bank borrowings of the Heilongjiang Interchina Group were secured by the following:

(a) certain intangible assets of the Heilongjiang Interchina Group as at 31 August 2012 of approximately HK$925,194,000; and

(b) certain other financial assets of the Heilongjiang Interchina Group as at 31 August 2012 of approximately HK$364,512,000.

(4) The guaranteed unsecured bank borrowings of the Heilongjiang Interchina Group were guaranteed by Heilongjiang Interchina.

Save as aforesaid and apart from the intra-group liabilities, none of the companies in the Group had outstanding at the close of business on 31 August 2012 any mortgages, charges or debentures, loan capital, bank overdraft, loans, debt securities or other similar indebtedness or any hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 31 August 2012.

Except as disclosed above, the Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities at the close of business on 31 August 2012.

3. FINANCIAL AND TRADING PROSPECTS

The Group's environmental water treatment operation mainly operates through its wholly-owned subsidiary, Interchina (Tianjin) and Heilongjiang Interchina. As at 31 March 2012, the Group's environmental water treatment operation comprised nine sewage treatment projects, four water supply projects and a construction company. Since there is only one water supply plant which is currently under construction and owned by Interchina (Tianjin), following the Disposal and the Deemed Disposal, environmental water treatment operation will cease to be a core business of the Group and the Remaining Group will continue to engage in its existing business of property investment and natural resources operations. As the pipeline connection of the remaining water supply plant is still pending the approval from the local government, it will not commence operation in short term. This water plant will be operated under Interchina

Tianjin and Heilongjiang Interchina will provide technical support to this water plant, if necessary. Once it commences operation, it is not eliminate the possibility of selling it to Heilongjiang Interchina. Besides, based on the Company's current plans, the Company has decided to treat the investment in Heilongjiang Interchina as a strategic investment of the Company.

The Group is prudently optimistic to the prospects of the remaining businesses of the Group i.e. property investment and natural resources investment. The Group currently owns approximately total gross floor area of 19,600 sq. m. in Beijing Interchina Commercial Building, located in the CDB of Beijing (consist of approximately 7,650 sq. m. of office units, 5,800 sq. m. of retail units and 6,150 sq. m. of parking space) (the "**Beijing Property**"). All of office units and retail units have been fully outlet and provide stable rental income to the Group. The Group will hold the Beijing Property for recurrent rental income in long term. The Group also owns a property, total gross floor area of approximately 18,000 sq. m. in Yangpu District, Shanghai (the "**Shanghai Property**"). The Shanghai Property is currently vacant and is suitable for the developing consolidate entertainment centre in the district. The Group has been identifying potential tenants who is willing to pay annual rental of approximately RMB16 million to the Group. However, due the PRC economic development are currently under fine-tune adjustment, the Group has difficulty in looking for potential tenants. The Group will continue to identify potential tenants but will not eliminate the possibility of selling the Shanghai Property, if it has been vacant for long and/or there is any adverse change of the property market in the PRC, the Group may turn it into cash and seek for another high quality property for long term investment. On 28 August 2012, the Group successful entered into an non-legally binding letter of intent with an international leading private equity company in relation to the disposal of the Shanghai Property at the intended consideration of RMB280,000,000. The Company is of the view that property investment can provide a stable and reasonable income stream to the Group, therefore it is the Company's general business strategy to seek opportunities for expanding its property portfolio. On 25 April 2012, the Group entered into sale and purchase agreements to acquire 5 units of luxury residential property with a total gross floor area of approximately 1,748.77 sq. m. in Above The Bund (白金灣府邸), Shanghai, the PRC (the "**Luxury Property**"), at the aggregate cash consideration of RMB194,127,315. At the same time, the Group also entered into a tenancy agreement with the vendor for the lease of the Luxury Property for term of 3 years at the aggregate annual rental of RMB11,647,000. It believes that the Luxury Property can contribute to the future revenue and profit growth of the Group and strengthen the Group's property portfolio with high quality assets.

Natural resources operation is a new business to the Group and recorded an operating loss of HK$18,150,000 for the year ended 31 March 2012. The Group currently through holding of 65% interest in PT. Satwa Lestari Permai ("**SLP**"), a company incorporated in the Republic of Indonesian has obtained an exploration, exploitation, refining and processing right in a manganese mining block of approximately 2,000 hectare located in Kupang, the Republic of Indonesia. Due to SLP currently need additional capital to start up formal exploitation and production program, the Group is currently under negotiation with the minority interest shareholders to acquire the remaining minority interests from the minority shareholders as would result in the Group increasing its equity interest in SLP from 65% to 100%, take up the obligation for additional capital injection and commence formal exploitation and production as soon as possible. It expects more time is required to improve/fine tune its operating performance in order to achieve satisfactory results in the long run.

The world economy continues to remain uncertain. The Remaining Group will closely monitor market fluctuations and risk management so as to minimise any adverse impact on the Remaining Group's businesses. Although the Group will shift to focus on property investment and natural resources operation as core businesses of the Group, the Group will continue to seek for acquisition of high quality assets or investments to enhance the Group's investment portfolio, in order to maximize shareholders' benefit.

4. WORKING CAPITAL

Scenario (I)

The Directors, after due and careful enquiry, are of opinion that, after taking into account the present financial resources available the Group and the completion of the Deemed Disposal, the Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular.

Scenario (II)

The Directors, after due and careful enquiry, are of opinion that, after taking into account the present financial resources available the Group and the completion of the Disposal, the Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, the date to which the latest published audited consolidated accounts of the Company has been made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

The Remaining Group is principally engaged in the property investment operation, natural resources operation, securities and financial operation and trading and procurement operation. The Remaining Group is formally step in the business of natural resources operation since January 2012. As the natural resources operation is a new business to the Remaining Group, more time is required to observe the result and performance of the natural resources operation in the long run. The securities operation and trading and procurement operation has also been ceased in April and July 2012 respectively. Management will from time to time seek for investment opportunities in difference phases of the existing businesses of the Remaining Group. Besides, management will continue to review its performance and seek for any investment opportunities in the fast growing industry. Set out below is the management discussion and analysis of the Remaining Group's business and performance for each of the three financial years ended 31 March 2010, 2011 and 2012.

(i) For the year ended 31 March 2012

Business review

Property Investment Operation

The Group's property investment operation, which mainly comprise two investment properties located in the centre of Beijing and Shanghai respectively. This segment recorded revenue of HK$19,732,000 (2011: HK$23,038,000) and profit of HK$14,338,000 (2011: HK$112,786,000). Due to the Shanghai property was under renovation during the year, the segment revenue decreased by HK$3,306,000 or 14.3% as compared with last year. The decrease in segment profit was mainly attributable to the fair value gain on the appreciation of the property values for the year dropped by HK$98,448,000 or 87.3% as compared with last year.

During the year, 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 (the "**Beijing Property Acquisition**"). At 31 March 2012, the Beijing property was almost fully let out whereas the Shanghai property was still vacant. Given the Shanghai property comprises four-storey with aggregate area of approximately 18,000 sq.m., it is suitable for developing entertainment centre to provide catering and entertainment facility in the district. The Group is identifying potential tenants having experience in catering and entertainment business to lease the whole operation and management of the Shanghai property in form of contracting, in order to generate a stable income to the Group.

Securities and Financial Operation

The Group's securities and financial operation is mainly comprised of securities dealing and brokerage, money lending and securities investment. During the year, this segment recorded revenue of HK$24,965,000 (2011: HK$32,715,000) and loss of HK$125,668,000 (2011: HK$6,750,000). The increase in the segment loss was mainly attributable to the unrealized loss arising from the drop in fair value of the securities investment of HK$123,346,000 recorded for the year due to recent downturn in the global financial markets and impairment loss of HK$21,767,000 was provided on aged receivables.

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. Subsequent to the year ended, the management has decided to cease the Group's securities dealing and brokerage operation as soon as practicable, so as to concentrate the Group's financial resources in the natural resources operation in long term. Given securities dealing and brokerage operation is not a core business of the Group, it is expected that cessation of this operation would not have any material financial effect to the Group.

Natural 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**"). Universe Glory has 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 Tenggena, Indonesia ("**Mining Block**") and have rights for exploitation, refining, processing and export in the Mining Block for a period of twenty years.

The Universe Glory Acquisition was completed in January 2012. Based on the technical report prepared by professional geologist, it is estimated that the Mining Block has aggregate resources of approximately 18,200,000 tonnes which consists of measured resources of approximately 3,700,000 tonnes, indicated resources of approximately 4,900,000 tonnes and inferred resources of approximately 9,600,000 tonnes. The Universe Glory Acquisition formed the basis of the natural resources operation segment which principally engaged in the mining, processing, trading and marketing of manganese ore. During the three months since completion of the acquisition, the Mining Block did not contribute revenue to the Group. Segment loss of HK$18,150,000 mainly represented written off the excessive consideration of HK$17,909,000 paid for the acquisition of Universe Glory and administrative expenses of HK$241,000 for natural resources operation in the reporting period.

It is expected that the trading of manganese ores can be commenced by the end of September 2012.

Financial Review

Operating Results

Revenue from the Remaining Group for the year ended 31 March 2012 amounted to HK$283,518,000 (2011: HK$50,591,000), of which approximately HK$19,732,000 (2011: HK$23,038,000) contributed from the property investment operation, approximately HK$24,965,000 (2011: HK$32,715,000) contributed from the securities and financial operation and approximately HK$238,821,000 (2011: Nil) contributed from supply and procurement operation. No revenue was recorded in the natural resources operation for year ended 31 March 2012. Loss for the year of the Remaining Group amounted HK$353,394,000. The loss was mainly attributable to (i) there was an unrealized loss arising on charge in fair value of investment in listed securities of HK$123,346,000 for the year as the result of the unstable global economic and investment market conditions comparing to a fair value gain of HK$6,177,000 was recorded in last year; and (ii) the increase in finance cost of HK$90,779,000 as a result of increase in bank and other borrowings for the Remaining Group's expansions which reduce the profit for the year.

Financial Position

At 31 March 2012, the Remaining Group's total assets were HK$6,446,968,000 and the total liabilities were HK$1,694,179,000, and the equity reached HK$4,752,789,000. At 31 March 2012, the current ratio of the Remaining Group was approximately 1.1 whereas the gearing ratio (total outstanding borrowings over total assets) of the Remaining Group was 21.7%.

Financial Resources and Capital Structure

At 31 March 2012, the Remaining Group's cash on hand and deposits in bank was approximately HK$246,933,000. Around 93% of the Remaining Group's cash on hand and deposits in bank was denominated in Renminbi with the rest mainly in Hong Kong dollars.

At 31 March 2012, the total borrowings of the Remaining Group comprising bank borrowings of HK$281,705,000, and other borrowings of HK$1,116,607,000. The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$1,363,223,000 repayable within one year, HK$23,622,000 repayable after one year but within five years and HK$11,467,000 repayable after five years. Around 98.5% of the Remaining Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

During the year, 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.

Pursuant to the placing agreement dated 13 December 2011, on 30 December 2011, the Company successfully placed 712,000,000 ordinary shares at the price of HK$0.31 per share raising net proceeds of approximately HK$214,800,000. The net proceeds had been used to (i) as to approximately HK$134.9 million for the development of natural resources operation of the Group; (ii) as to approximately HK$52 million for repayment of bank borrowings of the Group and (iii) as to approximately HK$27.9 million for payment of operating expenses of the Group. On 8 May 2012, the Company successfully issued HK$294,500,000 2% convertible notes with a maturity of 3 years due in May 2015. The net proceeds of approximately HK$286,600,000 will be used to (i) as to HK$130 million for repayment of the bank borrowings of the Group; (ii) as to HK$143.3 million for potential investment in new projects in relation to environmental water treatment operation; and (iii) as to HK$13.3 million will be reserved for general working purpose. Details of the placing of shares and convertible notes were set out in the Company's announcement dated 13 December 2011 and circular dated 17 February 2012. All the convertible notes had been converted into share capital on 14 May 2012.

Foreign Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. During the year, 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 and disposal has been described in the "Business Review" section, there was no material acquisition or disposal during the year.

Pledged of Group's Assets

At 31 March 2012, the Remaining Group's investment properties with carrying amounts of HK$379,531,000 were pledged as security for its liabilities. 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 31 March 2012, the Group had no significant contingent liability.

Human Resources and Remuneration Policy

At 31 March 2012, the Remaining Group had approximately 67 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

Future plans for material investments or capital assets

Except for the completion of the Beijing Property Acquisition and the Universe Glory Acquisition during the year, management would continue to seek for any potential investment opportunities. Should any suitable business opportunities arise, the Remaining Group might complement its existing business activities and participate in any new business operation. However, there was no specific plan for material investments and acquisition of material capital assets as at 31 March 2012.

(ii) For the year ended 31 March 2011

Business review

Property Investment Operation

During the year under review, the Group's property investment operation recorded revenue of HK$23,038,000 (2010: HK$17,972,000) and a segment profit of HK$112,786,000 (2010: HK$119,055,000) primarily from fair value gains on the appreciation of the property values in the current year. Since the Group's major investment properties are located in the centre of Beijing and Shanghai and provide the Group with stable and substantial rental income and earnings, the Group intends to further acquire the remaining commercial units in Beijing Interchina Commercial Building and utilise part of these commercial units to set up boutique hotels in Beijing and Shanghai to further enhance the rental income and earnings.

Securities and Financial Operation

During the year under review, the Group's securities and financial operation recorded revenue of HK$32,715,000 (2010: HK$13,421,000) and a segment loss of HK$6,750,000 (2010: profit of HK$122,559,000). The decrease is mainly attributable to the results arising from investment in listed securities which had a realised profit of approximately HK$114,415,000 in last year and had a realised loss of approximately HK$28,482,000 for this year.

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. The Group intends to enhance its competitiveness in securities and financial operation by merger and acquisition with a view to further extend the size of this operation. Moreover, the Group will continue to strengthen internal control over the lending to clients 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.

Nature Resources Operation

On 5 November 2010, the Group entered into a legally binding framework agreement (the "**Framework Agreement**") with 北安市人民政府 (the People's Government of Beian City), in respect of the formation of a joint venture (the "**JV**") in the PRC. Pursuant to the Framework Agreement, the registered capital of the JV shall be RMB50 million while its total investment amount shall be RMB500 million. The JV will be principally engaged in the exploration, processing and sale of natural soda water. The Group and the People's Government of Beian City will hold 80% and 20% equity interests in the JV respectively. The Group shall contribute (in proportion to its equity interests) towards the registered capital of the JV in cash while the People's Government of Beian City shall contribute by injecting of the exploitation right and right of use in relation to the identified exploration area of natural soda water together with all relevant information involved. The Group will be responsible for all fund-raising for the JV. It is estimated that the production capacity of natural soda water by the JV will achieve 50,000 tonnes for the first production year and up to 600,000 tonnes within fifth production year. Detail of the transaction was set out in the Company's announcement dated 5 November 2010. The Group is in the progress preparing the feasibility study and investment plan for this potential investment.

Financial Review

Operating Results

Revenue from the Remaining Group for the year ended 31 March 2011 amounted to HK$55,753,000 (2010: HK$31,393,000), of which approximately HK$23,038,000 (2010: HK$17,972,000) contributed from the property investment operation and approximately HK$32,715,000 (2010: HK$13,421,000) contributed from the securities and financial operation. Loss for the year of the Remaining Group amounted HK$160,733,000 (2010: profit of HK$54,349,000). The loss was primarily due to (i) the realised loss of HK$28,482,000 arising from investment in listed securities as compared to a realised gain of HK$114,415,000 for the last year; (ii) the recognition of share-based payment expenses of approximately HK$91,064,000 in respect of share options granted during the year; and (iii) increase in administrative expenses mainly due to continuing expansion of the Group's operation and increase in professional expenses.

Financial Position

At 31 March 2011, the Remaining Group's total assets were HK$4,491,077,000 and the total liabilities were HK$1,786,232,000, and the equity reached HK$2,704,845,000. At 31 March 2011, the current ratio of the Remaining Group was approximately 3.6 whereas the gearing ratio (total outstanding borrowings over total assets) of the Remaining Group was 33.3%.

Financial Resources and Capital Structure

As at 31 March 2011, the Remaining Group's cash on hand and deposits in bank was approximately HK$644,841,000. Around 48.1% of the Remaining Group's cash on hand and deposits in bank was held in Renminbi with the rest mainly in Hong Kong dollars.

At 31 March 2011, the total borrowings of the Remaining Group comprising bank borrowings of HK$286,930,000 and other borrowings of HK$1,209,171,000. The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$552,363,000 repayable within one year, HK$885,188,000 repayable after one year but within five years and HK$58,550,000 repayable after five years. Around 89.9% of the Remaining Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars. 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 Year, on 9 April 2010, the Company completed the capital reorganisation which involved: (i) a reduction in the nominal value of each issued ordinary share of the Company from HK$0.10 to HK$0.01 by the cancellation of HK$0.09 of the paid up capital for each issued ordinary share; (ii) the application of the credit arising from such reduction of approximately HK$2,091,797,427 to cancel towards the accumulated losses; (iii) the consolidation of every ten reduced shares of HK$0.01 each in the capital of the Company into one adjusted new consolidated share of HK$0.10 each; and (iv) to increase the authorised share capital of the Company from HK$400,000,000 divided into 4,000,000,000 new consolidated shares to HK$1,000,000,000 divided into 10,000,000,000 new consolidated shares by the creation of an additional 6,000,000,000 new consolidated shares.

On 19 May 2010, the Company successfully placed 440,000,000 ordinary shares at the price of HK$0.65 per share raising net proceeds of approximately HK$278,000,000. Details of the placing were set out in the Company's announcement dated 28 April 2010 and 19 May 2010.

Pursuant to the placing agreement dated 16 September 2010, in October 2010, the Company successfully issued 2-year convertible notes bearing interest at 5% p.a. convertible into a total 550,000,000 shares of HK$1.00 each and all the convertible notes had been converted into share capital during the Year. The net proceeds approximately HK$482,500,000 should be used for the development of its environmental protection and water treatment operation and exploration of potential business and investment opportunities in the future. Details of the placing were set out in the Company's announcement dated 16 September 2010 and 8 October 2010.

During the Year, pursuant to the share option scheme, a total of 322,000,000 share options were granted by the Company at an exercise price ranging from HK$0.83 to HK$0.89. During the Year, a total 221,200,000 share options granted were exercised, for which a total of 221,200,000 new shares were issued. The proceeds in the sum of approximately HK$202,000,000 generated from the exercise of share options were used as general working capital of the Group.

Foreign Exchange Exposure

The Remaining Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. During the Year, 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 and Prospects" section, there was no material acquisition or disposal during the Year.

Pledged of Group's Assets

As at 31 March 2011, the Remaining Group's investment properties with carrying amounts of HK$316,550,000 were pledged as security for its liabilities. 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

As at 31 March 2011, the Remaining Group had no significant contingent liability.

Human Resources and Remuneration Policy

As at 31 March 2011, the Remaining Group had approximately 118 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.

Future plans for material investments or capital assets

Save as disclosed herein, there was no specific plan for material investments and acquisition of material capital assets as at 31 March 2011.

On 2 March 2011, Interchina Resources Holdings Limited ("**Interchina Resource**"), being a wholly-owned subsidiary of the Company, and Mr. Zhou Yuning entered into a sales and purchase agreement, pursuant to which Interchina Resource has conditionally agreed to purchase and Mr. Zhou Yuning has conditionally agreed to sell (i) the entire equity interest in Universe Glory Limited ("**Universe Glory**") and (ii) all amounts due and owing to Mr. Zhou Yuning at a consideration of HK$800,000,000. Details of the acquisition were set out in the Company's announcement dated 2 March 2011. Universe Glory is principally engaged in investment holding which, upon completion of the acquisition, shall be directly interested in 65% equity interest in P.T. Satwa Lestari Permai, a company incorporated in the Republic of Indonesian, which is principally engaged in the exploration, mining, processing and sale of Manganese resources in the Republic of Indonesia. The consideration will be funded by the existing internal resources of the Group. It is expected the consideration will be funded by the existing internal resources of the Group.

Management would continue to seek for any potential investment opportunities. Should any suitable business opportunities arise, the Remaining Group might complement its existing business operation and participate any new business operation.

(iii) For the year ended 31 March 2010

Business review

Property Investment Operation

Rental income generated from the Group's portfolio of investment property for 2010 amounted to HK$17,972,000 (2009: HK$18,131,000) and a segment profit of HK$119,055,000 (2009: loss of HK$119,487,000). The increase was mainly attributable to the Group's investment properties recorded increase in fair value and revaluation gain of approximately HK$106,097,000 (2009: loss of HK$136,955,000) for the year.

Our investment properties located in the CBD of Shanghai and Beijing, the PRC will help to secure a stable rental income stream and future profit. At end of March 2010, the Group's investment properties in Beijing being almost fully let and the Group's investment property in Shanghai is currently under renovation. The Group will carry out review from time to time on its investment properties for renovation potential in order to enhance rental income.

On 9 June 2009, the Company 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 remains as subsidiaries of the Company.

Securities and Financial Operation

During the year, the Group's revenue from securities and financial operation amounted to HK$13,421,000 which represents a decrease of 19% when compared with last year's revenue of HK$16,492,000. 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 clients 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

During the year, the Group completed the disposal of its entire equity interest in the city development and investment operation business. This segment is presented as discontinued operation in the financial statements for the year ended 31 March 2010 and 2009.

Financial Review

Operating Results

Revenue from the Remaining Group for the year ended 31 March 2010 amounted to HK$31,393,000, of which approximately HK$17,972,000 contributed from the property investment operation and approximately HK$13,421,000 contributed from the securities and financial operation. Profit for the year of the Remaining Group amounted HK$54,349,000. The profit was mainly attributable to (i) a realised gain of approximately HK$114,415,000 arising from investment in listed securities; and (ii) a revaluation gain of approximately HK$106,097,000 arising on change in fair value of the Group's investment properties comparing to a revaluation loss of approximately HK$136,955,000 were recorded in last year.

Financial Position

As at 31 March 2010, the Remaining Group's total assets were HK$2,752,609,000 and the total liabilities were HK$917,107,000, and the equity reached HK$1,835,502,000. At 31 March 2010, the current ratio of the Group was approximately 1.5 whereas the gearing ratio (total outstanding borrowings over total assets) of the Remaining Group was 27.7%.

Financial Resources and Capital Structure

As at 31 March 2010, the Remaining Group's cash on hand and deposits in bank was approximately HK$82,516,000. Around 46.2% of the Remaining Group's cash on hand and deposits in bank was held in Renminbi and the rest mainly in Hong Kong dollars.

As at 31 March 2010, the Remaining Group had outstanding bank and other borrowings of HK$761,525,000 comprising bank borrowings of HK$651,644,000, other borrowings of HK$90,000,000 and convertible notes of HK$19,881,000. The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$597,723,000 repayable within one year, HK$105,457,000 repayable after one year but within five years and HK$38,464,000 repayable after five years. Around 82.8% of the Remaining Group's outstanding borrowings was denominated in Renminbi and the rest in Hong Kong dollars.

In June 2009, the Company 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$0.10 each. The detail of which were set out in the Company's announcement dated 9 June 2009. The relevant convertible notes had been fully converted into share capital on or before 31 December 2009.

Pursuant to the Subscription Agreement dated 27 July 2009, the Company completed in August 2009 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$0.10 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$0.10 each (the "**Second Tranche Convertible Notes Option**") 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. During the year, all the First Tranche Convertible Notes had been converted into share capital and the Company also issued 1-year convertible notes bearing interest at 5% p.a. convertible into a total of 900,000,000 shares of HK$0.10 each in respect of the Second Tranche Convertible Notes Option (the "**Second Tranche Convertible Notes**"). As at 31 March 2010, the Second Tranche Convertible Notes with principal amount of HK$20,000,000 had been outstanding. The net proceed from the issue of the First Tranche Convertible Notes of approximately HK$120,000,000 had been used to repay the existing indebtedness of the Company and the net proceed from the issue of the Second Tranche Convertible Notes of approximately HK$90,000,000 had been applied as general working capital of the Group.

During the year, a total of 1,568,000,000 employee share options were granted by the Company at an exercise price of HK$0.103 per share. 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$72,700,000 generated from the exercise of share options were used as general working capital of the Group.

Significant acquisition and disposal

Save as the acquisition has been described in the "Business Review" section, on 17 September 2009, the Remaining Group entered into a sale and purchase agreement with Mr. Zhao Libo with respect to the acquisition of 47.57% equity interest in Regent Victor Development Limited ("**Regent Victor**"), for a consideration of HK$5,200,004. On the same date, the Remaining 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 Remaining Group ultimately held 71% equity interest in Regent Victor. Regent Victor is mainly engaged in investment holding, which directly holds 80% equity interests in Taiyuan Haofeng Waste Water Treatment Company Limited. Taiyuan Haofeng Waste Water Treatment Limited 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.

Pledge of Group's Assets

As at 31 March 2010, the Remaining Group's investment properties with carrying amounts of HK$213,628,000 were pledged as security for its liabilities. In addition, certain shares of subsidiary held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Foreign Exchange Exposure

During the year, the business activities of the Remaining Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Remaining 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 year, the Remaining Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities.

Employment and Remuneration Policy

As at 31 March 2010, the Remaining Group had a total of 113 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.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2010. Management would continue to seek for any potential investment opportunities. Should any suitable business opportunities arise, the Remaining Group might complement its existing business operation. However, there was no specific plan for material investments and acquisition of material capital assets as at 31 March 2010.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

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

28 September 2012

The Board of Directors
Interchina Holdings Company Limited
Room 701, 7/F., Aon China Building,
29 Queen's Road, Central,
HONG KONG

Dear Sirs,

We report on the unaudited pro forma financial information of Interchina Holdings Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), set out on pages 54 to 87 under the headings of "Unaudited Pro Forma Financial Information of the Remaining Group" (the "**Unaudited Pro Forma Financial Information**") in Appendix III of the Company's circular dated 28 September 2012 (the "**Circular**") in connection with (i) a deemed disposal of Heilongjiang Interchina Water Treatment Company Limited ("**Heilongjiang Interchina**") following the non-subscription by the Group under the proposed issuance of 160,000,000 shares of Heilongjiang Interchina. The Group's interest in Heilongjiang Interchina will be diluted from 53.77% to 39.12% (the "**Deemed Disposal**") accordingly, and (ii) the proposed disposal of 110,000,000 Heilongjiang Interchina's shares, which represents approximately 18.73% interest in Heilongjiang Interchina (the "**Disposal**"), assuming (I) only the Deemed Disposal as announced by the Company dated 25 June 2012 has completed or (II) only the Disposal as announced by the Company dated 4 September 2012 has completed or (III) the Deemed Disposal and the Disposal has completed simultaneously. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Deemed Disposal and the Disposal might have affected the relevant financial information presented, for inclusion under the scenario (I), (II) and (III) in Appendix III of the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 54 and 55 of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Remaining Group (the Group after the Deemed Disposal and the Disposal) as at 31 March 2012 or any future date under scenario (I), (II) and (III); or

— the results and cash flows of the Remaining Group for the year ended 31 March 2012 or any future periods under scenario (I), (II) and (III).

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group so far as such policies related to the transactions; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information under scenario (I), (II) and (III) as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

INTRODUCTION

On 21 June 2012, the board of directors of Heilongjiang Interchina, a non-wholly owned subsidiary of the Company with its shares listed on the Shanghai Stock Exchange, approved a proposal in respect of the issue of not more than 160,000,000 Heilongjiang Interchina's shares at the price of not less than RMB8.03 per share (the "**Non-public Share Issue**"). The Company, through Interchina (Tianjin) Water Treatment Company Limited ("**Interchina (Tianjin)**"), indirectly holds approximately 53.77% equity interest in Heilongjiang Interchina. It is expected that upon completion of the Non-public Share Issue and subject to the Company will not participate in the Non-public Share Issue, the Group's interest in Heilongjiang Interchina will be diluted to 39.12%, constituting the Deemed Disposal by the Company.

On 4 September 2012, the board of directors of the Company proposed to dispose 110,000,000 Heilongjiang Interchina's shares, through Interchina (Tianjin), at the higher of (i) RMB8.03 per share, being the same as the minimum placing price of the Non-public Share Issue; or (ii) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal. It is expected that upon completion of the Disposal, the Group's interest in Heilongjiang Interchina will be further reduced to 20.39%, constituting the Disposal by the Company.

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The Unaudited Pro Forma Financial Information is prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the Deemed Disposal and the Disposal. As the Deemed Disposal and the Disposal are separate transactions and not inter-conditional, they could be completed on stand-alone basis. It is therefore presented in three scenarios as follows:

Scenario I, assuming only the proposed the Deemed Disposal had been completed on 31 March 2012. The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2012 as extracted from the annual report of the Company for the year ended 31 March 2012, after making pro forma adjustments relating to the Deemed Disposal.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated income statement, audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2012 as extracted from the annual report of the Company for the year ended 31 March 2012, after making pro forma adjustments relating to the Deemed Disposal, as if the Deemed Disposal had been completed on 1 April 2011.

Scenario II, assuming only the proposed the Disposal had been completed on 31 March 2012. The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2012 as extracted from the annual report of the Company for the year ended 31 March 2012, after making pro forma adjustments relating to the Disposal.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated income statement, audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2012 as extracted from the annual report of the Company for the year ended 31 March 2012, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 1 April 2011.

Scenario III, assuming the proposed the Deemed Disposal and the Disposal had been completed on 31 March 2012. The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2012 as extracted from the annual report of the Company for the year ended 31 March 2012, after making pro forma adjustments relating to the Deemed Disposal and the Disposal.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated income statement, audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2012 as extracted from the annual report of the Company for the year ended 31 March 2012, after making pro forma adjustments relating to the Deemed Disposal and the Disposal, as if the Deemed Disposal and the Disposal had been completed on 1 April 2011.

The Unaudited Pro Forma Financial Information is prepared based on the aforesaid historical data after giving effect to the unaudited pro forma adjustments as described in the accompanying notes. Narrative descriptions of the unaudited pro forma adjustments that are (i) directly attributable to the transactions and (ii) factually supportable, are summarised in the accompanying notes.

This Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the results, cash flows, and financial position of the Group upon completion of (i) the Deemed Disposal, (ii) the Disposal or (iii) the Deemed Disposal and the Disposal or of any future period or of any future date.

SCENARIO I

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group as at 31 March 2012	The Disposal Group as at 31 March 2012	Pro forma adjustments			The Remaining Group as at 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets						
Investment properties	951,247	(1,519)				949,728
Property, plant and equipment	404,295	(363,464)				40,831
Prepaid lease payments	102,315	(102,315)				—
Mining rights	1,232,400					1,232,400
Intangible assets	1,065,905	(925,194)				140,711
Other financial assets	494,408	(494,408)				—
Goodwill	439,927	(29,455)	(387,557)			22,915
Interest in an associate	1,104	(1,104)	2,171,480			2,171,480
Available-for-sale financial assets	69,136	(69,136)				—
Other non-current assets	88,451					88,451
	4,849,188					4,646,516
Current assets						
Prepaid lease payments	3,436	(3,436)				—
Inventories	21,613	(9,837)				11,776
Trade and other receivables and prepayment	1,500,628	(350,675)				1,149,953
Loan receivables	316,278					316,278
Financial assets at fair value through profit or loss	73,985					73,985
Derivative financial instruments	62,889	(62,889)				—
Amounts due from the ultimate holding company	—	(7,000)		7,000		—
Amounts due from fellow subsidiaries	—	(73,616)		73,616		—
Tax recoverable	1,527					1,527
Bank balances — trust and segregated accounts	314					314
Cash and cash equivalents	398,751	(152,132)				246,619
	2,379,421					1,800,452
Total assets	7,228,609					6,446,968

SCENARIO I (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group (Continued)

	The Group as at 31 March 2012	The Disposal Group as at 31 March 2012	Pro forma adjustments			The Remaining Group as at 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Equity						
Share capital	427,467					427,467
Share premium and reserves	2,953,961		858,452		(1,500)	3,810,913
Equity attributable to owners of the Company	3,381,428					4,238,380
Non-controlling interests	1,346,902		(832,493)			514,409
Total equity	4,728,330					4,752,789
Non-current liabilities						
Bank borrowings — due after one year	127,114	(123,579)				3,535
Deferred tax liabilities	147,267	(98,519)				48,748
	274,381					52,283
Current liabilities						
Trade and other payables and deposits received	349,269	(186,106)			1,500	164,663
Tax payable	10,409	(8,140)				2,269
Bank borrowings — due within one year	749,614	(471,443)				278,171
Other borrowings — due within one year	1,116,606					1,116,606
Amounts due to associates	—			80,187		80,187
Amounts due to fellow subsidiaries	—	(429)		429		—
	2,225,898					1,641,896
Total liabilities	2,500,279					1,694,179
Total equity and liabilities	7,228,609					6,446,968
Net current assets	153,523					158,556
Total assets less current liabilities	5,002,711					4,805,072

SCENARIO I (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments			The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 5)	*(Note 4)*	*(Note 6)*	*(Note 7)*	
Turnover	657,360	(373,842)				283,518
Cost of sales	(432,785)	169,825				(262,960)
Gross profit	224,575					20,558
Other income and gain, net	116,643	(106,293)				10,350
Gain on deemed disposal of the Disposal Group	—			2,917,481		2,917,481
Staff costs	(56,018)	28,290				(27,728)
Amortisation and depreciation	(47,555)	43,655				(3,900)
Administrative costs	(148,987)	32,973	(1,500)			(117,514)
Other operating expenses	(86,214)	52,555				(33,659)
Fair value change in financial assets at fair value through profit or loss	(123,346)					(123,346)
Fair value change in investment properties	26,928	(222)				26,706
(Loss)/profit from operations	(93,974)					2,668,948
Finance costs	(164,061)	30,290				(133,771)
Share of result of associates	(109)	109			36,638	36,638
Loss on disposal of a subsidiary	(19,118)	19,118				—
(Loss)/profit before taxation	(277,262)					2,571,815
Taxation	(17,615)	9,887				(7,728)
(Loss)/profit for the year	(294,877)					2,564,087
Other comprehensive income						
Exchange differences on translation of overseas subsidiaries	67,343	(51,129)				16,214
Release of translation reserve upon disposal of a subsidiary	(2,293)	2,293		(173,063)		(173,063)
Share of other comprehensive income of associates	—				19,105	19,105
Total comprehensive (loss)/ income for the year	(229,827)					2,426,343

SCENARIO I (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 8)	*(Note 4)*	*(Note 6)*	*(Note 7)*	*(Note 9)*	
Operating activities							
(Loss)/profit before taxation	(277,262)	(103,542)	(1,500)	2,917,481	36,638		2,571,815
Adjustments for:							
Depreciation of property, plant and equipment	15,051	(1,310)					13,741
Amortisation of interests in leasehold land and intangible assets	56,620	(42,345)					14,275
Fair value gain on investment properties	(26,928)	222					(26,706)
Fair value gain on derivative financial instruments	(50,543)	50,543					—
Impairment loss recognised in respect of trade and other receivables and prepayments	55,998						55,998
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	(1,340)						(1,340)
Impairment loss recognised in respect of loan receivables	2,764						2,764
Impairment loss recognised in respect of other non-current assets	9,065						9,065
Loss on disposal of property, plant and equipment	44						44
Loss on disposal of a subsidiary	19,118	(19,118)					—
Share of result of an associate	109	(109)			(36,638)		(36,638)

SCENARIO I (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 8)	*(Note 4)*	*(Note 6)*	*(Note 7)*	*(Note 9)*	
Operating activities (continued)							
Gain on disposal of the Disposal Group	—			(2,917,481)			(2,917,481)
Gain from sale of financial assets at fair value through profit or loss	(1,488)						(1,488)
Fair value loss on financial assets at fair value through profit or loss	123,346						123,346
Interest income	(4,046)	2,568					(1,478)
Interest expenses	164,061	(30,290)					133,771
Operating cash flows before movements in working capital	84,569						(60,312)
Increase in other financial assets	(10,412)	10,412					—
Increase in intangible assets	(294,157)	294,157					—
Increase in inventories	(15,418)	4,525					(10,893)
Increase in loan receivables	(95,274)						(95,274)
Increase in trade and other receivables and prepayments	(34,748)	303,578					268,830
Increase in financial assets at fair value through profit or loss	(33,072)						(33,072)
Increase in amount due to an associate	—					79,781	79,781
Increase in amount due from the ultimate holding company	—	7,000				(7,000)	—
Increase in amount due from fellow subsidiaries	—	25,288				(25,288)	—
Increase in amount due to fellow subsidiaries	—	47,493				(47,493)	—
Decrease in bank trust and segregated accounts	4,888						4,888
Decrease in trade and other payables and deposits received	(73,635)	(35,004)	1,500				(107,139)
Cash (used in)/generated from operating activities	(467,259)						46,809

SCENARIO I (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 8)	*(Note 6)*	*(Note 7)*	*(Note 4)*	*(Note 9)*	
Operating activities (continued)							
Profits tax paid	(15,534)	(52,389)					(67,923)
Interest received	4,046	(2,568)					1,478
Net cash used in operating activities	(478,747)						(19,636)
Investing activities							
Purchase of property, plant and equipment	(106,891)	81,263					(25,628)
Purchase of leasehold land	(86,146)	86,146					—
Purchase of derivative financial instruments	(12,346)	12,346					—
Capital contribution from non-controlling shareholders	33,703	(33,703)					—
Acquisition of subsidiaries	(293,892)						(293,892)
Purchase of available-for-sales financial assets	(67,946)	67,901					(45)
Investment in other non-current assets	(1)						(1)
Acquisition of additional interest in a subsidiary	(19,888)	3,208					(16,680)
Proceeds on disposal of a subsidiary	154,704	(154,704)					—
Deemed Disposal of the Disposal Group	—	(433,346)					(433,346)
Net cash used in investing activities	(398,703)						(769,592)
Financing activities							
Interest paid	(164,061)	30,290					(133,771)
New bank and other borrowings raised	1,369,646	(321,593)					1,048,053
Repayment of bank and other borrowings	(1,238,524)	69,740					(1,168,784)
Placement of shares	220,720						220,720
Issue cost on placement of shares	(5,518)						(5,518)
Issue of new shares under the share options	6,473						6,473
Net cash generated from/(used in) financing activities	188,736						(32,827)

SCENARIO I (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 8)	*(Note 6)*	*(Note 7)*	*(Note 4)*	*(Note 9)*	
Net decrease in cash and cash equivalents	(688,714)						(822,055)
Cash and cash equivalents at beginning of the year	1,072,985						1,072,985
Effect of change in foreign exchange rate	14,480	(18,791)					(4,311)
Cash and cash equivalents at end of the year	398,751						246,619
Analysis of the balances of cash and cash equivalent							
Cash and bank balances	399,065	(152,132)					246,933
Less: Bank balances — trust and segregated accounts	(314)						(314)
	398,751						246,619

SCENARIO I (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information

For the purpose of the presentation of the Unaudited Pro Forma Financial Information, conversion of RMB into HK$ is calculated at the following exchange rates:

(a) RMB to HK$1.2276 as at 31 March 2012 for note 1 to note 4 below.

(b) RMB to HK$1.1854 for the year ended 31 March 2012 for note 4 and note 5 to note 9 below.

1. The balances represent the exclusion of the assets and liabilities of Heilongjiang Interchina and its subsidiaries (the "**Disposal Group**") and release of translation reserve of the Disposal Group, which are based on the unaudited consolidated financial statements of the Disposal Group as at 31 March 2012 extracted from Appendix I to the Circular, assuming the Deemed Disposal had taken place on 31 March 2012.

2. These adjustments reflect the resulting estimated gain on the Deemed Disposal as if the Deemed Disposal had taken place on 31 March 2012.

	HK$'000
Calculation of gain on the Deemed Disposal:	
Recognition of interest in Heilongjiang Interchina retained by Interchina (Tianjin) (holding 229,725,000 Heilongjiang Interchina shares) and classified as an associate* (229,725,000 Heilongjiang Interchina shares x RMB7.7 x HK$1.2276)	2,171,480
Net assets of the Disposal Group attributable to owners of the Company as at 31 March 2012 (being net assets of the Disposal Group as at 31 March 2012 of approximately HK$1,758 million less carrying amount of non-controlling interests of approximately HK$832 million)	(925,471)
Attributable goodwill#	(387,557)
Estimated gain on the Deemed Disposal before transaction costs and release of attributable reserves	858,452
Reclassification adjustment on translation reserve of the Disposal Group attributable to owners of the Company$^{\pi}$	(143,577)
Estimated gain on the Deemed Disposal before transaction costs	714,875

* For the purpose of this unaudited pro forma financial information, the quoted share price of Heilongjiang Interchina as at 31 March 2012 of RMB7.7 as extracted from the website of Shanghai Stock Exchange is assumed to approximate to the fair value of each share of Heilongjiang Interchina. The determination of the valuation of the 39.12% interest in Heilongjiang Interchina retained by Interchina (Tianjin) will be carried out at the completion date of the Deemed Disposal and the amount is subject to change upon completion.

As (i) the Remaining Group owned 39.12% equity interest in Heilongjiang Interchina upon completion of the Deemed Disposal; and (ii) the Remaining Group still has representatives in the board of directors of Heilongjiang Interchina as at 31 March 2012, assuming the Deemed Disposal had taken place on 31 March 2012, the Remaining Group has significant influence over the Disposal Group as at 31 March 2012 accordingly. An assessment of whether the Remaining Group has control or significant influence over the Disposal Group will be carried out after the Deemed Disposal, based on the relevant facts and circumstances on and after the Deemed Disposal.

SCENARIO I (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

The attributable goodwill represents goodwill arising from the Group upon completion of the acquisition of Heilongjiang Interchina in January 2009. It is derecognised at the date upon completion of the Deemed Disposal. Details of the calculation of the goodwill were set out in note 41(a) to the consolidated financial statements of the Group as included in the Company's annual report for the year ended 31 March 2009.

π Pro forma adjustment of approximately HK$858,452,000 as recorded in share premium and reserves under the pro forma consolidated statement of financial position comprised of (i) estimated gain on the Deemed Disposal before release of attributable reserves amounted to approximately HK$858,452,000; (ii) an increase in exchange reserve attributable to the Disposal Group which previously recognised in other comprehensive income amounted to approximately HK$143,577,000 was reclassified to profit or loss upon completion of the Deemed Disposal; and (iii) an increase in accumulated loss of approximately HK$143,577,000 upon reclassification of the exchange loss previous recognised in other comprehensive income to the profit or loss as at 31 March 2012, assuming the Deemed Disposal has completed on 31 March 2012.

Since the actual carrying amounts of the assets and liabilities of Heilongjiang Interchina and the share price of Heilongjiang Interchina upon completion of the Deemed Disposal will be different from the amounts used in the preparation of the unaudited pro forma financial information, the actual gain or loss on the Deemed Disposal in the future completion date will need to be further determined and the result may be significantly different from the estimated amount as shown above.

The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

3. The pro forma adjustment represents the reclassification balance of amounts due from/to the Disposal Group upon completion of the Deemed Disposal.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

4. The pro forma adjustment recognises transaction costs of approximately HK$1,500,000 (including but not limited to legal and professional fees and printing charges) which are directly attributable to the Deemed Disposal.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

5. The balances represent the exclusion of the results of the Disposal Group for the year ended 31 March 2012, which are extracted from the unaudited consolidated financial statements of the Disposal Group for the year ended 31 March 2012 as set out in Appendix I to the Circular, assuming the Deemed Disposal had taken place on 1 April 2011.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

SCENARIO I (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

6. These adjustments reflect the resulting estimated gain on the Deemed Disposal as if the Deemed Disposal had taken place on 1 April 2011.

	HK$'000
Calculation of gain on the Deemed Disposal:	
Recognition of interest in Heilongjiang Interchina retained by Interchina (Tianjin) (holding 229,725,000 Heilongjiang Interchina shares) and classified as an associate[δ] (229,725,000 Heilongjiang Interchina shares x RMB15.9 x HK$1.1854)	4,329,825
Net assets of the Disposal Group attributable to owners of the Company as at 1 April 2011 (being net assets of the Disposal Group as at 1 April 2011 of approximately HK$1,587 million less carrying amount of non-controlling interest of approximately HK$735 million)	(851,724)
Attributable goodwill[φ]	(387,557)
Estimated gain on the Deemed Disposal before transaction costs and release of attributable reserves	3,090,544
Reclassification adjustment on translation reserve of the Disposal Group attributable to owners of the Company[γ]	(173,063)
Estimated gain on the Deemed Disposal before transaction costs	2,917,481

δ For the purpose of this unaudited pro forma financial information, the quoted share price of Heilongjiang Interchina as at 1 April 2011 of RMB15.9 as extracted from the website of Shanghai Stock Exchange is assumed to approximate to the fair value of each share of Heilongjiang Interchina. The determination of the valuation of the 39.12% interest in Heilongjiang Interchina retained by Interchina (Tianjin) will be carried out at the completion date of the Deemed Disposal and the amount is subject to change upon completion.

As (i) the Remaining Group owned 39.12% equity interest in Heilongjiang Interchina upon completion of the Deemed Disposal; and (ii) the Remaining Group still has representatives in the board of directors of Heilongjiang Interchina as at 1 April 2011, assuming the Deemed Disposal had taken place on 1 April 2011, the Remaining Group has significant influence over the Disposal Group as at 1 April 2011 accordingly. An assessment of whether the Remaining Group has control or significant influence over the Disposal Group will be carried out after the Deemed Disposal, based on the relevant facts and circumstances on and after the Deemed Disposal.

φ The attributable goodwill represents goodwill arising from the Group upon completion of the acquisition of Heilongjiang Interchina in January 2009. It is derecognised at the date upon completion of the Deemed Disposal. Details of the calculation of the goodwill were set out in the note 41(a) to the consolidated financial statements of the Company's annual report for the year ended 31 March 2009.

γ Pro forma adjustment of approximately HK$2,917,481,000 as recorded in gain on deemed disposal of the Disposal Group under the pro forma consolidated statement of comprehensive income comprised of (i) estimated gain on the Deemed Disposal before release of attributable reserves amounted to approximately HK$3,090,544,000; less (ii) an exchange loss attributable to the Disposal Group which previously recognised in other comprehensive income amounted to approximately HK$173,063,000 was reclassified to profit or loss upon completion of the Deemed Disposal, assuming the Deemed Disposal had taken place on 1 April 2011.

SCENARIO I (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

Since the actual carrying amounts of the assets and liabilities of Heilongjiang Interchina and the share price of Heilongjiang Interchina upon completion of the Deemed Disposal will be different from the amounts used in the preparation of the unaudited pro forma financial information, the actual gain or loss on the Deemed Disposal in the future completion date will need to be further determined and the result may be significantly different from the estimated amount as shown above.

The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

7. These adjustments reflect the recognition of share of profit and other comprehensive income of Heilongjiang Interchina of approximately HK$36,638,000 and HK$19,105,000, which represents 39.12% of the profit and other comprehensive income for the year ended 31 March 2012 of Heilongjiang Interchina amounted approximately HK$93,655,000 and HK$48,836,000 respectively as extracted from the unaudited consolidated financial statements of Disposal Group for the year ended 31 March 2012 as set out in Appendix I to the Circular, assuming the Deemed Disposal had taken place on 1 April 2011.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

8. The balances represent the exclusion of the cash flows of the Disposal Group, which are based on the unaudited consolidated financial statements of the Disposal Group for the year ended 31 March 2012 as extracted from Appendix I to the Circular, assuming the Deemed Disposal had taken place on 1 April 2011.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

9. The pro forma adjustment represents the reclassification balance of amounts due from/to the Disposal Group upon completion of the Deemed Disposal.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

SCENARIO II

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group as at 31 March 2012	The Disposal Group as at 31 March 2012	Pro forma adjustments			The Remaining Group as at 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets						
Investment properties	951,247	(1,519)				949,728
Property, plant and equipment	404,295	(363,464)				40,831
Prepaid lease payments	102,315	(102,315)				—
Mining rights	1,232,400					1,232,400
Intangible assets	1,065,905	(925,194)				140,711
Other financial assets	494,408	(494,408)				—
Goodwill	439,927	(29,455)	(387,557)			22,915
Interest in an associate	1,104	(1,104)	1,131,703			1,131,703
Available-for-sale financial assets	69,136	(69,136)				—
Other non-current assets	88,451					88,451
	4,849,188					3,606,739
Current assets						
Prepaid lease payments	3,436	(3,436)				—
Inventories	21,613	(9,837)				11,776
Trade and other receivables and prepayment	1,500,628	(350,675)				1,149,953
Loan receivables	316,278					316,278
Financial assets at fair value through profit or loss	73,985					73,985
Derivative financial instruments	62,889	(62,889)				—
Amounts due from the ultimate holding company	—	(7,000)		7,000		—
Amount due from fellow subsidiaries	—	(73,616)		73,616		—
Tax recoverable	1,527					1,527
Bank balances — trust and segregated accounts	314					314
Cash and cash equivalents	398,751	(152,132)	1,084,339			1,330,958
	2,379,421					2,884,791
Total assets	7,228,609					6,491,530
Equity						
Share capital	427,467					427,467
Share premium and reserves	2,953,961		903,014		(1,500)	3,855,475
Equity attributable to owners of the Company	3,381,428					4,282,942
Non-controlling interests	1,346,902		(832,493)			514,409
Total equity	4,728,330					4,797,351

SCENARIO II (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group (Continued)

	The Group as at 31 March 2012	The Disposal Group as at 31 March 2012	Pro forma adjustments			The Remaining Group as at 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current liabilities						
Bank borrowings — due after one year	127,114	(123,579)				3,535
Deferred tax liabilities	147,267	(98,519)				48,748
	274,381					52,283
Current liabilities						
Trade and other payables and deposits received	349,269	(186,106)			1,500	164,663
Tax payable	10,409	(8,140)				2,269
Bank borrowings — due within one year	749,614	(471,443)				278,171
Other borrowings — due within one year	1,116,606					1,116,606
Amounts due to associates	—			80,187		80,187
Amounts due to fellow subsidiaries	—	(429)		429		—
	2,225,898					1,641,896
Total liabilities	2,500,279					1,694,179
Total equity and liabilities	7,228,609					6,491,530
Net current assets	153,523					1,242,895
Total assets less current liabilities	5,002,711					4,849,634

SCENARIO II (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments			The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 5)	*(Note 4)*	*(Note 6)*	*(Note 7)*	
Turnover	657,360	(373,842)				283,518
Cost of sales	(432,785)	169,825				(262,960)
Gross profit	224,575					20,558
Other income and gain, net	116,643	(106,293)				10,350
Gain on disposal of the Disposal Group	—			2,721,890		2,721,890
Staff costs	(56,018)	28,290				(27,728)
Amortisation and depreciation	(47,555)	43,655				(3,900)
Administrative costs	(148,987)	32,973	(1,500)			(117,514)
Other operating expenses	(86,214)	52,555				(33,659)
Fair value change in financial assets at fair value through profit or loss	(123,346)					(123,346)
Fair value change in investment properties	26,928	(222)				26,706
(Loss)/profit from operations	(93,974)					2,473,357
Finance costs	(164,061)	30,290				(133,771)
Share of result of an associate	(109)	109			26,242	26,242
Loss on disposal of a subsidiary	(19,118)	19,118				—
(Loss)/profit before taxation	(277,262)					2,365,828
Taxation	(17,615)	9,887				(7,728)
(Loss)/profit for the year	(294,877)					2,358,100
Other comprehensive income						
Exchange differences on translation of overseas subsidiaries	67,343	(51,129)				16,214
Reclassification adjustments upon disposal of a subsidiary	(2,293)	2,293				—
Share of other comprehensive income of associates	—				13,684	13,684
Total comprehensive (loss)/income for the year	(229,827)					2,387,998

SCENARIO II (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 8)	*(Note 6)*	*(Note 4)*	*(Note 7)*	*(Note 9)*	
Operating activities							
(Loss)/profit before taxation	(277,262)	(103,542)	2,721,890	(1,500)	26,242		2,365,828
Adjustments for:							
Depreciation of property, plant and equipment	15,051	(1,310)					13,741
Amortisation of interests in leasehold land and intangible assets	56,620	(42,345)					14,275
Fair value gain on investment properties	(26,928)	222					(26,706)
Fair value gain on derivative financial instruments	(50,543)	50,543					—
Impairment loss recognised in respect of trade and other receivables and prepayments	55,998						55,998
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	(1,340)						(1,340)
Impairment loss recognised in respect of loan receivables	2,764						2,764
Impairment loss recognised in respect of other non-current assets	9,065						9,065
Loss on disposal of property, plant and equipment	44						44
Loss on disposal of a subsidiary	19,118	(19,118)					—
Share of result of an associate	109	(109)			(26,242)		(26,242)
Gain on disposal of the Disposal Group	—		(2,721,890)				(2,721,890)
Gain from sale of financial assets at fair value through profit or loss	(1,488)						(1,488)
Fair value loss on financial assets at fair value through profit or loss	123,346						123,346
Interest income	(4,046)	2,568					(1,478)
Interest expenses	164,061	(30,290)					133,771
Operating cash flows before movements in working capital	84,569						(60,312)

SCENARIO II (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 8)	*(Note 6)*	*(Note 4)*	*(Note 7)*	*(Note 9)*	
Operating cash flows before movements in working capital	84,569						(60,312)
Increase in other financial assets	(10,412)	10,412					—
Increase in intangible assets	(294,157)	294,157					—
(Increase)/decrease in inventories	(15,418)	4,525					(10,893)
Increase in loan receivables	(95,274)						(95,274)
Increase in trade and other receivables and prepayments	(34,748)	303,578					268,830
Increase in financial assets at fair value through profit or loss	(33,072)						(33,072)
Increase in amount due to an associate	—					79,781	79,781
Increase in amount due from the ultimate holding company	—	7,000				(7,000)	—
Increase in amounts due from fellow subsidiaries	—	25,288				(25,288)	—
Increase in amounts due to fellow subsidiaries	—	47,493				(47,493)	—
Decrease in bank trust and segregated accounts	4,888						4,888
Decrease in trade and other payables and deposits received	(73,635)	(35,004)		1,500			(107,139)
Cash (used in)/generated from operating activities	(467,259)						46,809
Profits tax paid	(15,534)	(52,389)					(67,923)
Interest received	4,046	(2,568)					1,478
Net cash used in operating activities	(478,747)						(19,636)
Investing activities							
Purchase of property, plant and equipment	(106,891)	81,263					(25,628)
Purchase of leasehold land	(86,146)	86,146					—
Purchase of derivative financial instruments	(12,346)	12,346					—
Capital contribution from non-controlling shareholders	33,703	(33,703)					—
Acquisition of subsidiaries	(293,892)						(293,892)
Purchase of available-for-sales financial assets	(67,946)	67,901					(45)
Investment in other non-current assets	(1)						(1)
Acquisition of additional interest in a subsidiary	(19,888)	3,208					(16,680)
Proceeds on disposal of a subsidiary	154,704	(154,704)					—
Disposal of the Disposal Group	—	(433,346)					(433,346)
Net cash used in investing activities	(398,703)						(769,592)

SCENARIO II (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 8)	*(Note 6)*	*(Note 4)*	*(Note 7)*	*(Note 9)*	
Financing activities							
Interest paid	(164,061)	30,290					(133,771)
New bank and other borrowings raised	1,369,646	(321,593)					1,048,053
Repayment of bank and other borrowings	(1,238,524)	69,740					(1,168,784)
Placement of shares	220,720						220,720
Issue cost on placement of shares	(5,518)						(5,518)
Issue of new shares under the share options	6,473						6,473
Net cash generated from/(used in) financing activities	188,736						(32,827)
Net decrease in cash and cash equivalents	(688,714)						(822,055)
Cash and cash equivalents at beginning of the year	1,072,985						1,072,985
Effect of change in foreign exchange rate	14,480	(18,791)					(4,311)
Cash and cash equivalents at end of the year	398,751						246,619
Analysis of the balances of cash and cash equivalent							
Cash and bank balances	399,065	(152,132)					246,933
Less: Bank balances — trust and segregated accounts	(314)						(314)
	398,751						246,619

SCENARIO II (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information

For the purpose of the presentation of the Unaudited Pro Forma Financial Information, conversion of RMB into HK$ is calculated at the following exchange rates:

(a) RMB to HK$1.2276 as at 31 March 2012 for note 1 to note 4 below.

(b) RMB to HK$1.1854 for the year ended 31 March 2012 for note 4 and note 5 to note 9 below.

1. The balances represent the exclusion of the assets and liabilities of Heilongjiang Interchina and its subsidiaries (the "**Disposal Group**") and release of translation reserve of the Disposal Group, which are based on the unaudited consolidated financial statements of the Disposal Group as at 31 March 2012 extracted from Appendix I to the Circular, assuming the Disposal had taken place on 31 March 2012.

2. These adjustments reflect the resulting estimated gain on the Disposal as if the Disposal had taken place on 31 March 2012.

	HK$'000
Calculation of gain on the Disposal:	
Cash consideration (110,000,000 Heilongjiang Interchina shares x RMB8.03 x HK$1.2276)[9]	1,084,339
Estimated fair value of remaining 28.02% interest in the Disposal Group (119,725,000 Heilongjiang Interchina shares x RMB7.7 x HK$1.2276)*	1,131,703
Net assets of the Disposal Group attributable to owners of the Company as at 31 March 2012 (being net assets of the Disposal Group as at 31 March 2012 of approximately HK$1,758 million less carrying amount of non-controlling interests of approximately HK$832 million)	(925,471)
Attributable goodwill[#]	(387,557)
Estimated gain on Disposal before transaction costs and release of attributable reserves	903,014
Reclassification adjustment on translation reserve of the Disposal Group attributable to owners of the Company[π]	(143,577)
Estimated gain on the Disposal before transaction costs	759,437

[9] According to the Company's announcement dated 4 September 2012, the minimum disposal price is the higher of (a) RMB8.03 per share, being the same as the minimum placing price of the Deemed Disposal or (b) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal. Assuming the Disposal had taken place on 31 March 2012, the 90% of the 5-day average closing price of Heilongjiang Interchina Shares is RMB7.37 per share. As a result, the transaction price for the Disposal was RMB8.03 per share accordingly.

* For the purpose of this unaudited pro forma financial information, the quoted share price of Heilongjiang Interchina as at 31 March 2012 of RMB7.7 as extracted from the website of Shanghai Stock Exchange is assumed to approximate to the fair value of each share of Heilongjiang Interchina. The determination of the valuation of the 28.02% interest in Heilongjiang Interchina retained by Interchina (Tianjin) will be carried out at the completion date of the Disposal and the amount is subject to change upon completion.

SCENARIO II (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

As (i) the Remaining Group owned 28.02% equity interest in Heilongjiang Interchina upon completion of the Disposal; and (ii) the Remaining Group still has representatives in the board of directors of Heilongjiang Interchina as at 31 March 2012, assuming the Disposal had taken place on 31 March 2012, the Remaining Group has significant influence over the Disposal Group as at 31 March 2012 accordingly. An assessment of whether the Remaining Group has control or significant influence over the Disposal Group will be carried out after the Disposal, based on the relevant facts and circumstances on and after the Disposal.

The attributable goodwill represents goodwill arising from the Group upon completion of the acquisition of Heilongjiang Interchina in January 2009. It is derecognised at the date upon completion of the Disposal. Details of the calculation of the goodwill were set out in note 41(a) to the consolidated financial statements of the Group as included in the Company's annual report for the year ended 31 March 2009.

π Pro forma adjustment of approximately HK$903,014,000 as recorded in share premium and reserves under the pro forma consolidated statement of financial position comprised of (i) estimated gain on the Disposal before release of attributable reserves amounted to approximately HK$903,014,000; (ii) an increase in exchange reserve attributable to the Disposal Group which previously recognised in other comprehensive income amounted to approximately HK$143,577,000 was reclassified to profit or loss upon completion of the Disposal; and (iii) an increase in accumulated loss of approximately HK$143,577,000 upon reclassification of the exchange loss previous recognised in other comprehensive income to the profit or loss as at 31 March 2012, assuming the Disposal has completed on 31 March 2012.

Since the actual carrying amounts of the assets and liabilities of Heilongjiang Interchina and the share price of Heilongjiang Interchina upon completion of the Disposal will be different from the amounts used in the preparation of the unaudited pro forma financial information, the actual gain or loss on the Disposal in the future completion date will need to be further determined and the result may be significantly different from the estimated amount as shown above.

The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

3. The pro forma adjustment represents the reclassification balance of amounts due from/to the Disposal Group upon the completion of the Disposal.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

4. The pro forma adjustment recognises transaction costs of approximately HK$1,500,000 (including but not limited to legal and professional fees and printing charges) which are directly attributable to the Disposal.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

5. The balances represent the exclusion of the results of the Disposal Group for the year ended 31 March 2012, which are extracted from the unaudited consolidated financial statements of the Disposal Group for the year ended 31 March 2012 as set out in Appendix I to the Circular, assuming the Disposal had taken place on 1 April 2011.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

SCENARIO II (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

6. These adjustments reflect the resulting estimated gain on Disposal as if the Disposal had taken place on 1 April 2011.

	HK$'000
Calculation of gain on the Disposal:	
Cash consideration	
(110,000,000 Heilongjiang Interchina shares x RMB14.4 x HK$1.1854)$^{\beta}$	1,877,674
Estimated fair value of remaining 28.02% interest in the Disposal Group	
(119,725,000 Heilongjiang Interchina shares x RMB15.9 x HK$1.1854)$^{\alpha}$	2,256,560
Net assets of the Disposal Group attributable to owners of the Company as at 1 April 2011 (being net assets of the Disposal Group as at 1 April 2011 of approximately HK$1,587 million less carrying amount of non-controlling interests of approximately HK$735 million)	(851,724)
Attributable goodwill$^{\varphi}$	(387,557)
Estimated gain on Disposal before transaction costs and release of attributable reserves	2,894,953
Reclassification adjustment on translation reserve of the Disposal Group attributable to owners of the Company§	(173,063)
Estimated gain on the Disposal before transaction costs	2,721,890

β According to the Company's announcement dated 4 September 2012, the minimum disposal price is the higher of (a) RMB8.03 per share, being the same as the minimum placing price of the Deemed Disposal or (b) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal. Assuming the disposal had taken place on 1 April 2011, the 90% of the 5-day average closing price of Heilongjiang Interchina Shares is RMB14.4 per share. As a result, the transaction price for the Disposal was RMB14.4 per share accordingly.

α For the purpose of this unaudited pro forma financial information, the quoted share price of Heilongjiang Interchina as at 1 April 2011 of RMB15.9 as extracted from the website of Shanghai Stock Exchange is assumed to approximate to the fair value of each share of Heilongjiang Interchina. The determination of the valuation of the 28.02% interests in Heilongjiang Interchina retained by Interchina (Tianjin) will be carried out at the completion date of the Disposal and the amount is subject to change upon completion.

As (i) the Remaining Group owned 28.02% equity interest in Heilongjiang Interchina upon completion of the Disposal; and (ii) the Remaining Group still has representatives in the board of directors of Heilongjiang Interchina as at 1 April 2011, assuming the Disposal had taken place on 1 April 2011, the Remaining Group has significant influence over the Disposal Group as at 1 April 2011 accordingly. An assessment of whether the Remaining Group has control or significant influence over the Disposal Group will be carried out after the Disposal, based on the relevant facts and circumstances on and after the Disposal.

φ The attributable goodwill represents goodwill arising from the Group upon completion of the acquisition of Heilongjiang Interchina in January 2009. It is derecognised at the date upon completion of the Disposal. Details of the calculation of the goodwill were set out in the note 41(a) to the consolidated financial statements of the Company's annual report for the year ended 31 March 2009.

SCENARIO II (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

§ Pro forma adjustment of approximately HK$2,721,890,000 as recorded in gain on disposal of the Disposal Group under the pro forma consolidated statement of comprehensive income comprised of (i) estimated gain on the Disposal before release of attributable reserve amounted to approximately HK$2,894,953,000; less (ii) an exchange loss attributable to the Disposal Group which previously recognised in other comprehensive income amounted to approximately HK$173,063,000 was reclassified to profit or loss upon completion of the Disposal, assuming the Disposal had taken place on 1 April 2011.

Since the actual carrying amounts of the assets and liabilities of Heilongjiang Interchina and the share price of Heilongjiang Interchina upon completion of the Disposal will be different from the amounts used in the preparation of the unaudited pro forma financial information, the actual gain or loss on the Disposal in the future completion date will need to be further determined and the result may be significantly different from the estimated amount as shown above.

The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

7. These adjustments reflect the recognition of share of profit and other comprehensive income of Heilongjiang Interchina of approximately HK$26,242,000 and HK$13,684,000, which represents 28.02% of the profit and other comprehensive income for the year ended 31 March 2012 of Heilongjiang Interchina amounted approximately HK$93,655,000 and HK$48,836,000 respectively as extracted from the unaudited consolidated financial statements of Disposal Group for the year ended 31 March 2012 as set out in Appendix I to the Circular, assuming the Disposal had taken place on 1 April 2011.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

8. The balances represent the exclusion of the cash flows of the Disposal Group, which are based on the unaudited consolidated financial statements of the Disposal Group for the year ended 31 March 2012 as extracted from Appendix I to the Circular, assuming the Disposal had taken place on 1 April 2011.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

9. The pro forma adjustment represents the reclassification balance of amounts due from/to the Disposal Group upon completion of the Disposal.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

SCENARIO III

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group as at 31 March 2012	The Disposal Group as at 31 March 2012	Pro forma adjustments		After completion of the Deemed Disposal	Pro forma adjustment	After completion of the Deemed Disposal and the Disposal	Pro forma adjustment	The Remaining Group as at 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*		*(Note 5)*	
Non-current assets									
Investment properties	951,247	(1,519)			949,728		949,728		949,728
Property, plant and equipment	404,295	(363,464)			40,831		40,831		40,831
Prepaid lease payments	102,315	(102,315)			—		—		—
Mining rights	1,232,400				1,232,400		1,232,400		1,232,400
Intangible assets	1,065,905	(925,194)			140,711		140,711		140,711
Other financial assets	494,408	(494,408)			—		—		—
Goodwill	439,927	(29,455)	(387,557)		22,915		22,915		22,915
Interest in an associate	1,104	(1,104)	2,171,480		2,171,480	(1,039,777)	1,131,703		1,131,703
Available-for-sale financial assets	69,136	(69,136)			—		—		—
Other non-current assets	88,451				88,451		88,451		88,451
	4,849,188				4,646,516		3,606,739		3,606,739
Current assets									
Prepaid lease payments	3,436	(3,436)			—		—		—
Inventories	21,613	(9,837)			11,776		11,776		11,776
Trade and other receivables and prepayment	1,500,628	(350,675)			1,149,953		1,149,953		1,149,953
Loan receivables	316,278				316,278		316,278		316,278
Financial assets at fair value through profit or loss	73,985				73,985		73,985		73,985
Derivative financial instruments	62,889	(62,889)			—		—		—
Amount due from the ultimate holding company	—	(7,000)		7,000	—		—		—
Amounts due from fellow subsidiaries	—	(73,616)		73,616	—		—		—
Tax recoverable	1,527				1,527		1,527		1,527
Bank balances — trust and segregated accounts	314				314		314		314
Cash and cash equivalents	398,751	(152,132)			246,619	1,084,339	1,330,958		1,330,958
	2,379,421				1,800,452		2,884,791		2,884,791
Total assets	7,228,609				6,446,968		6,491,530		6,491,530
Equity									
Share capital	427,467				427,467		427,467		427,467
Share premium and reserves	2,953,961		858,452		3,812,413	44,562	3,856,975	(1,500)	3,855,475
Equity attributable to owners of the Company	3,381,428				4,239,880		4,284,442		4,282,942
Non-controlling interests	1,346,902		(832,493)		514,409		514,409		514,409
Total equity	4,728,330				4,754,289		4,798,851		4,797,351

SCENARIO III (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group (Continued)

	The Group as at 31 March 2012	The Disposal Group as at 31 March 2012	Pro forma adjustments		After completion of the Deemed Disposal	Pro forma adjustment	After completion of the Deemed Disposal and the Disposal	Pro forma adjustment	The Remaining Group as at 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*		*(Note 5)*	
Non-current liabilities									
Bank borrowings — due after one year	127,114	(123,579)			3,535		3,535		3,535
Deferred tax liabilities	147,267	(98,519)			48,748		48,748		48,748
	274,381				52,283		52,283		52,283
Current liabilities									
Trade and other payables and deposits received	349,269	(186,106)			163,163		163,163	1,500	164,663
Tax payable	10,409	(8,140)			2,269		2,269		2,269
Bank borrowings — due within one year	749,614	(471,443)			278,171		278,171		278,171
Other borrowings — due within one year	1,116,606	—			1,116,606		1,116,606		1,116,606
Amounts due to associates	—			80,187	80,187		80,187		80,187
Amounts due to fellow subsidiaries	—	(429)		429	—		—		—
	2,225,898				1,640,396		1,640,396		1,641,896
Total liabilities	2,500,279				1,692,679		1,692,679		1,694,179
Total equity and liabilities	7,228,609				6,446,968		6,491,530		6,491,530
Net current assets	153,523				160,056		1,244,395		1,242,895
Total assets less current liabilities	5,002,711				4,806,572		4,851,134		4,849,634

SCENARIO III (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

	The Group for the year ended 31 March 2012 HK$'000	The Disposal Group for the year ended 31 March 2012 HK$'000 (Note 6)	Pro forma adjustment HK$'000 (Note 7)	After completion of the Deemed Disposal HK$'000	Pro forma adjustment HK$'000 (Note 8)	After completion of the Deemed Disposal and the Disposal HK$'000	Pro forma adjustments HK$'000 (Note 5)	Pro forma adjustments HK$'000 (Note 9)	The Remaining Group for the year ended 31 March 2012 HK$'000
Turnover	657,360	(373,842)		283,518		283,518			283,518
Cost of sales	(432,785)	169,825		(262,960)		(262,960)			(262,960)
Gross profit	224,575			20,558		20,558			20,558
Other income and gain, net	116,643	(106,293)		10,350		10,350			10,350
Gain on deemed disposal of the Disposal Group	—		2,917,481	2,917,481		2,917,481			2,917,481
Loss on disposal of the Disposal Group	—			—	(195,591)	(195,591)			(195,591)
Staff costs	(56,018)	28,290		(27,728)		(27,728)			(27,728)
Amortisation and depreciation	(47,555)	43,655		(3,900)		(3,900)			(3,900)
Administrative costs	(148,987)	32,973		(116,014)		(116,014)	(1,500)		(117,514)
Other operating expenses	(86,214)	52,555		(33,659)		(33,659)			(33,659)
Fair value change in financial assets at fair value through profit or loss	(123,346)			(123,346)		(123,346)			(123,346)
Fair value change in investment properties	26,928	(222)		26,706		26,706			26,706
(Loss)/profit from operations	(93,974)			2,670,448		2,474,857			2,473,357
Finance costs	(164,061)	30,290		(133,771)		(133,771)			(133,771)
Share of result of an associate	(109)	109		—		—		19,096	19,096
Loss on disposal of a subsidiary	(19,118)	19,118		—		—			—
(Loss)/profit before taxation	(277,262)			2,536,677		2,341,086			2,358,682
Taxation	(17,615)	9,887		(7,728)		(7,728)			(7,728)
(Loss)/profit for the year	(294,877)			2,528,949		2,333,358			2,350,954
Other comprehensive income									
Exchange differences on translation of overseas subsidiaries	67,343	(51,129)		16,214		16,214			16,214
Reclassification adjustments upon disposal of a subsidiary	(2,293)	2,293	(173,063)	(173,063)		(173,063)			(173,063)
Share of other comprehensive income of an associate	—			—		—		9,958	9,958
Total comprehensive (loss)/income for the year	(229,827)			2,372,100		2,176,509			2,204,063

SCENARIO III (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments		After completion of the Deemed Disposal	Pro forma adjustment	After completion of the Deemed Disposal and the Disposal	Pro forma adjustments		The remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 10)	*(Note 7)*	*(Note 11)*		*(Note 8)*		*(Note 5)*	*(Note 9)*	
Operating activities										
(Loss)/profit before taxation	(277,262)	(103,542)	2,917,481		2,536,677	(195,591)	2,341,086	(1,500)	19,096	2,358,682
Adjustments for:										
Depreciation of property, plant and equipment	15,051	(1,310)			13,741		13,741			13,741
Amortization of interests in leasehold land and intangible assets	56,620	(42,345)			14,275		14,275			14,275
Fair value gain on investment properties	(26,928)	222			(26,706)		(26,706)			(26,706)
Fair value gain on derivative financial instruments	(50,543)	50,543			—		—			—
Impairment loss recognized in respect of trade and other receivables and prepayments	55,998				55,998		55,998			55,998
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	(1,340)				(1,340)		(1,340)			(1,340)
Impairment loss recognised in respect of loan receivables	2,764				2,764		2,764			2,764
Impairment loss recognised in respect of other non-current assets	9,065				9,065		9,065			9,065
Loss on disposal of property, plant and equipment	44				44		44			44
Loss on disposal of subsidiary	19,118	(19,118)			—		—			—
Share of result of associates	109	(109)			—		—		(19,096)	(19,096)
Gain on deemed disposal of the Disposal Group	—		(2,917,481)		(2,917,481)		(2,917,481)			(2,917,481)
Loss on disposal of the Disposal Group	—					195,591	195,591			195,591
Gain from sale of financial assets at fair value through profit or loss	(1,488)				(1,488)		(1,488)			(1,488)
Fair value loss on financial assets at fair value through profit or loss	123,346				123,346		123,346			123,346
Interest income	(4,046)	2,568			(1,478)		(1,478)			(1,478)
Interest expenses	164,061	(30,290)			133,771		133,771			133,771
Operating cash flows before movements in working capital	84,569				(58,812)		(58,812)			(60,312)

SCENARIO III (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments		After completion of the Deemed Disposal	Pro forma adjustment	After completion of the Deemed Disposal and the Disposal	Pro forma adjustments		The remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 10)	*(Note 7)*	*(Note 11)*		*(Note 8)*		*(Note 5)*	*(Note 9)*	
Operating cash flows before movements in working capital	84,569				(58,812)		(58,812)			(60,312)
Increase in other financial assets	(10,412)	10,412			—		—			—
Increase in intangible assets	(294,157)	294,157			—		—			—
(Increase)/decrease in inventories	(15,418)	4,525			(10,893)		(10,893)			(10,893)
Increase in loan receivables	(95,274)				(95,274)		(95,274)			(95,274)
Increase in trade and other receivables and prepayments	(34,748)	303,578			268,830		268,830			268,830
Increase in financial assets at fair value through profit or loss	(33,072)				(33,072)		(33,072)			(33,072)
Increase in amount due from the ultimate holding company	—	7,000		(7,000)	—		—			—
Increase in amounts due from fellow subsidiaries	—	25,288		(25,288)	—		—			—
Increase in amounts due to fellow subsidiaries	—	47,493		(47,493)	—		—			—
Increase in amount due to an associate	—			79,781	79,781		79,781			79,781
Decrease in bank trust and segregated accounts	4,888				4,888		4,888			4,888
Decrease in trade and other payables and deposits received	(73,635)	(35,004)			(108,639)		(108,639)	1,500		(107,139)
Cash (used in)/generated from operating activities	(467,259)				46,809		46,809			46,809
Profits tax paid	(15,534)	(52,389)			(67,923)		(67,923)			(67,923)
Interest received	4,046	(2,568)			1,478		1,478			1,478
Net cash used in operating activities	(478,747)				(19,636)		(19,636)			(19,636)
Investing activities										
Purchase of property, plant and equipment	(106,891)	81,263			(25,628)		(25,628)			(25,628)
Purchase of leasehold land	(86,146)	86,146			—		—			—
Purchase of derivative financial instruments	(12,346)	12,346			—		—			—
Capital contribution from non-controlling shareholders	33,703	(33,703)			—		—			—
Acquisition of subsidiaries	(293,892)				(293,892)		(293,892)			(293,892)
Purchase of available-for-sales financial assets	(67,946)	67,901			(45)		(45)			(45)
Investment in other non-current assets	(1)				(1)		(1)			(1)
Acquisition of additional interest in a subsidiary	(19,888)	3,208			(16,680)		(16,680)			(16,680)
Proceeds on disposal of a subsidiary	154,704	(154,704)			—		—			—
Disposal of Disposal Group	—	(433,346)			(433,346)		(433,346)			(433,346)
Net cash used in investing activities	(398,703)				(769,592)		(769,592)			(769,592)

SCENARIO III (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	The Group for the year ended 31 March 2012	The Disposal Group for the year ended 31 March 2012	Pro forma adjustments		After completion of the Deemed Disposal	Pro forma adjustment	After completion of the Deemed Disposal and the Disposal	Pro forma adjustments		The remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 10)	*(Note 7)*	*(Note 11)*		*(Note 8)*		*(Note 5)*	*(Note 9)*	
Financing activities										
Interest paid	(164,061)	30,290			(133,771)		(133,771)			(133,771)
New bank and other borrowings raised	1,369,646	(321,593)			1,048,053		1,048,053			1,048,053
Repayment of bank and other borrowings	(1,238,524)	69,740			(1,168,784)		(1,168,784)			(1,168,784)
Placement of shares	220,720				220,720		220,720			220,720
Issue cost on placement of shares	(5,518)				(5,518)		(5,518)			(5,518)
Issue of new shares under the share options	6,473				6,473		6,473			6,473
Net cash generated from/(used in) financing activities	188,736				(32,827)		(32,827)			(32,827)
Net decrease in cash and cash equivalents	(688,714)				(822,055)		(822,055)			(822,055)
Cash and cash equivalents at beginning of the year	1,072,985				1,072,985		1,072,985			1,072,985
Effect of change in foreign exchange rate	14,480	(18,791)			(4,311)		(4,311)			(4,311)
Cash and cash equivalents at end of the year	398,751				246,619		246,619			246,619
Analysis of the balances of cash and cash equivalent										
Cash and bank balances	399,065	(152,132)			246,933		246,933			246,933
Less: Bank balances — trust and segregated accounts	(314)				(314)		(314)			(314)
	398,751				246,619		246,619			246,619

SCENARIO III (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information

For the purpose of the presentation of the Unaudited Pro Forma Financial Information, conversion of RMB into HK$ is calculated at the following exchange rates:

(a) RMB to HK$1.2276 as at 31 March 2012 for note 1 to note 5 below.

(b) RMB to HK$1.1854 for the year ended 31 March 2012 for note 5 and note 7 to note 11 below.

1. The balances represent the exclusion of the assets and liabilities of Heilongjiang Interchina and its subsidiaries (the "**Disposal Group**") and release of translation reserve of the Disposal Group, which are based on the unaudited consolidated financial statements of the Disposal Group as at 31 March 2012 extracted from Appendix I to the Circular, assuming the Deemed Disposal and the Disposal had taken place on 31 March 2012 simultaneously.

2. These adjustments reflect the resulting estimated gain on the Deemed Disposal as if the Deemed Disposal had taken place on 31 March 2012.

	HK$'000
Calculation of gain on the Deemed Disposal:	
Recognition of interests in Heilongjiang Interchina retained by Interchina (Tianjin) (holding 229,725,000 Heilongjiang Interchina shares) and classified as an associate* (229,725,000 Heilongjiang Interchina shares x RMB7.7 x HK$1.2276)	2,171,480
Net assets of the Disposal Group attributable to owners of the Company as at 31 March 2012 (being net assets of the Disposal Group as at 31 March 2012 of approximately HK$1,758 million less carrying amount of non-controlling interests of approximately HK$832 million)	(925,471)
Attributable goodwill#	(387,557)
Estimated gain on the Deemed Disposal before transaction costs and release of attributable reserves	858,452
Reclassification adjustment on translation reserve of the Disposal Group attributable to owners of the Company$^{\pi}$	(143,577)
Estimated gain on the Deemed Disposal before transaction costs	714,875

* For the purpose of this unaudited pro forma financial information, the quoted share price of Heilongjiang Interchina as at 31 March 2012 of RMB7.7 as extracted from the website of Shanghai Stock Exchange is assumed to approximate to the fair value of each share of Heilongjiang Interchina. The determination of the valuation of the 39.12% interest in Heilongjiang Interchina retained by Interchina (Tianjin) will be carried out at the completion date of the Deemed Disposal and the amount is subject to change upon completion.

As (i) the Remaining Group owned 39.12% equity interest in Heilongjiang Interchina upon completion of the Deemed Disposal; and (ii) the Remaining Group still has representatives in the board of directors of Heilongjiang Interchina as at 31 March 2012, assuming the Deemed Disposal had taken place on 31 March 2012, the Remaining Group has significant influence over the Disposal Group as at 31 March 2012 accordingly. An assessment of whether the Remaining Group has control or significant influence over the Disposal Group will be carried out after the Deemed Disposal, based on the relevant facts and circumstances on and after the Deemed Disposal.

SCENARIO III (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

The attributable goodwill represents goodwill arising from the Group upon completion of the acquisition of Heilongjiang Interchina in January 2009. It is derecognised at the date upon completion of the Deemed Disposal. Details of the calculation of the goodwill were set out in note 41(a) to the consolidated financial statements of the Group as included in the Company's annual report for the year ended 31 March 2009.

π Pro forma adjustment of approximately HK$858,452,000 as recorded in share premium and reserves under the pro forma consolidated statement of financial position comprised of (i) estimated gain on the Deemed Disposal before release of attributable reserves amounted to approximately HK$858,452,000; (ii) an increase in exchange reserve attributable to the Disposal Group which previously recognised in other comprehensive income of approximately HK$143,577,000 was reclassified to profit or loss upon completion of the Deemed Disposal; and (iii) an increase in accumulated loss of approximately HK$143,577,000 upon reclassification of the exchange loss previous recognised in other comprehensive income to the profit or loss as at 31 March 2012, assuming the Deemed Disposal has completed on 31 March 2012.

Since the actual carrying amounts of the assets and liabilities of Heilongjiang Interchina and the share price of Heilongjiang Interchina upon completion of the Deemed Disposal will be different from the amounts used in the preparation of the unaudited pro forma financial information, the actual gain or loss on the Deemed Disposal in the future completion date will need to be further determined and the result may be significantly different from the estimated amount as shown above.

The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

3. The pro forma adjustment represents the reclassification balance of amounts due from/to the Disposal Group upon the completion of the Deemed Disposal and Disposal.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

4. These adjustments reflect the resulting estimated gain on the Disposal as if the Disposal had taken place on 31 March 2012.

	HK$'000
Calculation of gain on the Disposal:	
Cash consideration	
(110,000,000 Heilongjiang Interchina shares x RMB8.03 x HK$1.2276)[ϑ]	1,084,339
Estimated fair value 110,000,000 shares of Heilongjiang Interchina	
(110,000,000 Heilongjiang Interchina shares x RMB7.7 x HK$1.2276)[§]	(1,039,777)
Estimated gain on the Disposal before transaction costs	44,562

ϑ According to the Company's announcement dated 4 September 2012, the minimum disposal price is the higher of (a) RMB8.03 per share, being the same as the minimum placing price of the Deemed Disposal or (b) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal. Assuming the Disposal had taken place on 31 March 2012, the 90% of the 5-day average closing price of Heilongjiang Interchina Shares is RMB7.37 per share. As a result, the transaction price for the Disposal was RMB8.03 per share accordingly.

SCENARIO III (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

§ For the purpose of this unaudited pro forma financial information, the quoted share price of Heilongjiang Interchina as at 31 March 2012 of RMB7.7 per share as extracted from the website of Shanghai Stock Exchange, is assumed to approximate to the fair value of each share of Heilongjiang Interchina. The determination of the valuation of the 20.39% interest in Heilongjiang Interchina retained by Interchina (Tianjin) will be carried out at the completion date of the Disposal and the amount is subject to change upon completion.

As (i) the Remaining Group owned 20.39% equity interest in Heilongjiang Interchina upon completion of the Disposal; and (ii) the Remaining Group still has representatives in the board of directors of Heilongjiang Interchina as at 31 March 2012, assuming the Disposal had taken place on 31 March 2012, the Remaining Group has significant influence over the Disposal Group as at 31 March 2012 accordingly. An assessment of whether the Remaining Group has control or significant influence over the Disposal Group will be carried out after the Disposal, based on the relevant facts and circumstances on and after the Disposal.

The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

5. The pro forma adjustment recognises transaction costs of approximately HK$1,500,000 (including but not limited to legal and professional fees and printing charges) which are directly attributable to the Deemed Disposal and the Disposal.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

6. The balances represent the exclusion of the results of Disposal Group for the year ended 31 March 2012, which are extracted from the unaudited consolidated financial statements of Disposal Group for the year ended 31 March 2012 as set out in Appendix I to the Circular, assuming the Deemed Disposal and the Disposal had taken place on 1 April 2011.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

7. These adjustments reflect the resulting estimated gain on the Deemed Disposal as if the Deemed Disposal had taken place on 1 April 2011.

	HK$'000
Calculation of gain on the Deemed Disposal:	
Recognition of interest in Heilongjiang Interchina retained by Interchina (Tianjin) (holding 229,725,000 Heilongjiang Interchina shares) and classified as an associate[§]	4,329,825
Net assets of the Disposal Group attributable to owners of the Company as at 1 April 2011 (being net assets of the Disposal Group as at 1 April 2011 of approximately HK$1,587 million less carrying amount of non-controlling interest of approximately HK$735 million)	(851,724)
Attributable goodwill[β]	(387,557)
Estimated gain on the Deemed Disposal before transaction costs and release of attributable reserves	3,090,544
Reclassification adjustment on translation reserve of the Disposal Group attributable to owners of the Company[γ]	(173,063)
Estimated gain on the Deemed Disposal before transaction costs	2,917,481

SCENARIO III (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

ϑ For the purpose of this unaudited pro forma financial information, the quoted share price of Heilongjiang Interchina as at 1 April 2011 of RMB15.9 as extracted from the website of Shanghai Stock Exchange is assumed to approximate to the fair value of each share of Heilongjiang Interchina. The determination of the valuation of the 39.12% interest in Heilongjiang Interchina retained by Interchina (Tianjin) will be carried out at the completion date of the Deemed Disposal and the amount is subject to change upon completion.

As (i) the Remaining Group owned 39.12% equity interest in Heilongjiang Interchina upon completion of the Deemed Disposal; and (ii) the Remaining Group still has representatives in the board of directors of Heilongjiang Interchina as at 1 April 2011, assuming the Deemed Disposal had taken place on 1 April 2011, the Remaining Group has significant influence over the Disposal Group as at 1 April 2011 accordingly. An assessment of whether the Remaining Group has control or significant influence over the Disposal Group will be carried out after the Deemed Disposal, based on the relevant facts and circumstances on and after the Deemed Disposal.

β The attributable goodwill represents goodwill arising from the Group upon completion of the acquisition of Heilongjiang Interchina in January 2009. It is derecognised at the date upon completion of the Deemed Disposal. Details of the calculation of the goodwill were set out in the note 41(a) to the consolidated financial statements of the Company's annual report for the year ended 31 March 2009.

γ Pro forma adjustment of approximately HK$2,917,481,000 as recorded in gain on deemed disposal of the Disposal Group under the pro forma consolidated statement of comprehensive income comprised of (i) estimated gain on the Deemed Disposal before release of attributable reserves amounted to approximately HK$3,090,544,000; less (ii) an exchange loss attributable to the Disposal Group which previously recognised in other comprehensive income amounted to approximately HK$173,063,000 was reclassified to profit or loss upon completion of the Deemed Disposal, assuming the Deemed Disposal had taken place on 1 April 2011.

Since the actual carrying amounts of the assets and liabilities of Heilongjiang Interchina and the share price of Heilongjiang Interchina upon completion of the Deemed Disposal will be different from the amounts used in the preparation of the unaudited pro forma financial information, the actual gain or loss on the Deemed Disposal in the future completion date will need to be further determined and the result may be significantly different from the estimated amount as shown above.

The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

8. These adjustments reflect the resulting estimated loss on the Disposal as if the Disposal had taken place on 1 April 2011.

	HK$'000
Calculation of loss on the Disposal:	
Cash consideration	
(110,000,000 Heilongjiang Interchina shares x RMB14.4 x HK$1.1854)[φ]	1,877,674
Estimated fair value of 110,000,000 Heilongjiang Interchina shares	
(110,000,000 Heilongjiang Interchina shares x RMB15.9 x HK$1.1854)[§]	(2,073,265)
Estimated loss on the Disposal before transaction costs	(195,591)

SCENARIO III (CONTINUED)

Notes to the Unaudited Pro Forma Financial Information (Continued)

φ According to the Company's announcement dated 4 September 2012, the minimum disposal price is the higher of (a) RMB8.03 per share, being the same as the minimum placing price of the Deemed Disposal or (b) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal. Assuming the disposal had taken place on 1 April 2011, the 90% of the 5-day average closing price of Heilongjiang Interchina Shares is RMB14.4. As a result, the transaction price for the Disposal was RMB14.4 per share accordingly.

§ For the purpose of this unaudited pro forma financial information, the quoted share price of Heilongjiang Interchina as at 1 April 2011 of RMB15.9 as extracted from the website of Shanghai Stock Exchange is assumed to approximate to the fair value of each share of Heilongjiang Interchina. The determination of the valuation of the 20.39% interest in Heilongjiang Interchina retained by Interchina (Tianjin) will be carried out at the completion date of the Disposal and the amount is subject to change upon completion.

As (i) the Remaining Group owned 20.39% equity interest in Heilongjiang Interchina upon completion of the Disposal; and (ii) the Remaining Group still has representatives in the board of directors of Heilongjiang Interchina as at 1 April 2011, assuming the Disposal had taken place on 1 April 2011, the Remaining Group has significant influence over the Disposal Group as at 1 April 2011 accordingly. An assessment of whether the Remaining Group has control or significant influence over the Disposal Group will be carried out after the Disposal, based on the relevant facts and circumstances on and after the Disposal.

9. These adjustments reflect the recognition of share of profit and other comprehensive income of Heilongjiang Interchina of approximately HK$19,096,000 and HK$9,958,000, which represents 20.39% of the profit and other comprehensive income for the year ended 31 March 2012 of Heilongjiang Interchina amounted approximately HK$93,655,000 and HK$48,836,000 respectively as extracted from the unaudited consolidated financial statements of Disposal Group for the year ended 31 March 2012 as set out in Appendix I to the Circular, assuming the Deemed Disposal and the Disposal had taken place on 1 April 2011.

   The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

10. The balances represent the exclusion of the cash flows of the Disposal Group, which are based on the unaudited consolidated financial statements of the Disposal Group for the year ended 31 March 2012 as extracted from Appendix I to the Circular, assuming the Deemed Disposal and the Disposal had taken place on 1 April 2011.

    The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

11. The pro forma adjustment represents the reclassification balance of amounts due from/to the Disposal Group upon completion of the Deemed Disposal and the Disposal.

    The pro forma adjustment will have no continuing effect on the Remaining Group in the subsequent reporting periods.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Jiang Zhaobai	The Company	Interests of controlled corporation *(Note 1)*	709,000,000 Shares (L)	11.66%
Shen Angang	The Company	Beneficial owner	187,865,000 Shares (L)	3.1%
Lam Cheung Shing, Richard	The Company	Beneficial owner	7,700,000 Shares (L)	0.13%
Zhu Deyu	The Company	Beneficial owner	10,000,000 Shares (L)	0.16%
Lu Yaohua	The Company	Beneficial owner	10,000,000 Shares (L)	0.16%

(L) denotes the long position held in the Shares

Note 1: These Shares are held by Pengxin Holdings Company Limited, which is wholly and beneficially owned by Mr. Jiang Zhaobai, an executive Director and the chairman of the Company.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and persons having 5% or more shareholding

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) or had options in respect of such capital:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares/ amount of registered capital	Approximate percentage of shareholding
Chu Yuet Wah	The Company	Interests of controlled corporation *(Note 1)*	1,033,300,000 Shares (L)	16.99%
Rich Monitor Limited	The Company	Beneficial owner	1,033,300,000 Shares (L)	16.99%
Pengxin Holdings Company Limited	The Company	Beneficial owner *(Note 2)*	709,000,000 Shares (L)	11.66%
韓立新 (Han Lixin)	Beijing TDR	Beneficial owner	RMB24,602,000	63.57%
朱東柯 (Zhu Dongke)	Beijing TDR	Beneficial owner	RMB4,675,000	12.08%

(L) denotes long position in the Shares

Notes:

1. The entire issued share capital of Rich Monitor Limited is held by Chu Yuet Wah. Therefore, Chu Yuet Wah is deemed to be interested in 1,033,300,000 Shares under the SFO.

2. The entire issued share capital of Pengxin Holdings Company Limited is held by Jiang Zhaobai. Therefore, Jiang Zhaobai is deemed to be interested in 709,000,000 Shares under the SFO. As at the Latest Practicable Date, Pengxin Holdings Company Limited or Jiang Zhaobai did not have any interests and relationship with Heilongjiang Interchina.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) or who had any options in respect of such capital.

3. SERVICE CONTRACT

As at the Latest Practicable Date, there was no service contract or any proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up), excluding contracts expiring or determinable by the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) within a year without payment of any compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

5. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 31 March 2012, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired or dispose of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the

Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up).

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, neither the Company nor any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) was engaged in any litigation nor or were there claims of material importance pending or threatened against any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up).

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) within two years immediately preceding the Latest Practicable Date:

(a) the framework agreement dated 5 November 2010 entered into between Interchina (Tianjin) Water Treatment Company Limited and 北安市人民政府 (the People's Government of Beian City*) in respect of formation of a joint venture with a registered capital of RMB50 million and a total investment amount of RMB500 million for the purpose of exploration, processing and sale of natural soda water in Beian City, Heilongjiang, the PRC;

(b) the memorandum of understanding dated 10 January 2011 entered into between the Company and Northwest Nonferrous International Investment Co., Ltd in relation to the formation of a joint venture in Hong Kong for the purpose of seeking favourable mineral resources exploration projects worldwide, conducting evaluation and feasibility studies for the potential projects, providing consultation and management, and/or investment in projects;

(c) the sale and purchase agreement dated 2 March 2011 entered into between Interchina Resources Holdings Co., Ltd, a wholly-owned subsidiary of the Company, and Zhou Yuning in relation to the acquisition of entire equity interest in and the shareholder's loan owing by Universe Glory Limited ("**Universe Glory**") at consideration of HK$800,000,000;

(d) the joint venture agreement dated 16 May 2011 entered into between Heilongjiang Interchina and 湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited*) in relation to the formation of a joint venture in the PRC with registered capital of RMB150,000,000, to engage in the construction and operation of a water supply project in the Xiangtan Jiuhua Demonstration Zone, Hunan Province, the PRC;

(e) the franchise agreement dated 25 August 2011 entered into between Heilongjiang Interchina and the People's Government of Dongying City, Hekou District for which Heilongjiang Interchina was granted an exclusive right to invest, construct and operate the sewage treatment project of Shandong Hekou Lanse Economic Development Zone in the PRC with a capacity of 40,000 tonnes/day, with a franchise period of 30 years;

(f) the share transfer agreement dated 28 October 2011 entered into between Heilongjiang Interchina and 西安閻良航城水務有限公司 (Xian Yanliang Hang Cheng Water Co., Ltd.*) in respect of the disposal of 99% equity interest of 西安航空科技產業園供排水有限公司 (Xian Aviation Technology Asset Zone Water Supply Co., Ltd.*) and the shareholders' loan at the consideration of RMB149,500,000;

(g) the two placing agreements dated 13 December 2011 entered into between the Company and Kingston Securities Limited ("**Kingston Securities**") as placing agent in relation to (i) the placing of up to 712,000,000 Shares at HK$0.31 per Share and (ii) the placing of convertible notes up to the principal amount of HK$294,500,000 with the conversion price of HK$0.31 per Share;

(h) the master agreement dated 6 January 2012 entered into between the Company and Kingston Capital Asia Limited ("**KCA**") in relation to the engagement of KCA and its subsidiaries ("**KCA Group**") for provision of services including but not limit to placement, underwriting or sub-underwriting of securities, brokerage, margin financing and financial advisory services and other ancillary services to the Group from time to time for a fixed term commencing on the date of the agreement up to 31 March 2014 and such fees payable to KCA Group should be limited by the annual caps of HK$28,000,000 for the three months ended 31 March 2012 and HK$30,000,000 for each of two years ending 31 March 2014;

(i) the sale and purchase agreement dated 10 February 2012 entered into between Heilongjiang Interchina and 韓立新 (Han Lixin) and 姚淑華 (Yao Shuhua) in relation to the acquisition of 10% equity interest in Beijing TDR at the consideration of RMB55,000,000;

(j) the option agreement dated 10 February 2012 entered into between Heilongjiang Interchina and the grantors, namely 韓德民 (Han Demin), 韓立新 (Han Lixin), 韓宇 (Han Yu), 韓子石 (Han Zishi), 朱東柯 (Zhu Dongke), 張靜 (Zhang Jing) and 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.) in respect of the options to acquire an aggregate of 90% of equity interest of Beijing TDR at the aggregate option consideration of RMB10,000,000 and the aggregate exercise price of RMB495,000,000;

(k) the joint venture agreement dated 9 March 2012 entered into between Heilongjiang Interchina and 湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited*) and 湘潭市污水處理有限公司 (Xiangtan City Sewage Treatment Company Limited*), in relation to the formation of a joint venture in the PRC with registered capital of RMB48,000,000, to manage, operate and maintain a sewage treatment plant in Xiangtan City, Hunan Province, the PRC;

(l) the placing agreement dated 29 March 2012 entered into between the Company and Kingston Securities as placing agent in relation to the placing of up to 854,000,000 Shares at HK$0.42 per Share;

(m) the sale and purchase agreements entered dated 25 April 2012 signed by the 上海萊因思置業有限公司 and the Company and Shanghai Interchina Club Limited, a wholly-owned subsidiary of the Company, in relation to the sale and purchase of the 5 residential units with the total floor areas of approximately 1,748.77 sq. m. located in Above The Bund (白金灣府邸), 18 Hai Ping Road, Hongkou District, Shanghai, the PRC at the aggregate consideration of RMB194,127,315;

(n) the supplemental agreement dated 7 May 2012 in relation to the grant of options as set out in paragraph (j) above by the same parties in relation to the extension of the option period;

(o) the strategic cooperation framework agreement dated 31 May 2012 entered into between Heilongjiang Interchina and the Research Centre for Eco-Environmental Sciences, Chinese Academy of Sciences in relation to the establishment of a joint venture company, namely Interchina CAS Ecological Scientific Innovation with the registered capital of RMB50,000,000;

(p) the supplemental agreement dated 18 June 2012 entered into between the Company and Kingston Securities to amend the terms of the placing agreement dated 29 March 2012 such that (i) the placing price of up to 854,000,000 Shares be revised from HK$0.42 to HK$0.34 and (ii) the long-stop date of the placing agreement dated 29 March 2012 be extended from 29 June 2012 to 15 August 2012;

(q) the Sale and Purchase Agreement;

(r) the memorandum of understanding dated 28 June 2012 entered into between Universe Glory, an indirect wholly-owned subsidiary of the Company and All Yield Investments Limited, Lianbo Limited, Mr. Daniel Cherlin and Mr. Aristoteles Cherlin in relation to propose the acquisition of 35% equity interest in PT. Satwa Lestari Permai, a 65% owned subsidiary of Universe Glory; and

(s) the letter of intent dated 28 August 2012 entered into between Equal Smart Profits Limited, an indirect wholly-owned subsidiary of the Company and Warburg Pincus Asia LLC in relation to propose the disposal of the Shanghai Property at the intended consideration of RMB280,000,000.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advices contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Chartered accountants and certified public accountants

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which had been, since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up, acquired, disposed of or leased to any member of the Group, or were proposed to be acquired, disposed of or leased to any member of the Group.

9. MISCELLANEOUS

(a) The registered office and head office of the Company is at Room 701, 7/F, Aon China Building, 29 Queen's Road Central, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Mr. Lau Chi Lok, Freeman who is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.

(d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Room 701, 7/F, Aon China Building, 29 Queen's Road Central, Hong Kong during 9:00 a.m. to 6:00 p.m. on any Business Day, from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(c) the annual reports of the Company for the two years ended 31 March 2012;

(d) the review report from HLB Hodgson Impey Cheng Limited on the financial information of Heilongjiang Interchina, which is set out in Appendix I of this circular;

(e) the report from HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III of this circular;

(f) the written consent referred to in the paragraph headed "Expert and consent" in this Appendix;

(g) the circular of the Company dated 4 May 2012; and

(h) this circular.

* *For identification purposes only*

INTERCHINA HOLDINGS COMPANY LIMITED

國中控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Interchina Holdings Company Limited (the "**Company**") will be held at Room 701, Aon China Building, 29 Queen's Road Central, Hong Kong on Friday, 19 October 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT:**

(i) the terms and conditions of the revised non-public share issue proposal dated 20 September 2012 (the "**Revised Proposal**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) issued by 黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited) ("**Heilongjiang Interchina**"), a subsidiary of Interchina Holdings Company Limited (the "**Company**"), and submitted to the Shanghai Stock Exchange regarding the non-public issue of up to 160,000,000 shares ("**Heilongjiang Interchina Shares**") in the capital of Heilongjiang Interchina to not more than 10 investors at a price not less than RMB8.03 per Heilongjiang Interchina Share (the "**Non-public Share Issue**") be and are hereby approved, confirmed and ratified;

(ii) the deemed disposal of Heilongjiang Interchina upon completion of the Non-public Share Issue (the "**Deemed Disposal**") be and is hereby approved, confirmed and ratified; and

(iii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Revised Proposal, the Deemed Disposal and the transactions contemplated thereunder."

(2) "**THAT:**

(i) the proposed disposal (the "**Disposal**") by Interchina Holdings Company Limited (the "**Company**") of not more than 110,000,000 shares (the "**Heilongjiang Interchina Shares**") in the share capital of 黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited), a company established in the People's Republic of China and the A shares of which are listed on the Shanghai Stock Exchange, during the period of 6 months from the date of passing of this resolution (unless revoked or varied by ordinary resolution of the shareholders at general meeting of the Company) (the "**Mandate Period**") at the minimum disposal price of the higher of (a) RMB8.03; or (b) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal, and on the terms set out in the circular of the Company dated 28 September 2012 relating to the Disposal be and is hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to exercise all the powers of the Company to procure and effect the Disposal from time to time during the Mandate Period and to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Disposal and the transactions contemplated thereunder."

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

Hong Kong, 28 September 2012

Registered office:
Room 701, 7th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any share of the Company (the "**Share**"), any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the office of the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. As at the date of this notice, the executive directors of the Company are Mr. Jiang Zhaobai, Mr. Shen Angang, Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun, Mr. Zhu Deyu and Mr. Lu Yaohua; and the independent non-executive directors of the Company are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Chen Yi, Ethan.