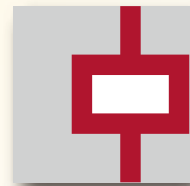


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國|中|控|股|有|限|公|司
INTERCHINA HOLDINGS CO LTD

Stock Code: 202

INTERIM REPORT 2010

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Cheung Shing, Richard (*Deputy Chairman*)
Mr. Zhu Yongjun (*Deputy Chairman*)
Mr. Zhang Chen

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lau Chi Lok

STOCK CODE

202

WEBSITE

www.interchina.com.hk

PRINCIPAL OFFICE IN HONG KONG

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29 Queen's Road Central
Hong Kong

AUDITORS

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

SOLICITOR

Kirkpatrick & Lockhart Gates
44/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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



Chartered Accountants
Certified Public Accountants

TO THE BOARD OF DIRECTORS OF INTERCHINA HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 30, which comprises the condensed consolidated statement of financial position of Interchina Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as of 30 September 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

HLB Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

Hong Kong, 29 November 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		2010	2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Turnover	3	124,538	89,495
Cost of sales		(48,407)	(29,175)
Other income and gain, net	4	29,185	20,141
Staff costs		(23,113)	(17,724)
Amortisation and depreciation		(15,060)	(16,916)
Administrative costs		(35,535)	(30,326)
Share-based payment expenses		(91,064)	(76,408)
Fair value change in investment properties		15,650	34,057
Loss arising on change in fair value of financial assets classified as held for trading		(28,506)	–
Loss from operations	5	(72,312)	(26,856)
Finance costs		(33,273)	(34,156)
Loss before taxation		(105,585)	(61,012)
Taxation	6	(13,587)	(8,375)
Loss for the period from continuing operations		(119,172)	(69,387)
Discontinued operation			
Loss for the period from discontinued operation	15	–	(4,999)
Loss for the period		(119,172)	(74,386)
Attributable to:			
Owners of the Company		(122,987)	(78,225)
Non-controlling interests		3,815	3,839
		(119,172)	(74,386)
Loss per share for loss attributable to owners of the Company			
From continuing operations			
– Basic and diluted (2009: Restated)	7	(HK4.62 cents)	(HK3.51 cents)
From continuing and discontinued operations			
– Basic and diluted (2009: Restated)	7	(HK4.62 cents)	(HK3.75 cents)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(119,172)	(74,386)
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	34,576	185
Total comprehensive expenses for the period	(84,596)	(74,201)
Total comprehensive expenses for the period attributable to:		
Owners of the Company	(88,411)	(78,040)
Non-controlling interests	3,815	3,839
	(84,596)	(74,201)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Non-current assets			
Investment properties	9	636,100	609,722
Interests in leasehold land and land use rights		15,679	–
Property, plant and equipment	10	21,995	19,075
Intangible assets	11	714,399	702,801
Other financial assets	12	464,365	452,158
Goodwill		392,095	387,588
Other non-current assets		2,277	2,283
		2,246,910	2,173,627
Current assets			
Inventories		5,192	3,078
Trade and other receivables and prepayments	13	1,799,940	1,154,387
Loan receivables	14	218,819	–
Financial assets at fair value through profit or loss		56	143,546
Tax recoverable		47	47
Bank balances – trust and segregated accounts		9,207	27,734
Cash and cash equivalents		68,548	129,140
		2,101,809	1,457,932
Assets classified as held for sale	15	42,581	41,614
		2,144,390	1,499,546
Total assets		4,391,300	3,673,173
Equity			
Share capital	20	286,122	2,324,219
Share premium and reserves		2,205,661	(200,268)
		2,491,783	2,123,951
Equity attributable to owners of the Company		2,491,783	2,123,951
Non-controlling interests		237,983	234,168
Total equity		2,729,766	2,358,119

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Non-current liabilities			
Bank borrowings – due after one year	18	465,875	279,147
Deferred tax liabilities		143,788	136,938
		609,663	416,085
Current liabilities			
Trade and other payables and deposits received	16	303,738	230,018
Tax payable		34,954	39,917
Derivative financial instruments	17	–	66
Bank borrowings – due within one year	18	404,818	214,257
Other borrowings – due within one year	18	288,428	394,830
Convertible notes	19	19,933	19,881
		1,051,871	898,969
Liabilities classified as held for sale	15	–	–
		1,051,871	898,969
Total liabilities		1,661,534	1,315,054
Total equity and liabilities		4,391,300	3,673,173
Net current assets		1,092,519	600,577
Total assets less current liabilities		3,339,429	2,774,204

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

The Group

	Equity attributable to owners of the Company											
	Share capital	Share premium	Contributed surplus	Special reserve	Share options reserve	Exchange reserve	Convertible notes reserve	PRC statutory reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009 (Audited)	2,028,619	371,482	-	571,996	6,470	245,529	-	-	(1,504,631)	1,719,465	155,686	1,875,151
Total comprehensive income for the period	-	-	-	-	-	185	-	-	(78,225)	(78,040)	3,839	(74,201)
Capital contribution from a minority shareholder of subsidiary	-	-	-	-	-	-	-	-	-	-	56,322	56,322
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	5,765	5,765
Issue of share options	-	-	-	-	76,408	-	-	-	-	76,408	-	76,408
Exercise of share options	70,600	33,331	-	-	(31,213)	-	-	-	-	72,718	-	72,718
Issue of convertible notes	-	-	-	-	-	-	4,025	-	-	4,025	-	4,025
Recognition of deferred tax for convertible notes	-	-	-	-	-	-	(664)	-	-	(664)	-	(664)
Conversion of convertible notes	120,000	-	-	-	-	-	(1,844)	-	-	118,156	-	118,156
At 30 September 2009 (Unaudited)	2,219,219	404,813	-	571,996	51,665	245,714	1,517	-	(1,582,856)	1,912,068	221,612	2,133,680
At 1 April 2010 (Audited)	2,324,219	405,557	-	571,996	50,443	211,162	115	1,762	(1,441,303)	2,123,951	234,168	2,358,119
Total comprehensive income for the period	-	-	-	-	-	34,576	-	-	(122,987)	(88,411)	3,815	(84,596)
Issue of share options	-	-	-	-	91,064	-	-	-	-	91,064	-	91,064
Exercise of share options	9,700	104,016	-	-	(27,387)	-	-	-	-	86,329	-	86,329
Placing of shares	44,000	242,000	-	-	-	-	-	-	-	286,000	-	286,000
Share issuing expenses	-	(7,150)	-	-	-	-	-	-	-	(7,150)	-	(7,150)
Capital reorganisation												
- capital reduction	(2,091,797)	-	2,091,797	-	-	-	-	-	-	-	-	-
- sett off against accumulated losses	-	-	(749,320)	-	-	-	-	-	749,320	-	-	-
At 30 September 2010 (Unaudited)	286,122	744,423	1,342,477	571,996	114,120	245,738	115	1,762	(814,970)	2,491,783	237,983	2,729,766

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note:

- 1) Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting held on 18 September 2009 and upon all conditions precedents to the capital reorganisation have been fulfilled on 9 April 2010, (i) the nominal value of each share was reduced from HK\$0.10 to HK\$0.01 by cancelling the Company's paid up capital to the extent of HK\$0.09 on each share, (ii) part of the credit arising from capital reduction was utilised to set off accumulated loss of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the bye-laws of the Company and all applicable laws.
- 2) As at 30 September 2010, the special reserve of the Group represents mainly the difference between the nominal value of shares of Burlingame International Company Limited ("Burlingame") and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the scheme of arrangement as set out in the document issued by the Company and Burlingame dated 27 July 2000.
- 3) Share options reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share options reserve.
- 4) Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.
- 5) Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated losses.)
- 6) In accordance with the laws and regulations of the People's Republic of China (the "PRC"), the Company and its subsidiaries in the PRC are required to transfer appropriate amounts equal to 10% of their profit after taxation as determined in accordance with the PRC accounting standards to statutory surplus reserve.

Statutory surplus reserve is part of shareholders' equity and when its balance reaches an amount equal to 50% of the registered capital, further appropriation needs not be made. The statutory surplus reserve may only be used, upon approval of the relevant authority, to offset accumulated losses or to increase capital.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(289,823)	(261,242)
Net cash used in investing activities	(372,771)	(46,093)
Net cash generated from financing activities	596,435	434,621
Net (decrease)/increase in cash and cash equivalents	(66,159)	127,286
Cash and cash equivalents at beginning of the period	129,140	34,259
Effect of foreign exchange rate changes	5,567	185
Cash and cash equivalents at end of the period	68,548	161,730
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	77,755	174,666
Less: Bank balances – trust and segregated accounts	(9,207)	(12,936)
	68,548	161,730

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The condensed consolidated financial statements have been prepared on historical cost basis except that the following assets and liabilities are stated at their fair value:

- investment property;
- financial instruments classified as trading securities; and
- derivative financial instruments

Non-current assets and disposal groups held for sale are stated at fair value less costs to sell.

The condensed consolidated financial statements do not include all the information of disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2010.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010, except for the adoption of the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA as noted below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exceptions for First-time Adopters
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-Based Payment – Group Cash-settled Share-Based Payment Transactions
HKAS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HKAS 39 (Amendment)	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK Interpretation 4 (Revised in December 2009)	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs
Amendment to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendment to HKFRS 5 Non-current Asset Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary

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

3. OPERATING SEGMENT

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. For management purpose, the Group is currently organised into the following operating segments.

Continuing operations

- | | |
|--|--|
| (i) Environmental protection and water treatment operation | – Operation of water plants and sewage treatment plants in the PRC |
| (ii) Property investment operation | – Leasing of rental property in the PRC and Hong Kong |
| (iii) Securities and financial operation | – Securities investment provision of financial service |

Discontinued operation

- | | |
|---|---|
| (i) City development and investment operation | – Infrastructure construction for urbanisation operation and property development for sale in the PRC |
|---|---|

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT (Continued)

The following tables present revenue and results for the Group's operating segments.

For the six months ended 30 September 2010

	Continuing operations			Total	Discontinued operation	Consolidated total
	Environmental protection and water treatment operation	Property investment operation	Securities and financial operation		City development and investment operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	98,782	12,754	13,002	124,538	-	124,538
Segment results	35,705	18,592	(18,433)	35,864	-	35,864
Interest income and unallocated gains				3,744	-	3,744
Administrative costs				(20,856)	-	(20,856)
Share-based payment expenses				(91,064)	-	(91,064)
Loss from operations				(72,312)	-	(72,312)
Finance costs				(33,273)	-	(33,273)
Loss before taxation				(105,585)	-	(105,585)
Taxation				(13,587)	-	(13,587)
Loss for the period				(119,172)	-	(119,172)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT (Continued)

For the six months ended 30 September 2009

	Continuing operations			Total	Discontinued operation	Consolidated total
	Environmental protection and water treatment operation	Property investment operation	Securities and financial operation		City development and investment operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	75,788	8,920	4,787	89,495	–	89,495
Segment results	23,883	40,929	(1,133)	63,679	(4,479)	59,200
Interest income and unallocated gains				163	10	173
Administrative costs				(14,290)	–	(14,290)
Share-based payment expenses				(76,408)	–	(76,408)
Loss from operations				(26,856)	(4,469)	(31,325)
Gain on remeasurement to fair value less costs to sell				–	4,637	4,637
Finance costs				(34,156)	(5,167)	(39,323)
Loss before taxation				(61,012)	(4,999)	(66,011)
Taxation				(8,375)	–	(8,375)
Loss for the period				(69,387)	(4,999)	(74,386)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME AND GAIN, NET

	Continuing operations		Discontinued operation		Consolidated total	
	For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	135	163	-	10	135	173
Government subsidies	12,989	16,998	-	-	12,989	16,998
Consultancy service income	11,238	-	-	-	11,238	-
Dividend income	3	26	-	-	3	26
Net foreign exchange gain	3,542	-	-	-	3,542	-
Fair value change in derivative financial instruments	66	-	-	-	66	-
Sundry income	1,212	2,954	-	-	1,212	2,954
	29,185	20,141	-	10	29,185	20,151

5. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	Continuing operations		Discontinued operation		Consolidated total	
	For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	1,955	4,546	-	-	1,955	4,546
Amortisation of leasehold land and intangible assets	13,235	12,370	-	-	13,235	12,370
Operating lease rentals in respect of premises	2,504	2,734	-	-	2,504	2,734

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. TAXATION

	Continuing operations		Discontinued operation		Consolidated total	
	For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
Hong Kong Profits Tax	1,484	163	-	-	1,484	163
The PRC Enterprise Income Tax	6,185	5,496	-	-	6,185	5,496
	7,669	5,659	-	-	7,669	5,659
Deferred tax	5,918	2,716	-	-	5,918	2,716
	13,587	8,375	-	-	13,587	8,375

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (for the six months ended 30 September 2009: 16.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the current and prior period.

The PRC Enterprise Income Tax

The provision for the PRC Enterprise Income Tax is based on the estimated taxable income for the PRC at the rate of taxation applicable to the six months ended 30 September 2010 and 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOSS PER SHARE

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

	For the six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share		
From continuing operations	(122,987)	(73,226)
From discontinued operation	-	(4,999)
From continuing and discontinued operations	(122,987)	(78,225)
	At 30 September	
	2010	2009 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,659,284,935	2,086,645,737

Diluted loss per share for the six months ended 30 September 2010 and 2009 were the same as the basic loss per share. The Company's outstanding share options, convertible notes and convertible note options were not included in the calculation of diluted loss per share as these potential ordinary shares would have anti-dilutive effect.

The weighted average number of ordinary shares for the basic and diluted loss per share for six month ended 30 September 2009 have been adjusted for the effect of share consolidation which became effective in April 2010.

8. INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 September 2010 (for the six months ended 30 September 2009: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 September 2010 have been arrived at on the basis of valuation carried out on that date by Savills Valuation and Professional Services Limited and 上海房地產估價師事務所有限公司, all are the independent professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar location.

At 30 September 2010, investment properties with carrying amount of approximately HK\$220,553,000 (31 March 2010: HK\$213,628,000) have been pledged to secure banking facilities granted to the Group.

10. PROPERTY, PLANT AND EQUIPMENT

	HK \$'000 (Unaudited)
Net book value	
At 1 April 2010	19,075
Exchange Alignment	388
Additions	5,273
Disposals	(786)
Depreciation	(1,955)
At 30 September 2010	21,995

At 30 September 2010, the net book value of property, plant and equipment comprise the followings:

	HK\$'000 (Unaudited)
Net book value	
Furniture and fixtures	4,458
Equipment, motor vehicles and others	9,739
Leasehold improvements	7,798
	21,995

At 30 September 2010 and 31 March 2010, none of the Group's property, plant and equipment was pledged to secure banking facilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS

	Concession intangible assets
	HK\$'000
	(Unaudited)
<hr/>	
Net book value	
At 1 April 2010	702,801
Exchange Alignment	16,380
Additions	8,187
Amortisation	(12,969)
<hr/>	
At 30 September 2010	714,399
<hr/>	

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

12. OTHER FINANCIAL ASSETS

	At	At
	30 September	31 March
	2010	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
<hr/>		
Receivables under service concession arrangements	464,365	452,158
<hr/>		

Other financial assets, bear interest at rates ranging from 5.45% to 14.71%, represented the considerations paid for the construction of sewage water treatment plants under BOT arrangements. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (31 March 2010: 60 days) to its trade customers. Trade receivables that are less than 60 days past due are not considered impaired. The aged analysis of trade receivables is as follows:

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Trade receivables:		
0 – 30 days	177,979	148,178
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	10,622	24,450
	188,601	172,628
Margin clients accounts receivables	2,322	2,570
Clearing houses, brokers and dealers	12,958	6,943
Prepayments and deposits	1,402,170	905,302
Other receivables	196,083	69,067
	1,802,134	1,156,510
Less: Impairment of other receivables and prepayment	(2,194)	(2,123)
	1,799,940	1,154,387

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

Included in prepayment and deposits are (i) various refundable deposits of approximately HK\$553,327,000 (31 March 2010: HK\$179,403,000) paid to independent third parties for various potential acquisitions of environmental protection and water treatment projects in the PRC and (ii) prepayment of approximately HK\$443,429,000 (31 March 2010: HK\$245,523,000) to various contractors for construction of environmental protection and water treatment projects in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. LOAN RECEIVABLES

The loan receivables were unsecured, carrying at the prevailing interest rate ranging from 7.8% to 12% per annum with fixed repayment terms.

Loan receivables represented loans provided to a number of independent third parties under the Group's securities and financing operation. The credit terms for the loans are set by management with reference to the financial background of the borrowers. The granting of these loans has been approved and monitored by the management of the Group. As at 30 September 2010, all the loan receivables have designated repayment terms, in which HK\$178,727,000 had been subsequently settled after the period end date.

All the loan receivables were not past due and have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

(a) Assets and liabilities of disposal Group classified as held for sale

In November 2009, the Group entered into a conditional sale and purchase agreement with 漢中萬邦置業發展有限公司, relating to the sale of 100% equity interest in 漢中國中酒店管理有限公司("漢中國中酒店"), at a consideration of RMB36,620,000. 漢中國中酒店 was principally engaged in property investment operation in Hanzhong, the PRC.

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

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Interest in leasehold land and land use rights	32,719	31,975
Property, plant and equipment	11,125	10,872
Cash and cash equivalents	5	8
	43,849	42,855
Remeasurement to fair value less costs to sell	(1,268)	(1,241)
	42,581	41,614

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Loss from discontinued operation

Upon completion of the disposal of (i) 100% equity interest in Interchina (Changsha) Investments and Management Company Limited ("ICIM"), (ii) 38.9% equity interest in 長沙國中星城置業有限公司 (Changsha Interchina Star City Company Limited) ("CIC") and (iii) a non-interest borrowing loan due from ICIM to the Company (collectively referred to as the "Disposal") during the year ended 31 March 2010, ICIM and CIC ceased to be subsidiaries of the Company and the business of city development and investment operation which is solely carried out by ICIM and CIC became a discontinued operation to the Group.

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

	For the six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other revenue	-	10
Staff cost	-	(932)
Amortisation and depreciation	-	(527)
Administrative costs	-	(3,020)
Finance costs	-	(5,167)
	-	(9,636)
Gain on remeasurement to fair value less costs to sell	-	4,637
Loss for the period from discontinued operation	-	(4,999)
Taxation	-	-
	-	(4,999)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Trade payables:		
0 – 30 days	15,194	39,257
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	3,707	–
	18,901	39,257
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	106	106
Other payables and deposits received	284,731	190,655
	303,738	230,018

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed, as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Financial liabilities related to the convertible note options	–	66

In July 2009, the Company entered into a subscription agreement with Mr. Yao Kangda (“Mr. Yao”) in relation to (i) issue convertible notes with principal amount of HK\$120,000,000 (the “First Tranche Convertible Notes”) to Mr. Yao; and (ii) grant of the convertible note option (the “Convertible Note Option”) to Mr. Yao at a premium of HK\$2,500,000, being option for Mr. Yao to subscribe for the convertible notes in the principal amount of HK\$250,000,000 (the “Second Tranche Convertible Notes”) at conversion price of HK\$0.10 per share. Details of which were set out in the Company’s announcement dated 27 July 2009.

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

The Convertible Note Option has expired during the period for the six months ended 30 September 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BANK AND OTHER BORROWINGS

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Bank borrowings, secured	772,553	397,496
Bank borrowings, unsecured	98,140	95,908
Total bank borrowings	870,693	493,404
Other borrowings, secured	283,421	394,830
Other borrowings, unsecured	5,007	–
Total other borrowings	288,428	394,830
Total borrowings	1,159,121	888,234
The maturity profiles are as follow:		
On demand or repayable within one year:		
Bank borrowings	404,818	214,257
Other borrowings	288,428	394,830
Portion classified as current liabilities	693,246	609,087
Repayable in the second year:		
Bank borrowings	133,910	65,321
Other borrowings	–	–
	133,910	65,321
Repayable in the third to fifth years, inclusive		
Bank borrowings	201,306	137,690
Other borrowings	–	–
	201,306	137,690
Repayable after the fifth years		
Bank borrowings	130,659	76,136
Other borrowings	–	–
	130,659	76,136
Portion classified as non-current liabilities	465,875	279,147
Total borrowings	1,159,121	888,234

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BANK AND OTHER BORROWINGS (Continued)

The bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on Hong Kong Inter Bank Offered Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi ranging from 2.45% to 8.00% (31 March 2010: 2.45% to 8.1%) per annum.

The other borrowings bear interest at rates ranging from 8% to 36% (31 March 2010: 8% to 36%) per annum.

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

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Hong Kong dollars	307,312	96,560
Renminbi	851,809	791,674
Total	1,159,121	888,234

19. CONVERTIBLE NOTES

For the year ended 31 March 2010

- (a) In June 2009, the Company issued convertible notes (the "Favour City CN") with principal amount of approximately HK\$35,000,000 to Favour City Limited. The Favour City CN carried interest at 5.0% per annum and will be matured in 2011. The Favour City CN are denominated in Hong Kong dollars. The initial conversion price is HK\$0.10 per share. The effective interest rate of the liability component is 7.91% per annum. Details of which were set out in the Company's announcement dated 9 June 2009 and 10 June 2009.

On 11 December 2009, the Favour City CN of approximately HK\$35,000,000 was converted into 350,000,000 ordinary shares of HK\$0.10 each of the Company.

- (b) In July 2009, the Company issued the First Tranche Convertible Notes to Mr. Yao Kangda. The First Tranche Convertible Notes carried interest at 5% per annum and carried at initial conversion price of HK\$0.10 per share and will be matured on the date falling on the first anniversary from the date of issue. The effective interest rate of the liability component of the First Tranche Convertible Notes is 7.05% per annum. Details of which were set out in the Company's announcement dated 27 July 2009.

In August 2009, the First Tranche Convertible Notes of HK\$120,000,000 were fully converted into 1,200,000,000 ordinary shares of HK\$0.10 each of the Company.

In December 2009, a portion of the Second Tranche Convertible Notes amounted to HK\$70,000,000 were converted into 700,000,000 ordinary shares of HK\$0.10 each of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. CONVERTIBLE NOTES (Continued)

Reconciliation of the liability component of the convertible notes:

	HK\$'000
At 1 April 2009	–
Fair value issue of convertible notes	245,548
Equity component	(4,644)
Imputed interest expense for the year	517
Conversion into ordinary shares	(221,540)
At 31 March 2010 (Audited)	19,881
Imputed interest expenses for the period	52
At 30 September 2010 (Unaudited)	19,933

20. SHARE CAPITAL

	Number of shares		Nominal value	
	At 30 September 2010	At 31 March 2010	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning of the period/year	40,000,000,000	40,000,000,000	4,000,000	4,000,000
Share consolidation (note a)	(36,000,000,000)	–	–	–
Capital reduction (note a)	–	–	(3,600,000)	–
Increase in authorised share capitals (note a)	6,000,000,000	–	600,000	–
At end of the period/year	10,000,000,000	40,000,000,000	1,000,000	4,000,000
Issued and fully paid:				
At beginning of the period/year	23,242,193,632	20,286,193,632	2,324,219	2,028,619
Share consolidation (note a)	(20,917,974,269)	–	–	–
Capital reduction (note a)	–	–	(2,091,797)	–
Placement of shares (note b)	440,000,000	–	44,000	–
Exercise of share options (note c)	97,000,000	706,000,000	9,700	70,600
Conversion of convertible notes	–	2,250,000,000	–	225,000
At end of the period/year	2,861,219,363	23,242,193,632	286,122	2,324,219

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

20. SHARE CAPITAL (Continued)

For the six months ended 30 September 2010

- (a) By the special resolution passed at the extraordinary general meeting of the Company held on 18 September 2009, and the subsequent Order of the High Court of Hong Kong granted on 1 April 2010, the following changes of the capital of the Company become effective on 9 April 2010:
- i) Reduction of the share capital of the Company by cancelling the issued and paid up capital to the extent of HK\$0.09 on each of the shares in issue and by reducing the nominal value of all the issued and unissued shares from HK\$0.10 each to HK\$0.01 each;
 - ii) Consolidation of every ten reduced shares into one consolidated share; and
 - iii) Increase in the authorised share capital of the Company from 4,000,000,000 consolidated shares to 10,000,000,000 consolidated shares.
- (b) On 19 May 2010, the Company allotted and issued an aggregate of 440,000,000 new shares of HK\$0.10 each by way of placing to independent investors at a price of HK\$0.65 per share. The net proceeds from the placing amounted to approximately HK\$278,000,000.
- (c) In August and September 2010, the Company allotted and issued 97,000,000 new shares of HK\$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK\$0.89 per share.

For the year ended 31 March 2010

- (a) In July 2009 and August 2009, the Company allotted and issued 706,000,000 new shares of HK\$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK\$0.103 per share.
- (b) In August 2009, the First Tranche Convertible Notes with principal amounts of HK\$120,000,000 were converted into 1,200,000,000 ordinary shares of the Company at conversion price of HK\$0.10 per share.
- (c) In December 2009, the Favour City CN with principal amount of HK\$35,000,000 were converted into 350,000,000 ordinary shares of the Company at conversion price of HK\$0.10 per share.
- (d) In December 2009, a portion of the Second Tranche Convertible Notes amounted to HK\$70,000,000 were converted into 700,000,000 ordinary shares of the Company at HK\$0.10 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to an extraordinary resolution passed at the annual general meeting of the Company held on 2 September 2002. Details of the Scheme and the share options issued under the Scheme are included in the section headed "Share Option Scheme".

During the period for the six months ended 30 September 2010, 322,000,000 share options were granted under the Scheme. The fair value of the options granted is calculated by using the Binomial Model. In total, HK\$91,064,000 of equity-settled share option expenses have been included in condensed consolidated income statement for the six months ended 30 September 2010, the corresponding amount of which has been credited to share option reserve.

22. CAPITAL COMMITMENTS

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment and properties under developments for sale	374,985	336,799
– acquisition of investment properties	–	6,618

23. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 September 2010 and 31 March 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Within one year	5,829	5,697
In the second to fifth year inclusive	10,625	10,383
After five years	10,971	10,722
	27,425	26,802

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor

At 30 September 2010 and 31 March 2010, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Within one year	12,696	12,407
In the second to fifth year inclusive	27,219	26,600
After five years	23,369	22,838
	63,284	61,845

24. MATERIAL RELATED PARTY TRANSACTIONS

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

- (a) The Group paid interest amounted to approximately HK\$24,000 (for the six months ended 30 September 2009: HK\$68,000) to a director of the Company's subsidiary.
- (b) The Group did not pay any interest to a related company of the Company (for the six months ended 30 September 2009: HK\$92,000).
- (c) The Group did not receive any rental income from a director of the Company (for the six months ended 30 September 2009: HK\$90,000).
- (d) Compensation of key management personnel

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

	For the six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Salaries and other short-term benefits	3,868	5,688
Pension scheme contributions	198	95
Share-based payment	29,442	29,530
	33,508	35,313

25. EVENTS AFTER THE REPORTING PERIOD

- (i) On 16 September 2010 (after trading hours), the Company entered into a placing agreement with placing agent, pursuant to which the placing agent agreed amongst other things, on a best effort basis, to procure placees to subscribe in cash for convertible notes issued by the Company up to the principal amount of HK\$495,000,000 (the “Convertible Notes”). The placing conditions precedent for the placing of the Convertible Notes under the placing agreement were fulfilled and that the placing of the Convertible Notes has been completed on 8 October 2010 pursuant to the terms of the placing agreement. Details of the placing of the Convertible Notes were set out in the Company’s announcement dated 16 September 2010 and 8 October 2010.
- (ii) On 15 October 2010 (after trading hours), the Company and CCB International Capital Limited (“CCB International”) entered into a service agreement, pursuant to which the Company has engaged CCB International as a financial adviser to provide the financial advisory service to the Company in relation to the proposed fund raising of up to HK\$8 billion for the potential acquisitions of environmental protection and water treatment projects and other potential projects. Details of the appointment were set out in the Company’s announcement dated 18 October 2010.
- (iii) On 25 October 2010, an indirect owned subsidiary of the Company, Heilongjiang Interchina Water Treatment Company Limited, a company which its shares are listed on the Shanghai Stock Exchange, published an announcement together with auditors’ report, valuation report, profit forecast, legal opinions and report from independent financial advisers in relation to increase its capital by issuing not more than 115,000,000 new A shares to 10 target investors at a price of not less than RMB6.51 per A share to raise not more than RMB750,000,000 (the “Share Issue”). The proceeds from the Share Issue were used in acquisition of certain water projects (the “Water Projects Acquisition”) in the PRC. The completion of the Share Issue and the Water Projects Acquisition are still subject to the approval from the regulatory authorities in the PRC and the details of the Share Issue and the Water Projects Acquisition were set out in the Company’s announcement dated 8 March 2010, 17 August 2010, 26 October 2010 and 12 November 2010 and circular dated 29 March 2010.
- (iv) On 5 November 2010 (after trading hours), Interchina Tianjin Water Treatment Company Limited (“Interchina Tianjin”), a wholly-owned subsidiary of the Company, entered into a framework agreement (the “Framework Agreement”) with 北安市人民政府 (the “PRC Partner”), in respect of the proposed formation of a joint venture (the “JV”) with a registered capital of RMB50,000,000 and a total investment amount of RMB500,000,000. The JV will be principally engaged in the exploration, processing and sale of natural soda water.

Pursuant to the Framework Agreement, Interchina Tianjin and the PRC Partner will hold 80% and 20% equity interests in the JV respectively. The formation of the JV is subject to the signing of a JV agreement and obtaining of the approvals from the relevant regulatory bodies in the PRC. Details of the proposed investment were set out in the Company’s announcement dated 5 November 2010.

BUSINESS REVIEW

For the six months ended 30 September 2010 (the “Period”), the Group is principally engaged in the businesses of environmental protection and water treatment operation, property investment operation and provision of securities and financial operation.

Operating Results

During the Period, the Group record a continuing growth in revenue amounted to approximately HK\$124,538,000, representing an increase of approximately 39.2% from that of approximately HK\$89,495,000 during the same period of last year. The increase was mainly attributable from environmental protection and water treatment operation and securities and finance operation. For the period under review, revenue derived from environmental protection and water treatment operation and securities and finance operation increased 30.3% to HK\$98,782,000 and 171.6% to HK\$13,002,000 respectively.

During the Period, the Group recognised a net loss of approximately HK\$119,172,000, representing an increase of approximately 60.2% from that of approximately HK\$74,386,000 for the same period of last year. The increase in loss is attributable to (i) the realised loss of approximately HK\$28,506,000 (for the six months ended 30 September 2009: Nil) arising from investment in listed securities; and (ii) increase in share-based payment expenses by HK\$14,656,000 from HK\$76,408,000 in the last period to HK\$91,064,000 for this period.

Environmental Protection and Water Treatment Operation

The Group operates the environmental protection and water treatment operation through Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) (Stock Code: 600187, it’s A share listed on the Shanghai Stock Exchange), a 70.2% owned subsidiary of the Group and Interchina Water Treatment Company Limited, a wholly owned subsidiary of the Group. As at 30 September 2010, the Group’s environmental protection and water treatment operation comprised a total of 10 sewage treatment and water supply projects with an aggregate daily processing capacity of 937,500 tonnes and is summarised below:

MANAGEMENT DISCUSSION AND ANALYSIS

At the end of September 2010, the Group had ten water projects in the PRC, a summary of which is as follow:

Project	Province	The Group's controlling interest	Daily processing capacity (tonnes)
Qinhuangdao Sewage Treatment Plant ("Qinhuangdao Project")	Hebei	100%	120,000
Changli Sewage Treatment Plant ("Changli Project")	Hebei	100%	40,000
Hanzhong Xingyuan Water Supply Plant ("Xingyuan Project")	Shannxi	70.2%	110,000
Yanliang Water Supply Plant ("Yanliang Project")	Shannxi	69.5%	120,000
Hanzhong Shimen Water Supply Plant ("Shimen Project") ⁽¹⁾	Shannxi	80%	100,000
Maanshan Sewage Treatment Plant ("Maanshan Project")	Anhui	100%	60,000
Xiongyue Sewage Treatment Plant ("Qinghai Project")	Qinghai	66.7%	42,500
Ordos Sewage & Water Treatment Plant ("Ordos Project") ⁽²⁾	Inn Mongolia	100%	35,000
Dongying Water Treatment Plant ("Dongying Project") ⁽³⁾	Shandong	38.9%	150,000
Taiyuan Haofeng Sewage Treatment Plants ("Taiyuan Project") ⁽⁴⁾	Shanxi	56.8%	160,000
Total			937,500

(1) The pipeline connection of Shimen Project is outstanding and is expected to be completed by mid of 2011.

(2) Ordos Project commenced trail run in October 2010.

(3) Construction work of Dongying Project is expected to be completed by mid of 2011.

(4) Construction work of Taiyuan Project is expected to be completed by mid of 2011.

The revenue of this segment represented mainly (i) sewage and water treatment income; (ii) sewage and water treatment construction service income; and (iii) finance income under service concession arrangement. During the Period, the Group's environmental protection and water treatment operation recorded revenue of HK\$98,782,000, increased by 30.3% when compared to the same period of last year (for the six months ended 30 September 2009: HK\$75,788,000). The increase is mainly attributable to the significant increase in construction service income by 176.3% to HK\$24,485,000 (for the six months ended 30 September 2009: HK\$8,861,000) as the construction of Ordors Projects in full swing during the Period.

During the Period, the Group has continuously expanded its environmental protection and water treatment operation and successfully obtained two projects. On 12 August 2010, the Group through Heilongjiang Interchina, entered into the agreements to acquire the entire equity interest in 涿州中科國益水務有限公司 (Zhuozhou Zhongke Guoyi Water Treatment Company Limited) ("Zhuozhou Zhongke"), a company established in the PRC at the aggregate consideration of RMB44,650,000 (equivalent to approximately HK\$50,738,636) (the "Zhuozhou Acquisition"). Zhuozhou Zhongke is principally engaged in sewage treatment business in Zhuozhou, Hebei Province, the PRC under a built-operate-transfer arrangement with a term of operation of 25 years. The daily processing capacity of Zhuozhou Zhongke is 80,000 tonnes. Upon completion of the Zhuozhou Acquisition, the Group's aggregate daily processing capacity reached 1,017,500 tonnes. On the even date, the Group also through Heilongjiang Interchina, entered into the agreements to acquire an aggregate of 85% equity interest in 北京中科國益環保工程有限公司 (Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited) ("Beijing Zhongke"), a company established in the PRC at the aggregate consideration of RMB34,850,000 (equivalent to approximately HK\$39,602,273) (the "Beijing Zhongke Acquisition"). Beijing Zhongke is one of the best service providers in providing environmental protection engineering services and solutions in the PRC. Details of the above acquisitions were set out in the Company's announcement dated 17 August 2010.

Besides, Heilongjiang Interchina has submitted a proposal to Shanghai Stock Exchange and its shareholders to increase its issued share capital by not more than 115,000,000 new A shares to 10 target investors at a price of not less than RMB6.51 per A share to raise not more than RMB750,000,000 (the "Share Issue"). The new proceeds from the Share Issue will be used to further expand the operation of the environmental protection and water treatment business of Heilongjiang Interchina. The Share Issue was approved by the shareholders of the Company at the extraordinary general meeting held on 22 April 2010. The relevant approval procedures by the regulatory authorities of the PRC are still in processing, details of which were set out in the Company's circular dated 29 March 2010. The Share Issue is expected to be completed by the end of this year.

The Group will continue to seek opportunities of merger and acquisition of quality environmental protection and water treatment projects to further increase its investment in the operation and expected the Group's daily processing capacity will reach five million tonnes within two years.

Property Investment Operation

During the Period, the Group's property investment operation recorded income of HK\$12,754,000, representing an increase of approximately 43.0% from that of approximately HK\$8,920,000 for the same period of last year.

During the Period, the Group's investment properties recorded increase in fair value and revaluation gain of approximately HK\$15,650,000 (for the six months ended 30 September 2009: HK\$34,057,000). 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. The Group will carry out review from time to time on its investment properties for renovation potential in order to enhance rental income.

Securities and Financial Operation

During the Period, the securities and financial operation continued to provide a stable income source to the Group. When compared to the same period of last year, income generated by this segment were up by 171.6% to HK\$13,002,000 (for the six months ended 30 September 2009: HK\$4,787,000). 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. However, the Group will continue to strength 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.

Prospects

In the past decade of development, the Company has chosen the environmental protection and water treatment operation which has good development potential, helping the Group to establish firmly its market position in the environmental and water industry. Currently, the Company has gained access to the domestic A-share market investment and financing platform with its holding of Heilongjiang Interchina, which allows the Group to own two direct investment and financing platforms. There is no precedent for such structure in China and Hong Kong so far. Under the prevailing PRC economic policies favouring towards water business, the sewage treatment and water supply sector is optimistic. The possession of two platforms, PRC and Hong Kong capital markets, enables the Group to enjoy the exchange gains brought by the appreciation of RMB; the benefits of high valuation of the domestic capital market; and the strategic synergy of reducing costs and enhancing return on water assets. The Group has planned to invest HK\$8 billion in the water business in the coming two years through financing for the acquisition of debt-free water projects in China with an aggregate daily processing capacity of 4.5 million tonnes. The Group will leverage on the current macroeconomic environment and monetary condition to acquire sufficient external financing, for investment in the water assets in RMB which provides stable income. Under the trend of favourable exchange rate and interest rate, we will strive to bring admirable returns to the shareholders of the Company in addition to enjoying the profits from the specific industry and business it is engaged. The Group will also carefully assess any new business investment opportunities, such as natural resources, to ensure a stable and sound future for shareholders.

FINANCIAL REVIEW

Financial Position

At 30 September 2010, the Group's total assets were HK\$4,391,300,000 (31 March 2010: HK\$3,673,173,000) and the total liabilities were HK\$1,661,534,000 (31 March 2010: HK\$1,315,054,000), and the equity reached HK\$2,729,766,000 (31 March 2010: HK\$2,358,119,000). At 30 September 2010, the current ratio of the Group was approximately 2.04 (31 March 2010: 1.67) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 26.8% (31 March 2010: 24.7%).

Financial Resources and Capital Structure

The Group primarily finances its operations with internally generated cash flow, bank and other borrowings and the issuance of convertible notes. At 30 September 2010, the Group's cash on hand and deposits in bank was approximately HK\$77,755,000 (31 March 2010: HK\$156,874,000). At 30 September 2010, 24.2% of the Group's cash on hand and deposits in bank was held in Hong Kong dollars and 75.8% in Renminbi.

At 30 September 2010, the Group's bank and other borrowings increased to HK\$1,179,054,000 (31 March 2010: HK\$908,115,000). The Group's outstanding bank and other borrowings comprising bank borrowings of HK\$870,693,000 (31 March 2010: HK\$493,404,000), other borrowings of HK\$288,428,000 (31 March 2010: HK\$394,830,000) and convertible notes of HK\$19,933,000 (31 March 2010: HK\$19,881,000) whereas 56% of the Group's outstanding bank and other borrowings carried interest on floating rate basis and the remaining 44% were at fixed interest rate. The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK\$713,179,000 repayable within one year, HK\$335,216,000 repayable after one year but within five years and HK\$130,659,000 repayable after five years. At 30 September 2010, 27.8% of the Group's outstanding borrowings was denominated in Hong Kong dollars and the rest in Renminbi.

During the Period, on 9 April 2010, the Company completed the capital reorganisation which involved: (a) 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; (b) the application of the credit arising from such reduction of approximately HK\$2,091,797,427 to cancel towards the accumulated losses; (c) the consolidation of every ten reduced shares of HK\$0.01 each in the capital of the Company into one adjusted share of HK\$0.10 each; and (d) to increase the authorised share capital of the Company from HK\$400,000,000 divided into 4,000,000,000 consolidated shares to HK\$1,000,000,000 divided into 10,000,000,000 consolidated shares by the creation of an additional 6,000,000,000 new consolidated shares.

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.

During the Period, a total of 322,000,000 share options were granted by the Company at an exercise price range from HK\$0.83 to HK\$0.89. During the Period, a total 97,000,000 share options granted were exercised, for which a total of 97,000,000 new shares were issued. The proceeds in the sum of HK\$86,330,000 generated from the exercise of share options were used as general working capital of the Group.

On 16 September 2010, the Company entered in to a placing agreement with Kingston Securities Limited (the "Placing Agreement"). Pursuant to the Placing Agreement, subsequent to the period end in October 2010, the Company issued 2-year convertible notes bearing interest at 5% p.a. convertible into a total 550,000,000 shares of HK\$0.90 each. The net proceeds of approximately HK\$482,500,000 will 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.

Foreign Exchange Exposure

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

Significant Acquisition and Disposal

Save as the Zhuozhou Acquisition and Beijing Zhongke Acquisition have been described in the “Business Review” section, there was no material acquisition or disposal during the Period.

Pledge of Group's Assets

At 30 September 2010, the Group's assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK\$220,553,000, intangible assets with carrying amounts of HK\$405,960,000 and other financial assets with carrying amounts of HK\$464,365,000. In addition, certain shares of subsidiary held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Contingent Liability

At 30 September 2010, the Group had no significant contingent liability.

Employment and Remuneration Policy

At 30 September 2010, the Group had approximately 811 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.

Dividend

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2010 (for the six months ended 30 September 2009: Nil).

BOARD CHANGES

There has been no change in the Board of Directors of the Company since the date of Annual Report 2010 of the Company.

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

As at 30 September 2010, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares and underlying shares

Name of Director	Number of shares and underlying shares held, capacity and nature of interest			Approximate percentage of the issued share capital of the Company (Note b)
	Beneficial owner	Equity derivatives (Note a)	Total interest	
Lam Cheung Shing, Richard	7,700,000	42,200,000	49,900,000	1.74%
Zhu Yongjun	–	47,200,000	47,200,000	1.65%
Zhang Chen	6,000,000	20,000,000	26,000,000	0.91%
Ha Ping	–	5,000,000	5,000,000	0.17%
Ho Yiu Yue, Louis	–	3,500,000	3,500,000	0.12%
Ko Ming Tung, Edward	–	3,500,000	3,500,000	0.12%
Fu Tao	–	3,500,000	3,500,000	0.12%

Notes:

- (a) These represent the interests in share options granted to the Directors as beneficial owner under a share option scheme of the Company adopted on 2 September 2002.
- (b) The calculation of percentages is based on 2,861,219,363 shares of the Company in issue as at 30 September 2010.

Save as disclosed above, as at 30 September 2010, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME

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

Details of the share options granted under the Share Option Scheme and the outstanding options as at 30 September 2010 were as follows:

Name of category of participant	Date of granted (DD/MM/YY)	Exercise price per share HK\$	Exercise period (DD/MM/YY)	Number of share options				Outstanding as at 30 September 2010
				Outstanding as at 31 March 2010	Granted during the period	Exercised during the period	Lapsed during the period	
Director								
Lam Cheung Shing, Richard	31/7/2009	1.03	31/07/09 to 02/09/12	20,200,000	-	-	-	20,200,000
	26/7/2010	0.83	26/07/10 to 02/09/12	-	7,000,000	-	-	7,000,000
	25/8/2010	0.89	25/08/10 to 02/09/12	-	15,000,000	-	-	15,000,000
Zhu Yongjun	31/7/2009	1.03	31/07/09 to 02/09/12	20,200,000	-	-	-	20,200,000
	26/7/2010	0.83	26/07/10 to 02/09/12	-	7,000,000	-	-	7,000,000
	25/8/2010	0.89	25/08/10 to 02/09/12	-	20,000,000	-	-	20,000,000
Zhang Chen	5/7/2010	0.86	05/07/10 to 02/09/12	-	20,000,000	-	-	20,000,000
Ha Ping	28/8/2007	1.46	28/08/07 to 02/09/12	500,000	-	-	-	500,000
	31/7/2009	1.03	31/07/09 to 02/09/12	2,000,000	-	-	-	2,000,000
	25/8/2010	0.89	25/08/10 to 02/09/12	-	2,500,000	-	-	2,500,000
Ho Yiu Yue, Louis	31/7/2009	1.03	31/07/09 to 02/09/12	1,000,000	-	-	-	1,000,000
	25/8/2010	0.89	25/08/10 to 02/09/12	-	2,500,000	-	-	2,500,000

Number of share options

Name of category of participant	Date of granted (DD/MM/YY)	Exercise price per share HK\$	Exercise period (DD/MM/YY)	Number of share options				Outstanding as at 30 September 2010
				Outstanding as at 31 March 2010	Granted during the period	Exercised during the period	Lapsed during the period	
Director								
Ko Ming Tung, Edward	31/7/2009	1.03	31/07/09 to 02/09/12	1,000,000	-	-	-	1,000,000
	25/8/2010	0.89	25/08/10 to 02/09/12	-	2,500,000	-	-	2,500,000
Fu Tao	31/7/2009	1.03	31/07/09 to 02/09/12	1,000,000	-	-	-	1,000,000
	25/8/2010	0.89	25/08/10 to 02/09/12	-	2,500,000	-	-	2,500,000
				45,900,000	79,000,000	-	-	124,900,000
Consultants								
In aggregate	28/8/2007	1.46	28/08/07 to 02/09/12	3,300,000	-	-	-	3,300,000
	31/7/2009	1.03	31/07/09 to 02/09/12	22,200,000	-	-	-	22,200,000
	26/7/2010	0.83	26/07/10 to 02/09/12	-	10,000,000	-	-	10,000,000
	25/8/2010	0.89	25/08/10 to 02/09/12	-	175,000,000	(97,000,000)	-	78,000,000
				25,500,000	185,000,000	(97,000,000)	-	113,500,000
Employees								
In aggregate	28/8/2007	1.46	28/08/07 to 02/09/12	4,000,000	-	-	(500,000)	3,500,000
	31/7/2009	1.03	31/07/09 to 02/09/12	17,600,000	-	-	(1,000,000)	16,600,000
	26/7/2010	0.83	26/07/10 to 02/09/12	-	2,000,000	-	-	2,000,000
	25/8/2010	0.89	25/08/10 to 02/09/12	-	56,000,000	-	-	56,000,000
				21,600,000	58,000,000	0	(1,500,000)	78,100,000
				93,000,000	322,000,000	(97,000,000)	(1,500,000)	316,500,000

- (1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (2) The exercise price of the share option is subject to adjustment in the case of a capitalization issue, rights issue, sub-division or consolidation of the Company's share or reduction of the Company's share capital.

DISCLOSEABLE INFORMATION

- (3) Options to subscribe for 322,000,000 shares were granted under the Share Option Scheme during the six months ended 30 September 2010. The fair value of the options granted is calculated by using the Binomial Model. The significant inputs into the model are as follows:

Date of grant	5 July 2010	26 July 2010	25 August 2010
Number of share options	20,000,000	26,000,000	276,000,000
Exercise price	HK\$0.86	HK\$0.83	HK\$0.89
Stock price at the date of grant	HK\$0.86	HK\$0.83	HK\$0.89
Expiration date	2 September 2012	2 September 2012	2 September 2012
Expected volatility	65.61% ~ 88.95%	95.526% ~ 113.33%	57.49% ~ 90.17%
Annual risk free rate*	0.47% ~ 0.6951%	0.36% ~ 0.5448%	0.20% ~ 0.37%
Expected life	Approximate 1 ~ 2 years	Approximate 1 ~ 2 years	Approximate 1 ~ 2 years
Expected ordinary dividend	Nil	Nil	Nil

* Risk free rates was interpolated from the yields to maturity of respective Hong Kong Exchange Fund Note with respective terms as at the date of grant.

The result of the Binomial Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option Pricing Model. The total expenses recognised in the Company's income statement for the Period in respect of the grant of the aforesaid 322,000,000 options is HK\$91,064,000.

At 30 September 2010, the Company had 316,500,000 share options (31 March 2010: 93,000,000) outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in issue of 316,500,000 additional ordinary shares of HK\$0.10 each of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of shareholder	Capacity	Number of shares and underlying shares held			Approximate percentage of the issued share capital of the Company (Note c)		
		Long Position	Short Position	Lending Pool	Long Position	Short Position	Lending Pool
Zhang Yang	Beneficial owner	523,947,000	-	-	18.31%	-	-
	Interest of controlled corporation (Note a)	10,349,500	-	-	0.36%	-	-
Citigroup Inc.	Beneficial owner	162,193,035 (Note b)	180,000,000 (Note b)	4,303,035 (Note b)	5.67%	6.29%	0.15%

Notes:

- (a) These shares are held by Wealth Land Development Corp., which is wholly and beneficially owned by Mr. Zhang Yang.
- (b) The information was extracted from the Disclosure of Interest Form filed by Citigroup Inc. in respect of the relevant event happened on 28 September 2010.
- (c) The calculation of percentage is based on 2,861,219,363 shares of the Company in issue as at 30 September 2010.

Save as disclosed above, as at 30 September 2010, the Company has not been notified by any other person or corporation having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period ended 30 September 2010.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 September 2010, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules.

Code Provision A.4.1

There was a deviation from provision A.4.1 of the Code:

The code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, all directors of the Company (including executive and non-executive directors) are not appointed for any specific term. However, in view of the fact that they are subject to retirement by rotation in accordance with the Company’s Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the code provisions.

Code Provision E.1.2

There was a deviation from provision E.1.2 of the Code:

E.1.2 of the Code stipulates that the chairman of the Board (the “Chairman”) should attend the annual general meeting of the Company (“AGM”). Due to the appointment of the Chairman had been outstanding since 22 June 2010, no Chairman could attend the AGM on that day. The vice-chairman and an executive Director attended the AGM to ensure effective communication with the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “HKSE”). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30 September 2010 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the period.

AUDIT COMMITTEE

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

The Audit Committee met with the management and external auditors on 23 November 2010, to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group’s interim results for the six months ended 30 September 2010 before proposing to the Board for approval.

REMUNERATION COMMITTEE

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

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