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## **INTERCHINA HOLDINGS COMPANY LIMITED**

**國 中 控 股 有 限 公 司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 202)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

#### **FINANCIAL HIGHLIGHTS**

- Turnover from continuing operations amounted to HK\$18,976,000, representing a decrease of 90.2 % as compared to HK\$193,106,000 of the same period last year.
- Profit for the Period recorded a significant improvement amounted to HK\$49,176,000 as compared to the loss of HK\$272,569,000 of the same period last year.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).
- At 30 September 2013, total equity amounted to HK\$5,306,859,000, representing a increase of 1.4% as compared to HK\$5,234,205,000 as at 31 March 2013.
- At 30 September 2013, net assets per share was HK\$0.87, representing a increase of 1.2% as compared to HK\$0.86 as at 31 March 2013.

The board (the “Board”) of directors (the “Directors”) of Interchina Holdings Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2013 (the “Period”) as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2013</b>	<b>2012</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>			
Turnover	2	18,976	193,106
Cost of sales		(453)	(68,502)
Other income and gain, net	3	28,343	18,729
Staff costs		(8,210)	(27,632)
Amortisation and depreciation		(1,894)	(23,762)
Administrative costs		(58,725)	(67,608)
Other operating expenses		(53,601)	(19,630)
Gain/(loss) arising from change in fair value of investment properties		20,892	(82,871)
Loss arising from change in fair value of financial assets at fair value through profit or loss		(57,342)	(35,600)
Loss from operations	4	(112,014)	(113,770)
Finance costs	5	(26,220)	(95,403)
Gain on deemed disposal of associates	11	169,442	—
Gain on disposal of subsidiaries		6,270	—
Share of results of associates		14,164	16
Profit/(loss) before taxation		51,642	(209,157)
Taxation	6	(7,702)	910
<b>Profit/(loss) for the period from continuing operations</b>		<b>43,940</b>	<b>(208,247)</b>
<b>Discontinued operations</b>	7		
Profit/(loss) for the period from discontinued operations		5,236	(64,322)
<b>Profit/(loss) for the period</b>		<b>49,176</b>	<b>(272,569)</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		47,056	(291,098)
Non-controlling interests		2,120	18,529
		<b>49,176</b>	<b>(272,569)</b>
<b>Earnings/(loss) per share attributable to the owner of the Company</b>	8		
From continuing and discontinued operations — Basic and diluted		<b>HK0.77cents</b>	<b>(HK5.53 cents)</b>
From continuing operations — Basic and diluted		<b>HK0.69cents</b>	<b>(HK4.31 cents)</b>

Details of dividend payable to the owners of the Company are set out in note 9.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(loss) for the period</b>	<b>49,176</b>	<b>(272,569)</b>
<b>Other comprehensive income/(loss) for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation during the period	<b>23,684</b>	—
Share of exchange reserve of associates	<b>(206)</b>	—
	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the period</b>	<b>72,654</b>	<b>(272,569)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the Company	<b>65,535</b>	<b>(291,098)</b>
Non-controlling interests	<b>7,119</b>	<b>18,529</b>
	<hr/>	<hr/>
	<b>72,654</b>	<b>(272,569)</b>
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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2013 <i>HK\$'000</i> (Unaudited)	At 31 March 2013 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties	<i>10</i>	618,427	586,800
Property, plant and equipment		18,127	17,533
Mining rights		1,099,800	1,099,800
Intangible assets		124,327	121,492
Goodwill		18,069	18,069
Interests in associates	<i>11</i>	1,844,868	1,634,026
Other non-current assets		65,179	64,159
		3,788,797	3,541,879
<b>Current assets</b>			
Trade and other receivables and prepayments	<i>12</i>	1,538,655	1,560,003
Loan receivables	<i>13</i>	668,293	260,061
Financial assets at fair value through profit or loss		114,553	171,894
Tax recoverable		56	1,246
Bank balances — trust and segregated accounts		140	137
Cash and cash equivalents		457,638	975,279
		2,779,335	2,968,620
Assets classified as held for sale		—	28,563
		2,779,335	2,997,183
<b>Total assets</b>		<b>6,568,132</b>	<b>6,539,062</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

		At 30 September 2013 <i>HK\$'000</i> (Unaudited)	At 31 March 2013 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
<b>Equity</b>			
Share capital		607,867	607,867
Share premium and reserves		4,305,989	4,240,454
		<hr/>	<hr/>
Equity attributable to owners of the Company		4,913,856	4,848,321
Non-controlling interests		393,003	385,884
		<hr/>	<hr/>
<b>Total equity</b>		<b>5,306,859</b>	<b>5,234,205</b>
		<hr/>	<hr/>
<b>Non-current liability</b>			
Deferred tax liabilities		63,011	57,399
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables and deposits received	<i>14</i>	120,054	152,722
Tax payable		71,557	140,617
Bank borrowings			
— due within one year		146,523	147,869
Other borrowings			
— due within one year		860,128	806,250
Convertible notes		—	—
		<hr/>	<hr/>
		1,198,262	1,247,458
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>1,261,273</b>	<b>1,304,857</b>
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>6,568,132</b>	<b>6,539,062</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>		<b>1,581,073</b>	<b>1,749,725</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets less current liabilities</b>		<b>5,369,870</b>	<b>5,291,604</b>
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated statements of the Group (the “Interim Financial Statement”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statement has been prepared on historical cost basis except that the following assets are stated at their fair value:

- investment properties; and
- financial assets at fair value through profit or loss classified as held for trading

The Interim Financial Statement has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the impact of the adoption of the new and revised HKAS, Hong Kong Financial Reporting Standards and interpretations described below.

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning from 1 April 2013. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosure — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 1 (Revised in 2012) (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the HKAS 1 (Amendments) and HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements.

### 2. SEGMENT INFORMATION

For management purpose, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject

to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable continuing operating segments and discontinued operating segments are summarised as follows:

### Continuing operations

Environmental water treatment operation	—	Operation of water plants and sewage treatment plants in the People's Republic of China ("PRC")
Property investment operation	—	Leasing of rental property in the PRC and Hong Kong
Financing and securities investment operation	—	Provision of financing service and securities investment
Natural resources operation	—	Mining and production of manganese products including principally, through the Group's integrated processes, the beneficiation, concentrating, grinding and the production of manganese concentrate and natural discharging manganese

### Discontinued operations

Securities dealing and brokerage operation	—	Provision of securities dealing and brokerage operation services
Supply and procurement operation	—	Supply and procurement of metal minerals and electronic components

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

### For the six months ended 30 September 2013

	Continuing operations				Discontinued operations			Consolidated total	
	Environmental water treatment operation	Property investment operation	Financing and securities investment operation	Natural resources operation	Sub-total	Securities dealing and brokerage operation	Supply and procurement operation		Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue	—	10,272	8,704	—	18,976	7,423	—	7,423	26,399
Segment results	1,679	26,556	(48,702)	(964)	(21,431)	6,581	(147)	6,434	(14,997)
Interests income and other income					10,359			1	10,360
Unallocated expenses					(100,942)			—	(100,942)
(Loss)/profit from operations					(112,014)			6,435	(105,579)
Finance costs					(26,220)			(9)	(26,229)
Gain on deemed disposal of associates					169,442			—	169,442
Gain on disposal of subsidiaries					6,270			—	6,270
Share of results of associates					14,164			—	14,164
Profit before taxation					51,642			6,426	58,068
Taxation					(7,702)			(1,190)	(8,892)
Profit for the period					43,940			5,236	49,176

For the six months ended 30 September 2012

	Continuing operations				Discontinued operations			Consolidated total	
	Environmental water treatment operation	Property investment operation	Financing and securities investment operation	Natural resources operation	Sub-total	Securities dealing and brokerage operation	Supply and procurement operation		Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<b>Segment revenue</b>	<u>179,062</u>	<u>12,345</u>	<u>1,699</u>	<u>—</u>	193,106	<u>8,849</u>	<u>8,525</u>	17,374	210,480
<b>Segment results</b>	<u>15,975</u>	<u>(97,972)</u>	<u>(33,935)</u>	<u>(1,547)</u>	(117,479)	<u>(57,260)</u>	<u>(6,322)</u>	(63,582)	(181,061)
Interests income and other income					18,729			332	19,061
Unallocated expenses					<u>(15,020)</u>			<u>—</u>	<u>(15,020)</u>
<b>Loss from operations</b>					(113,770)			(63,250)	(177,020)
Finance costs					(95,403)			—	(95,403)
Share of results of associates					<u>16</u>			<u>—</u>	<u>16</u>
<b>Loss before taxation</b>					(209,157)			(63,250)	(272,407)
Taxation					<u>910</u>			<u>(1,072)</u>	<u>(162)</u>
<b>Loss for the period</b>					<u>(208,247)</u>			<u>(64,322)</u>	<u>(272,569)</u>

**3. OTHER INCOME AND GAIN, NET**

	Continuing operations		Discontinued operations	
	For the six months ended 30 September		For the six months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interests income	<b>2,708</b>	7,375	<b>1</b>	5
Other loan interests income	<b>7,325</b>	176	—	—
Government subsidies	<b>17,984</b>	6,711	—	—
Consultancy service income	—	1,021	—	—
Gain on disposal of property, plant and equipment	<b>62</b>	—	—	—
Net foreign exchange gain	<b>215</b>	—	—	—
Sundry income	<b>49</b>	3,446	—	327
	<u><b>28,343</b></u>	<u>18,729</u>	<u><b>1</b></u>	<u>332</u>



#### 4. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	1,894	3,777	22	108
Amortisation of prepaid lease payments and intangible assets	—	19,985	—	—
(Gain)/loss on disposal of property, plant and equipment	(62)	27	—	—
(Gain)/loss arising from change in fair value of investment properties	(20,892)	82,871	—	—
Loss arising from change in fair value of financial assets at fair value through profit or loss	57,342	35,600	—	—
Impairment loss recognised in respect of property, plant and equipment	1,537	19,526	—	928
Impairment loss recognised in respect of trade and other receivables and prepayments	43,949	104	83	22,174
Impairment loss recognised in respect of loan receivables	8,115	—	—	41,335
Write-down of inventories	—	—	—	3,115
Operating lease rentals in respect of premises	3,085	2,391	—	1,300
Gross rental income from investment properties	(10,272)	(12,346)	—	—
Less: direct operating expenses from investment properties that generated rental income during the period	108	100	—	—

#### 5. FINANCE COSTS

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interests on:				
— Bank borrowings	4,617	94,879	9	—
— Other borrowings	21,603	169	—	—
— Convertible notes	—	355	—	—
	26,220	95,403	9	—

## 6. TAXATION

	Continuing operations		Discontinued operations	
	For the six months ended		For the six months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
Hong Kong Profits Tax	105	—	1,190	1,072
The PRC Enterprise Income Tax	2,698	882	—	—
	<u>2,803</u>	<u>882</u>	<u>1,190</u>	<u>1,072</u>
Under provision in prior period:				
Hong Kong	1	—	—	—
Deferred tax	4,898	(1,792)	—	—
	<u>7,702</u>	<u>(910)</u>	<u>1,190</u>	<u>1,072</u>

### Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

### The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are either subject to the PRC Enterprise Income Tax at 25% for both periods or preferential enterprise income tax rate of the assessable income of each company for both periods, as determined in accordance with the relevant PRC income tax rules and regulations.

## 7. DISCONTINUED OPERATIONS

The Group decided to cease the operations of securities dealing and brokerage operation and supply and procurement operation.

The results of the discontinued operations for the current and prior periods were as follows:

**(a) Securities dealing and brokerage operation**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Turnover	7,423	8,849
Other income and gain, net	1	313
Staff costs	(254)	(999)
Amortisation and depreciation	(22)	(5)
Administrative costs	(483)	(1,596)
Other operating expenses	(83)	(63,509)
	<u>6,582</u>	<u>(56,947)</u>
Profit/(loss) from operation		
Finance costs	(9)	—
	<u>6,573</u>	<u>(56,947)</u>
Profit/(loss) before taxation		
Taxation	(1,190)	(1,072)
	<u>5,383</u>	<u>(58,019)</u>
Profit/(loss) for the period		

**(b) Supply and procurement operation**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Turnover	—	8,525
Cost of sales	—	(9,297)
Other income and gain, net	—	19
Staff costs	(103)	(212)
Amortisation and depreciation	—	(103)
Administrative costs	(44)	(1,192)
Other operating expenses	—	(4,043)
	<u>(147)</u>	<u>(6,303)</u>
Loss before taxation		
Taxation	—	—
	<u>(147)</u>	<u>(6,303)</u>
Loss for the period		

## 8. EARNINGS/(LOSS) PER SHARE

### From continuing and discontinued operations

	For the six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b><u>Earnings/(loss)</u></b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	47,056	(291,098)
Effect of dilutive potential ordinary shares on interest of convertible notes	—	355
Profit/(loss) for the purpose of diluted earnings/(loss) per share	<u>47,056</u>	<u>(290,743)</u>

	For the six months ended 30 September	
	2013	2012
	'000	'000
<b><u>Number of shares</u></b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>6,078,669</u>	<u>5,256,593</u>

### From continuing operations

	For the six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b><u>Earnings/(loss)</u></b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	41,820	(226,776)
Effect of dilutive potential ordinary shares on interest of convertible notes	—	355
Profit/(loss) for the purpose of diluted earnings/(loss) per share	<u>41,820</u>	<u>(226,421)</u>

	For the six months ended 30 September	
	2013	2012
	'000	'000
<b><u>Number of shares</u></b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>6,078,669</u>	<u>5,256,593</u>

## From discontinued operations

	For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	<u>5,236</u>	<u>(64,322)</u>

	For the six months ended 30 September	
	2013 '000	2012 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>6,078,669</u>	<u>5,256,593</u>

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic loss per share calculation for the six months ended 30 September 2012, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

## 9. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 September 2013 and 30 September 2012, nor any dividend been proposed by the board of directors subsequent to the end of the reporting period.

## 10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 September 2013 have been arrived at on the basis of a valuation carried out on that date by Messrs. Cushman & Wakefield Valuation Advisory Services (HK) Limited, independent professional valuer who is not connected with the Group and have recent experience in the valuation of similar properties in relevant locations. Messrs. Cushman & Wakefield Valuation Advisory Services (HK) Limited is a member of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions.

At 30 September 2013, investment properties with the carrying amounts of HK\$564,109,000 (31 March 2013: HK\$535,550,000) have been pledged to secure general banking facilities granted to the Group.

## 11. INTERESTS IN ASSOCIATES

	At 30 September 2013 <i>HK\$'000</i> (Unaudited)	At 31 March 2013 <i>HK\$'000</i> (Audited)
Cost of investment		
— Listed ( <i>note</i> )	1,800,773	1,631,331
Share of results of associates	35,981	21,817
Share of other comprehensive income of associates	6,948	7,155
	<u>1,843,702</u>	<u>1,660,303</u>
Amount due from an associate	10,111	1
Amounts due to associates	(8,945)	(26,278)
	<u>1,844,868</u>	<u>1,634,026</u>
Market value of listed associates	<u>1,810,364</u>	<u>1,485,600</u>

*Note:*

On 19 October 2012, the board of directors of Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”), approved a proposal in respect of the issue of maximum of 160,000,000 Heilongjiang Interchina new shares at the price of RMB8.03 each to not more than ten subscribers (the “Deemed Disposal”).

On 12 April 2013, Heilongjiang Interchina received the formal approval notice from the China Securities Regulatory Committee (“CSRC”) in respect to the issue of shares.

On 21 June 2013, Heilongjiang Interchina issued an aggregate of 155,024,691 shares to 8 subscribers at the price of RMB8.1 per share and result net proceeds of RMB1,215,231,000 (equivalent to HK\$1,529,170,000) were raised accordingly. Following completion of the Deemed Disposal, the Group’s interests in Heilongjiang Interchina was diluted from 28.02% to 20.56%. Considering the equity interest of 28.02% in Heilongjiang Interchina, the excess of the net proceeds from the Deemed Disposal over the carrying amount of equity interest in the Heilongjiang Interchina upon completion of the Deemed Disposal amount to HK\$169,442,000 was recognised as gain on deemed disposal of associates in the condensed consolidated statement of profit or loss.

## 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

At the end of the reporting period, the aging analysis of trade receivables, based on the invoice date, is as follows:

	At 30 September 2013 <i>HK\$'000</i> (Unaudited)	At 31 March 2013 <i>HK\$'000</i> (Audited)
Trade receivables:		
0–30 days	35,994	32,879
Margin clients' accounts receivables	103,960	99,761
Prepayments and deposits	1,370,377	1,400,077
Other receivables	28,324	27,286
	<hr/>	<hr/>
Trade and other receivables and prepayments, net of allowance for doubtful debts	<b>1,538,655</b>	<b>1,560,003</b>
	<hr/> <hr/>	<hr/> <hr/>

The average credit period granted to customers is 60 days (31 March 2013: 60 days).

Margin loans due from margin clients are repayable on demand. Margin loans are required to be secured by clients' listed securities held by the Group as collateral and bears interest at commercial rates for the six months ended 30 September 2013 and for the year ended 31 March 2013. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. No aging analysis of margin clients' accounts receivables is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of business of securities margin financing.

During the six months ended 30 September 2013, there were significant changes in credit quality of certain debtors. The directors of the Company considered that the recoverability of the balances advanced were in doubt and therefore, an impairment of HK\$44,032,000 (six months ended 30 September 2012: HK\$22,278,000) was provided in the condensed consolidated statement of profit or loss for the period.

The Group's prepayments and deposits as at 30 September 2013, inter alia, are as follow:

- (i) deposit of HK\$51,100,000 (31 March 2013: HK\$51,100,000) paid for acquisition of the remaining equity interest of the company principally engaged in the exploration, mining, processing and sale of manganese resources in the Republic of Indonesia;
- (ii) deposits of HK\$364,504,000 (31 March 2013: HK\$439,663,000) paid for acquisition of certain investment properties in the PRC;
- (iii) deposits of HK\$227,516,000 (31 March 2013: HK\$223,250,000) paid for acquisition of several potential water projects in the PRC;
- (iv) deposit of HK\$225,000,000 (31 March 2013: HK\$225,000,000) paid for acquisition of the entire equity interests of companies principally engaged in investment holding of a Bolivian company and the related sale loan; and
- (v) prepayments of HK\$388,393,000 (31 March 2013: HK\$382,611,000) to various contractors for construction of environmental water treatment projects in the PRC.

### 13. LOAN RECEIVABLES

The loan was unsecured, carrying at the prevailing interest rate ranging from 2.00% to 7.20% per annum (31 March 2013: from 2.00% to 7.20% per annum).

During the six months ended 30 September 2013, the directors of the Company have assessed the recoverability of loan receivables, based on past experience, and determined that loan receivables was impaired by HK\$8,115,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$41,335,000). The Group does not hold any collateral over these balances. The remaining balance of loan receivables relates to a number of independent debtors that have a good track record with the Group.

### 14. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

At the end of reporting period, the aging analysis of trade payables based on the invoice date, is as follows:

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Trade payables:		
0–30 days	140	137
Other payables and deposits received	119,914	152,585
	<u>120,054</u>	<u>152,722</u>

Included in other payables was an amount of interest expenses payable amounted to HK\$31,380,000 (31 March 2013: HK\$50,846,000).

### 15. EVENTS AFTER THE REPORTING PERIOD

- (i) On 16 December 2012, the Company entered into the sale and purchase agreement with Mr. Jiang Zhaobai (“Mr. Jiang”), the chairman and executive director of the Company, regarding the acquisition, pursuant to which Mr. Jiang has agreed to disposal equity interest of Pengxin Agricultural Holdings Company Limited (“Pengxin Agricultural”) and the sale loan of amounted to US\$26,500,000 (equivalent to HK\$206,700,000) at the aggregate consideration of US\$65,000,000 (equivalent to HK\$507,000,000). Upon completion, the Group will hold 99.9% equity interest of Empresa Agropecuaria Novagro S.A., a company principally engaged in farming of soybean and corn.

On 26 November 2013, the Company and Mr. Jiang entered into a termination deed (the “Termination Deed”) to terminate the sale and purchase agreement. Pursuant to the Termination Deed, Mr. Jiang shall refund the deposit to the Company. Subject to the refund of the deposit by Mr. Jiang, the Company and Mr. Jiang discharges and releases each other from the performance of any obligations under the sale and purchase agreement. Details of which were set out in the Company’s announcements dated 16 December 2012, 9 January 2013, 31 January 2013, 28 February 2013, 28 March 2013, 31 May 2013, 31 July 2013, 27 September 2013 and 26 November 2013.

- (ii) On 29 November 2013, the Company entered into the sale and purchase agreement with Mr. Jiang and his brother, Mr. Jiang Lei regarding the acquisition of the entire equity interest in Loyal Rich International Investment Limited (“Loyal Rich”) and the amount owing by Loyal Rich to Mr. Jiang and Mr. Jiang Lei at the consideration of HK\$573,000,000 (the “Acquisition”). Details of which were set out in the Company’s announcement dated 26 November 2013 and 29 November 2013.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

#### Property Investment Operation

The Group's currently owns approximately total gross floor area of 19,620 sq. m. in Beijing Interchina Commercial Building, located in the CBD of Beijing, the PRC (the "Beijing Property"). At 30 September 2013, the carrying value of the Group's investment properties amounted to HK\$618,427,000 (31 March 2013: HK\$586,800,000) and all of them have been fully let out during the Period.

Due to the Group completed the disposal of the Shanghai property in January 2013, rental income decreased by 16.8% to HK\$10,272,000. The segment profit amounted to HK\$26,556,000, representing an increase of HK\$124,528,000 as compared with the segment loss of HK\$97,972,000 of the same period last year. The increase in profit was primarily due to a fair value gain of HK\$20,892,000 arising from change in fair value of the Group's investment property (six months ended 30 September 2012: fair value loss of HK\$82,871,000).

On 25 April 2012, the Group entered into a sale and purchase agreement to acquire 5 units of luxury properties located at Above The Bund (白金灣府邸), Shanghai, the PRC (the "Properties"), at the aggregate consideration of RMB194,127,000. On the even date, the Group entered into a tenancy agreement with the vendor for the lease of the Properties to the vendor for a term of 3 years at the aggregate annual rental of RMB11,647,000 (equivalent to HK\$14,379,000). Detail of the transaction was set out in the Company's announcement dated 25 April 2012. However, due to the acquisition is being treated as a bulk transaction under the relevant PRC regulation, the procedures of transferring the legal title of the Properties is still underway.

Looking forward, the Group is prudently optimistic to the prospect of the property investment operation and believes that this segment can provide stable income stream and future profitability to the Group. The Group will continue to seek opportunity of acquisition of high quality property to further enhance the assets base of the Group and strengthen the profitability of this segment.

#### Financing and Securities Investment Operation

As at 30 September 2013, total securities investment/financial assets at fair value through profit and loss stood at HK\$114,553,000 (31 March 2013: HK\$171,894,000) and total loan receivable under financing operation amounted to HK\$286,384,000 (31 March 2013: HK\$260,061,000). Although this segment recorded revenue of HK\$8,704,000 for the Period, representing an increase of 412.3% as compared with HK\$1,699,000 of the same period last year, the segment loss significantly increased by 43.5% from HK\$33,935,000 of the same period last year to HK\$48,702,000 for the Period. The increase in loss was mainly attributed by the increase in the unrealised loss arising from the drop in fair value of the securities investment from HK\$35,600,000 in the same period last year to HK\$57,342,000 for the

Period. The Company will continue to take conservative approach in the securities investment, so as to reduce the risk resulted from the fluctuation of the securities market. Besides, the Group considered that financing operation can provide the Group an opportunity to obtain a higher return for its surplus funds under the current low interest rate environment.

### **Natural Resources Operation**

During the Period, this segment did not contribute any revenue to the Group. The segment loss amounted to HK\$964,000, representing an decrease of HK\$583,000 as compared with HK\$1,547,000 of the same period last year. The loss was mainly represented administrative expenses for the Period.

The Group's nature resources operation is solely the exploration, exploitation, refining and processing of manganese ore, through a 65% indirect-owned subsidiary of the Company, P.T. Satwa Lestari Permai ("SLP"), a licensed mining company under the Laws of the Republic of Indonesia. The flagship asset of SLP is a mining block of approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggara, Indonesia ("Mining Block") and have obtained mining license IUP Manganese Production Operation to conduct the activities of construction, production, sales transportation and processing/refinery in the Mining Block for a period of twenty years ("Mining Right"). Resource of the Mining Block has no significant change during the Period. The carrying value of the Mining Right at 30 September 2013 amounted to HK\$1,099,800,000 (31 March 2013: HK\$1,099,800,000). Besides, the construction of the processing centre was completed in September 2013, with well-equip facilities such as warehouse, vibration screener machine and grinding machine which not only can processing and refining of our own manganese ore but also can provide service to outside customer.

The Group was in discussions to acquire the 35% equity interest in SLP currently held by the minority shareholders of the SLP. Those discussions have been on-going over year on an intermittent basis and no agreement has been reached.

Given natural resources operation is a new business to the Group, it expects more time will be required to improve/fine tune its operating performance of this segment in order achieve satisfactory results in the long run.

### **Environmental Water Treatment Operation — Interests in associates**

The Group mainly operates the environmental water treatment operation through its wholly-owned subsidiary, Interchina (Tianjin) Water Treatment Limited ("Interchina (Tianjin)") and its associate company, Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, listed on the Shanghai Stock Exchange). At 30 September 2013, the Group operated fourteen water projects located in different regions in the PRC, with aggregate daily processing capacity of approximately 1,500,000 tonnes, of which thirteen projects with aggregate daily processing capacity of approximately 1,400,000 tonnes is under Heilongjiang Interchina and the Hanzhong project with daily processing capacity of approximately 100,000 tonnes is under Interchina (Tianjin).

Following the completion of the disposal of aggregate of 110,000,000 shares of Heilongjiang Interchina took place in January 2013 (the “Heilongjiang Disposal”), Heilongjiang Interchina ceased to be a subsidiary of the Company and became a 28.02% owned associate of the Group. On 12 April 2013, Heilongjiang Interchina received the approval notice from the CSRC to approve the non-public share issue proposal (the “Non-public Share Issue”) which had been approved by the Shareholder at the Company’s extraordinary general meeting held on 19 October 2012. The completion of the Non-public Share Issue took place on 21 June 2013 and Heilongjiang Interchina finally issued an aggregate of 155,024,691 Heilongjiang Interchina shares to 8 institutional investors at a price of RMB 8.1 per share raising net proceeds of RMB1,215,000,000. As a result, the Company’s interest in Heilongjiang Interchina had been reduced from 28.02% to 20.56%, resulting in a gain on deemed disposal of HK\$169,442,000. After the dilution, the Group remains as the single largest shareholder of Heilongjiang Interchina and is entitled to share the operating results of the Heilongjiang Interchina Group with respect to its shareholding interest in Heilongjiang Interchina after the completion the Non-public Share Issue. Up to 30 September 2013, the Group shared a net profit from Hailongjiang Interchina for the period of HK\$14,164,000.

On 17 September 2013, the shareholders of Heilongjiang Interchina approved the proposal of profit distribution and capitalisation from capital reserves for the half year of 2013 (issue of 15 bonus shares for every 10 shares by way of capitalisation of capital reserves). The capitalisation from capital reserve will be based on the total share capital of Heilongjiang Interchina of 582,249,691 shares as at 30 June 2013 and the share capital of Heilongjiang Interchina will be increased by a total of 873,374,537 shares. The completion of the aforesaid capitalisation from capital reserve took place on 8 October 2013 and the enlarged share capital of Heilongjiang Interchina is 1,455,624,228 shares. As a result, the number of Heilongjiang Interchina shares owned by the Company increased from 119,725,000 shares to 299,312,500 shares, the equity interest in Heilongjiang Interchina remains unchanged.

### **Discontinued Operations**

Securities dealing and brokerage operation and supply and procurement operation are presented as discontinued operation in the condensed consolidated financial statements for the six months ended 30 September 2013.

The cessation of securities dealing and brokerage operation became effective on 31 July 2012 but has been pending the final approval by the Securities and Futures Commission. During the Period, revenue from securities dealing and brokerage operation represented the interest income arising from client’s receivable of this segment, decreased 16.1% to HK\$7,423,000. This segment recorded profit of HK\$5,383,000 as compared to the loss of HK\$58,019,000 of the same period last year, is primarily due to there were the impairment loss of HK\$41,335,000 in respect of client’s receivable and the impairment loss of HK\$22,174,000 in respect of trade and other receivables and prepayments for the same period of last year.

Due to the Group had discontinued the supply and procurement operation in April 2012, no further turnover was recognised during the Period (six months ended 30 September 2012: HK\$8,525,000). The segment loss significantly decreased 97.7% to HK\$147,000. In September 2013, the Group entered into the sale and purchase agreement with the independent

third party to disposal of entire equity interest in the subsidiaries under supply and procurement operation at the consideration of HK\$100 (the “Disposal”). The Disposal did not constitute any notifiable transaction of the Company under the Listing Rules. The Disposal completed in September 2013 and recognised a gain on disposal of subsidiaries of HK\$6,270,000 .

## **Outlook**

The global economy continues to be uncertain. The Group will adopt a vigorous but moderate investment tactic to develop the original environmental water treatment operation, property investment operation, natural resources operation and financing and securities investment operation. The Group will also continue to seek overseas investment projects with superb quality and any other investment opportunity with low operating risk, and to provide shareholders with largest investment returns in return for their long-term support.

## **FINANCIAL REVIEW**

### **Overall Performance**

Due to Heilongjiang Interchina ceased to be a subsidiary of the Company and become an associate company of the Company since January 2013, hence its financial results are accounted for by equity method in the condensed consolidated financial statement of the Group, the Group recorded a significant decreased in turnover, operating expenses and finance costs for the Period.

Turnover from continuing operations decreased by 90.2% to HK\$18,976,000 (six months ended 30 September 2012: HK\$193,106,000). Turnover for the Period was generated from the property investment operation and financing and securities investment operation. The environmental water treatment operation recorded no turnover for the Period (six months ended 30 September 2012: HK\$179,062,000). Cost of sales decreased by 99.3% to HK\$453,000 (six months ended 30 September 2012: HK\$68,502,000). The environmental water treatment operation recorded no cost of sales for the Period (six months ended 30 September 2012: HK\$67,390,000). Total operating expenses (the aggregate amount of staff costs, amortisation and depreciation and administrative costs) decreased by 42.2% to HK\$68,829,000 (six months ended 30 September 2012: HK\$119,002,000), of which the total operating expenses under environmental water treatment operation decreased by 83.9% to HK\$15,851,000 (six months ended 30 September 2012: HK\$98,404,000). Finance costs also decreased by 72.5% to HK\$26,220,000 (six months ended 30 September 2012: HK\$95,403,000), of which finance cost under environmental water treatment operation decreased by 73.2% to HK\$24,960,000 (six months ended 30 September 2012: HK\$93,248,000).

Profit for the Period was HK\$49,176,000 (six months ended 30 September 2012: loss of HK\$272,569,000). Such improvement represented the net effect of (i) a gain of HK\$169,442,000 recognised from the deemed disposal of its 7.46% equity interests in Heilongjiang Interchina Water Treatment Company Limited, an associate investment of the Group; (ii) the fair value gain of the Group’s investment properties amounted to HK\$20,892,000 (six months ended 30 September 2012: fair value loss of HK\$82,871,000);

(iii) the loss arising from change in fair value of investment in listed securities of HK\$57,342,000 (six months ended 30 September 2012: HK\$ 35,600,000 as the result of securities market fluctuation; and (iv) the impairment loss recognised in respect of trade and other receivables and prepayments of HK\$43,949,000 (six months ended 30 September 2012: HK\$104,000) during the Period.

Basic earnings per share stood at HK0.77 cents (six months ended 30 September 2012: basic loss per share HK5.53 cents). The Board does not recommend the payment of interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

### **Liquidity, Financial Resources and Capital Structure**

At 30 September 2013, the Group's total assets were HK\$6,568,132,000 (31 March 2013: HK\$6,539,062,000) and the total liabilities were HK\$1,261,273,000 (31 March 2013: HK\$1,304,857,000). There has been no change in the share capital of the Company during the Period. As at 1 April and 30 September 2013, the number of issued shares of the Company were 6,078,669,363. At 30 September 2013, the equity reached HK\$5,306,859,000 (31 March 2013: HK\$5,234,205,000). At 30 September 2013, the current ratio of the Group was 2.3 (31 March 2013: 2.4) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 15.3 % (31 March 2013: 14.6%).

At 30 September 2013, the Group's cash on hand and deposits in bank was HK\$457,638,000 (31 March 2013: HK\$975,279,000). Around 98% of the Group's cash on hand and deposits in bank was denominated in Renminbi with the rest mainly in Hong Kong dollars.

At 30 September 2013, the Group's total borrowings comprising bank borrowings of HK\$146,523,000 (31 March 2013: HK\$147,869,000), other borrowings of HK\$860,128,000 (31 March 2013: HK\$806,250,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK\$782,036,000 repayable within one year and HK\$24,615,000 repayable after one year but within five years. Around 99.2% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

### **Pledged of Assets**

At 30 September 2013, the Group's investment properties with carrying amounts of HK\$564,109,000 was pledged as security for its liabilities. In addition, certain shares of an associate company held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

### **Foreign Exchange Exposure**

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



## **Material Acquisition and Disposal**

Save as the acquisition and disposal has been described in the “Business Review and Prospect” section, there was no material acquisition or disposal of subsidiaries or associates during the Period.

## **Human Resources**

As at 30 September 2013, the Group had approximately 68 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.

## **PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 September 2013.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save as disclosed below, the Company had complied with the code provisions of the CG Code throughout the Period.

- (i) The code provision A.4.1 of the CG 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 independent non-executive directors) are not appointed for any specific term. However, all directors are subject to retirement by rotation at each of annual general meeting in accordance with the Company’s Articles of Association and shall be eligible for re-election. The Board shall ensure that all directors shall be subject to retirement by rotation at least once every three years so as to accomplish the same purpose as a specific term of the appointment.
- (ii) The code provision E.1.2 of the CG Code stipulates that chairman of the Board should attend the annual general meeting (“AGM”). Mr. Jiang Zhaobai, the Chairman of the Board did not attend the 2013 AGM due to other business engagements.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company and had reviewed with management of the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters including review of the interim results of the Group for the six months ended 30 September 2013.

## PUBLICATION OF THE INTERIM REPORT

The 2013 Interim Report will be despatched to the shareholders of the Company in mid December 2013 and will be made available on the websites of the Company at [www.interchina.com.hk](http://www.interchina.com.hk) and the websites of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

By Order of the board of directors  
**Interchina Holdings Company Limited**  
**Lam Cheung Shing, Richard**  
*Chief Executive Officer and Executive Director*

Hong Kong, 29 November 2013

*As at the date of this announcement, the executive Directors are Mr. Jiang Zhaobai, Mr. Shen Angang, Mr. Lam Cheung Shing, Richard, Mr. Zhu Deyu, Mr. Lu Yaohua and Mr. Gu Yungao; and the independent non-executive Directors are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Chen Yi, Ethan.*