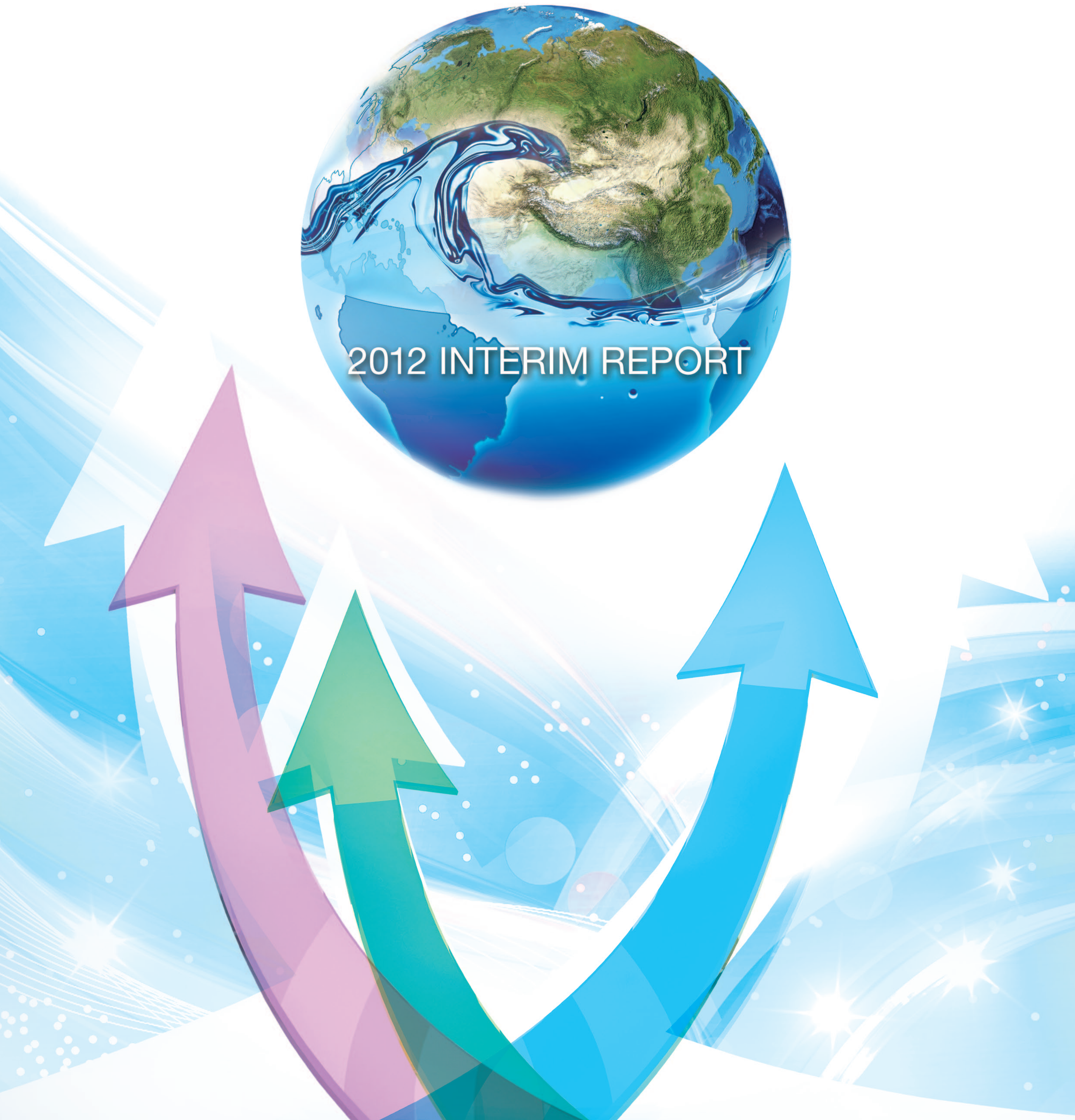
國中控股有限公司

INTERCHINA HOLDINGS CO LTD

Stock Code: 202

2012 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

Mr. Ho Yiu Yue, Louis *(Chairman)*
Mr. Ko Ming Tung, Edward
Mr. Chen Yi, Ethan

REMUNERATION COMMITTEE

Mr. Ho Yiu Yue, Louis *(Chairman)*
Mr. Ko Ming Tung, Edward
Mr. Lam Cheung Shing, Richard

NOMINATION COMMITTEE

Mr. Ko Ming Tung, Edward *(Chairman)*
Mr. Ho Yiu Yue, Louis
Mr. Chen Yi, Ethan
Mr. Lam Cheung Shing, Richard

COMPANY SECRETARY

Mr. Lau Chi Lok

STOCK CODE

202

WEBSITE

www.interchina.com.hk

PRINCIPAL OFFICE IN HONG KONG

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

AUDITORS

HLB Hodgson Impey Cheng Limited
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

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

Chartered Accountants
Certified Public Accountants

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

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

(incorporated in Hong Kong with limited liability)

We have reviewed the interim financial information set out on pages 4 to 34, which comprise the condensed consolidated statement of financial position of Interchina Holdings Company Limited (the "Company") and its subsidiaries as of 30 September 2012 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 Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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 statements 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 does not prepared, in all material respects, in accordance with HKAS 34.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 29 November 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September 2012 HK$'000 (Unaudited)	2011 HK$'000 (Restated) (Unaudited)
Continuing operations			
Turnover	3	**193,106**	192,970
Cost of sales		**(68,502)**	(82,011)
Other income and gain, net	4	**18,729**	26,752
Staff costs		**(27,632)**	(32,460)
Amortisation and depreciation		**(23,762)**	(22,363)
Administrative costs		**(87,238)**	(53,297)
Fair value change in investment properties		**(82,871)**	21,361
Loss arising on change in fair value of financial assets at fair value through profit or loss		**(35,600)**	(94,088)
Loss from operations	5	**(113,770)**	(43,136)
Finance costs	6	**(95,403)**	(80,826)
Share of results of an associate		**16**	(49)
Loss before taxation		**(209,157)**	(124,011)
Taxation	7	**910**	(9,106)
Loss for the period from continuing operations		**(208,247)**	(133,117)
Discontinued operations	8		
(Loss)/profit for the period from discontinued operations		**(64,322)**	8,275
Loss for the period		**(272,569)**	(124,842)
Attributable to:			
Owners of the Company		**(291,098)**	(142,437)
Non-controlling interests		**18,529**	17,595
		(272,569)	(124,842)
Loss per share for loss attributable to the owners of the Company	9		
From continuing and discontinued operations			
— Basic		**(HK5.53 cents)**	(HK4.00 cents)
— Diluted		**(HK5.53 cents)**	(HK4.00 cents)
From continuing operations			
— Basic		**(HK4.31 cents)**	(HK4.23 cents)
— Diluted		**(HK4.31 cents)**	(HK4.23 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	
	2012	2011
	HK$'000	HK$'000
		(Restated)
	(Unaudited)	(Unaudited)
Loss for the period	**(272,569)**	(124,842)
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	**–**	66,955
Total comprehensive loss for the period	**(272,569)**	(57,887)
Total comprehensive loss attributable to:		
Owners of the Company	**(291,098)**	(75,482)
Non-controlling interests	**18,529**	17,595
	(272,569)	(57,887)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Restated) (Audited)	At 1 April 2011 HK$'000 (Restated) (Audited)
Non-current assets				
Investment properties	11	**917,815**	951,247	746,881
Property, plant and equipment	12	**392,434**	404,295	299,878
Prepaid lease payments		**102,151**	102,315	15,781
Mining rights	13	**1,232,400**	1,232,400	–
Intangible assets	14	**1,047,673**	1,065,905	1,051,305
Other financial assets	15	**490,090**	494,408	483,996
Goodwill		**439,927**	439,927	426,017
Interest in an associate		**1,120**	1,104	1,122
Available-for-sale financial assets		**69,136**	69,136	1,190
Other non-current assets		**88,449**	88,451	97,515
		4,781,195	4,849,188	3,123,685
Current assets				
Prepaid lease payments		**3,436**	3,436	–
Inventories		**12,374**	21,613	6,511
Trade and other receivables and prepayments	16	**1,938,168**	1,500,628	2,239,489
Loan receivables	17	**345,565**	316,278	223,768
Financial assets at fair value through profit or loss		**27,434**	73,985	162,771
Derivative financial instruments	16	**–**	62,889	–
Tax recoverable		**1,343**	1,527	76
Bank balances — trust and segregated accounts		**65**	314	5,202
Cash and cash equivalents		**284,718**	398,751	1,072,985
		2,613,103	2,379,421	3,710,802
Total assets		**7,394,298**	7,228,609	6,834,487
Equity				
Share capital	18	**607,867**	427,467	355,542
Share premium and reserves		**3,055,911**	2,955,364	3,105,957
Equity attributable to owners of the Company		**3,663,778**	3,382,831	3,461,499
Non-controlling interests		**1,379,765**	1,346,902	831,602
Total equity		**5,043,543**	4,729,733	4,293,101

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Restated) (Audited)	At 1 April 2011 HK$'000 (Restated) (Audited)
Non-current liabilities				
Bank borrowings				
— due after one year	19	**113,358**	127,114	198,000
Other borrowings				
— due after one year	19	**–**	–	822,976
Deferred tax liabilities	20	**142,910**	145,864	174,850
		256,268	272,978	1,195,826
Current liabilities				
Trade and other payables and deposits received	21	**297,393**	349,269	444,414
Tax payable		**8,702**	10,409	14,950
Bank borrowings				
— due within one year	19	**618,762**	749,614	499,406
Other borrowings				
— due within one year	19	**1,169,630**	1,116,606	386,790
Convertible notes	22	**–**	–	–
		2,094,487	2,225,898	1,345,560
Total liabilities		**2,350,755**	2,498,876	2,541,386
Total equity and liabilities		**7,394,298**	7,228,609	6,834,487
Net current assets		**518,616**	153,523	2,365,242
Total assets less current liabilities		**5,299,811**	5,002,711	5,488,927

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 2012

The Group

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Statutory surplus reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012, as previously reported	427,467	1,490,940	571,996	1,342,477	292,960	55,175	341,319	–	26,410	(1,167,316)	3,381,428	1,346,902	4,728,330
Prior year adjustments (note 2)	–	–	–	–	–	–	–	–	–	1,403	1,403	–	1,403
At 1 April 2012 (Audited and restated)	427,467	1,490,940	571,996	1,342,477	292,960	55,175	341,319	–	26,410	(1,165,913)	3,382,831	1,346,902	4,729,733
Total comprehensive income/ (loss) for the period	–	–	–	–	–	–	–	–	–	(291,098)	(291,098)	18,529	(272,569)
Placement of shares	85,400	204,960	–	–	–	–	–	–	–	–	290,360	–	290,360
Transaction cost on placement of shares	–	(5,808)	–	–	–	–	–	–	–	–	(5,808)	–	(5,808)
Issue of convertible notes	–	–	–	–	–	–	–	42,080	–	–	42,080	–	42,080
Recognition of deferred tax for convertible notes	–	–	–	–	–	–	–	(6,885)	–	–	(6,885)	–	(6,885)
Conversion of convertible notes	95,000	192,493	–	–	–	–	–	(35,195)	–	–	252,298	–	252,298
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	14,334	14,334
Lapsed of share options	–	–	–	–	–	(55,175)	–	–	–	55,175	–	–	–
At 30 September 2012 (Unaudited)	607,867	1,882,585	571,996	1,342,477	292,960	–	341,319	–	26,410	(1,401,836)	3,663,778	1,379,765	5,043,543

For the six months ended 30 September 2011

The Group

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Statutory surplus reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011, as previously reported	355,542	1,338,944	571,996	1,342,477	289,004	67,369	285,813	–	13,122	(803,841)	3,460,426	831,602	4,292,028
Prior year adjustments (note 2)	–	–	–	–	–	–	–	–	–	1,073	1,073	–	1,073
At 1 April 2011 (Audited and restated)	355,542	1,338,944	571,996	1,342,477	289,004	67,369	285,813	–	13,122	(802,768)	3,461,499	831,602	4,293,101
Total comprehensive income/ (loss) for the period	–	–	–	–	–	–	66,955	–	–	(142,437)	(75,482)	17,595	(57,887)
Release of non-controlling interest results in step acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(2,640)	(2,640)	(14,040)	(16,680)
Reorganisation with Heilongjiang Interchina Water Treatment Company Limited	–	–	–	–	3,956	–	–	–	–	–	3,956	(3,956)	–
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	33,704	33,704
Exercise of share options	725	7,994	–	–	–	(2,246)	–	–	–	–	6,473	–	6,473
Lapsed of share options	–	–	–	–	–	(847)	–	–	–	847	–	–	–
At 30 September 2011 (Unaudited and restated)	356,267	1,346,938	571,996	1,342,477	292,960	64,276	352,768	–	13,122	(946,998)	3,393,806	864,905	4,258,711

Notes:

Share premium

The application of is governed by Section 48B of the Hong Kong Companies Ordinance.

Special reserve

The special reserve represented 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.

Contributed surplus

Pursuant to a special resolution by the shareholders of the Company at an extraordinary 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.

Other reserve

The other reserve comprised of the following:

(i) During the year ended 31 March 2011, pursuant to completion of issuing of shares of Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina"), an indirect non-wholly owned subsidiary of the Company with shares listed on the Shanghai Stock Exchange in the People's Republic of China ("PRC"), to seven independent third parties, the Group's interest in Heilongjiang Interchina have been decreased from 70.21% to 53.77%. The increase in non-controlling interests was recorded in other reserve as equity transaction.

(ii) During the year ended 31 March 2011, Heilongjiang Interchina acquired four companies from an indirect wholly-owned subsidiary of the Company at a consideration of approximately HK$259,583,000. The decrease in equity attributable to the owners of the Company was due to the shortfall between the net carrying amount of the four companies and the consideration received in connection with the reorganisation of Heilongjiang Interchina. This reorganisation is treated as transaction with non-controlling interests and accordingly the effect of changes in equity attributable to the owners of the Company of the respective equity interests of the four companies in excess of the consideration received is recorded in reserve for reorganisation with Heilongjiang Interchina.

(iii) During the six months ended 30 September 2011, Heilongjiang Interchina further acquired one more company from an indirect wholly-owned subsidiary of the Company at a consideration of approximately HK$94,420,000. The increase in equity attributable to the owners of the Company was due to the excessive between the net carrying amount of that company and the consideration received in connection with the reorganisation of Heilongjiang Interchina. This reorganisation is treated as transaction with non-controlling interests and accordingly the effect of changes in equity attributable to the owners of the Company is the difference between the respective equity interests of that company and the consideration received is recorded in reserve for reorganisation with Heilongjiang Interchina.

Share option reserve

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. During the six months ended 30 September 2012, all the share options were lapsed.

Exchange reserve

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.

Convertible notes reserve

Under Hong Kong Accounting Standard 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).

Statutory surplus reserve

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the Group's entities which are registered in the PRC has been transferred to the statutory surplus reserve fund which is restricted as to use. When the balance of such reserve fund reaches 50% of the Group's capital, any further appropriation is optional. The statutory surplus reserve can be utilized, upon approval of the relevant authority, to offset prior year's losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at least 25% of capital after such usage.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(483,947)**	(500,417)
Net cash used in investing activities	**(15,241)**	(337,667)
Net cash generated from financing activities	**385,155**	64,698
Net decrease in cash and cash equivalents	**(114,033)**	(773,386)
Cash and cash equivalents at beginning of the period	**398,751**	1,072,985
Effect of foreign exchange rate changes	**–**	92,539
Cash and cash equivalents at end of the period	**284,718**	392,138
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**284,783**	398,612
Less: Bank balances — trust and segregated accounts	**(65)**	(6,474)
	284,718	392,138

The accompanying notes form an integral part of these 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 located at Room 701, 7th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in (i) environmental water treatment operation, (ii) property investment operation, (iii) natural resources operation and (iv) financing and securities investment operation.

The unaudited 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 Standards ("HKASs") 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 values:

— investment properties; and
— financial instruments classified as trading securities
— financial instruments classified as held for trading

The accounting policies used in 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 2012.

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 2012, except for the adoption of the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA as noted below.

HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation Removal of Fixed Dates for First-time Adopter
HKFRS 7 (Amendments)	Amendment to HKFRS 7 Financial Instruments Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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

Other than as further explained below regarding the impact of HKAS 12 (Amendments), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements. The principal effects of adoption these new and revised HKFRSs are as follows:

The amendment to HKAS 12, introduce a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. Therefore, based on the amendment, the Group's investment properties in Hong Kong do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from a business combination, unless the presumption is rebutted. This change in policy has been applied retrospectively by restating the opening balances at 1 April 2011, with consequential adjustments to comparatives for the year ended 31 March 2012.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$1,403,000 as at 31 March 2012 with the corresponding adjustment being recognised in accumulated losses. In addition, the application of the amendments has resulted in the Group's income tax expense and loss for the six months ended 30 September 2011 being decreased by HK$82,000.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 September 2011 HK$'000 (Unaudited)
Decrease in income tax expense and loss for the period	82

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 March 2012, is as follows:

Effects of the changes in the accounting policies on the consolidated statement of financial position:

	At 31 March 2012		
	Originally stated HK$'000	Effect on adoption of HKAS 12 HK$'000	Restated HK$'000
Deferred tax liabilities	147,267	(1,403)	145,864
Accumulated losses	1,167,316	(1,403)	1,165,913

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

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 April 2011, is as follows:

	At 1 April 2011		
	Originally stated HK$'000	Effect on adoption of HKAS 12 HK$'000	Restated HK$'000
Deferred tax liabilities	175,923	(1,073)	174,850
Accumulated losses	803,841	(1,073)	802,768

Since the amount of the adjustment is not significant, there were no impacts on basic and diluted loss per share from continuing and discontinued operations.

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

Amendment to HKFRSs	Annual Improvements 2009–2011 Cycle[2]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosure of Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 (Revised 2010)	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

Certain comparative figures have been reclassified and restated to conform with current period's presentation.

3. 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 operating segments are summarised as follows:

Continuing operations

Environmental water treatment operation	—	Operation of water plants and sewage treatment plants in the PRC
Property investment operation	—	Leasing of rental property in the PRC and Hong Kong
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
Financing and securities investment operation	—	Provision of financing service and securities investment

Discontinued operations

Securities dealing and brokerage operation	—	Provision of securities dealing and brokerage 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 2012

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

3. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 September 2011

	Continuing operations					Discontinued operations			
	Environmental water treatment operation HK$'000 (Unaudited)	Property investment operation HK$'000 (Unaudited)	Financing and securities investment operation HK$'000 (Unaudited)	Natural resources operation HK$'000 (Unaudited)	Sub-total HK$'000 (Restated) (Unaudited)	Securities dealing and brokerage operation HK$'000 (Unaudited)	Supply and procurement operation HK$'000 (Unaudited)	Sub-total HK$'000 (Unaudited)	Consolidated total HK$'000 (Restated) (Unaudited)
Segment revenue	171,987	10,973	10,010	–	192,970	14,616	155,831	170,447	363,417
Segment results	36,359	20,223	(84,379)	(14)	(27,811)	11,737	(1,195)	10,542	(17,269)
Interest income and other income					26,752			672	27,424
Unallocated expenses					(42,077)			(989)	(43,066)
Loss from operations					(43,136)			10,225	(32,911)
Finance costs					(80,826)			(25)	(80,851)
Share of result of an associate					(49)			–	(49)
Loss before taxation					(124,011)			10,200	(113,811)
Taxation					(9,106)			(1,925)	(11,031)
Loss the period					(133,117)			8,275	(124,842)

4. OTHER INCOME AND GAIN, NET

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)	**2012 HK$'000 (Unaudited)**	2011 HK$'000 (Unaudited)
Bank interest income	**7,375**	3,346	**5**	15
Other loan interest income	**176**	–	**–**	–
Government subsidies	**6,711**	5,556	**–**	–
Consultancy service income	**1,021**	12,222	**–**	–
Dividend income	**–**	–	**–**	2
Net foreign exchange gain	**–**	2,879	**–**	–
Sundry income	**3,446**	2,749	**327**	655
	18,729	26,752	**332**	672

5. LOSS FROM OPERATIONS

Loss from operations has been arrived after charging:

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Depreciation	**3,668**	3,466	**108**	21
Amortisation of prepaid lease payments and intangible assets	**19,985**	18,897	**–**	–
Loss on disposal of property, plant and equipment	**27**	–	**–**	–
Fair value change in investment properties	**82,871**	–	**–**	–
Impairment loss recognised in respect of property, plant and equipment	**19,526**	743	**928**	–
Impairment loss recognised in respect of trade and other receivables and prepayments	**104**	–	**22,174**	–
Impairment loss recognised in respect of loan receivables	**–**	–	**41,335**	–
Impairment loss recognised in respect of inventories	**–**	–	**3,115**	–
Operating lease rentals in respect of premises	**2,391**	1,736	**1,300**	1,177

6. FINANCE COSTS

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest on:				
— Bank borrowings	**94,879**	13,706	**–**	–
— Other borrowings	**169**	67,120	**–**	25
— Convertible notes	**355**	–	**–**	–
	95,403	80,826	**–**	25

7. TAXATION

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
Hong Kong Profits Tax	**–**	5	**1,072**	1,925
The PRC Enterprise Income Tax	**882**	3,285	**–**	–
	882	3,290	**1,072**	1,925
Deferred tax	**(1,792)**	5,816	**–**	–
	(910)	9,106	**1,072**	1,925

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (for the six months ended 30 September 2011: 16.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the current and prior period.

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 2012 and 2011.

8. DISCONTINUED OPERATIONS

During the period, the Group decided to cease the operation of securities dealing and brokerage operation and supply and procurement operation.

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

(a) Securities dealing and brokerage operation

	For the six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Turnover	**8,849**	14,616
Other income and gain, net	**313**	658
Staff costs	**(999)**	(1,734)
Amortisation and depreciation	**(5)**	(13)
Administrative costs	**(1,596)**	(2,082)
Impairment loss recognised in respect of loan receivables	**(41,335)**	–
Impairment loss recognised in respect of trade and other receivables and prepayments	**(22,174)**	–
(Loss)/profit before taxation	**(56,947)**	11,445
Taxation	**(1,072)**	(1,925)
(Loss)/profit for the period	**(58,019)**	9,520

	For the six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(10,204)**	(51,051)
Net cash used in financing activities	**–**	(723)
Net cash flows	**(10,204)**	(51,774)

8. DISCONTINUED OPERATIONS *(Continued)*

(b) Supply and procurement operation

	For the six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Turnover	**8,525**	155,831
Cost of sales	**(9,297)**	(154,635)
Other income and gain, net	**19**	14
Staff costs	**(212)**	(279)
Amortisation and depreciation	**(103)**	(8)
Administrative costs	**(1,192)**	(2,143)
Impairment loss recognised in respect of property, plant and equipment	**(928)**	–
Impairment loss recognised in respect of inventories	**(3,115)**	–
Finance costs	**–**	(25)
Loss before taxation	**(6,303)**	(1,245)
Taxation	**–**	–
Loss for the period	**(6,303)**	(1,245)

	For the six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(1,813)**	8,903
Net cash used in investing activities	**–**	(1,142)
Net cash flows	**(1,813)**	7,761

9. LOSS PER SHARE

From continuing and discontinued operations

	For the six months ended 30 September 2012 HK$'000 (Unaudited)	2011 HK$'000 (Restated) (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(291,098)**	(142,437)
Effect of dilutive potential ordinary shares on interest of convertible notes	**355**	–
Loss for the purpose of diluted loss per share	**(290,743)**	(142,437)

Number of shares	At 30 September 2012 (Unaudited)	2011 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,256,592,860**	3,561,521,011

From continuing operations

	For the six months ended 30 September 2012 HK$'000 (Unaudited)	2011 HK$'000 (Restated) (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(226,776)**	(150,712)
Effect of dilutive potential ordinary shares on interest of convertible notes	**355**	–
Loss for the purpose of diluted loss per share	**(226,421)**	(150,712)

Number of shares	At 30 September 2012 (Unaudited)	2011 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,256,592,860**	3,561,521,011

9. LOSS PER SHARE *(Continued)*

From discontinued operations

	For the six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(64,322)**	8,275

Number of shares	At 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,256,592,860**	3,561,521,011

The calculation of diluted (loss)/profit per share for the six months ended 30 September 2012 and 2011 has not assumed the exercise of the share options as these potential ordinary shares would have anti-dilutive effect.

10. INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 September 2012 (for the six months ended 30 September 2011: Nil).

11. INVESTMENT PROPERTIES

During the period, the additional investment properties of HK$49,439,000 were recognised (for the year ended 31 March 2012: Nil).

The fair value of the Group's investment properties at 30 September 2012 have been arrived at on the basis of a valuation carried out on that date by Messrs. Jointgoal Surveyors Limited and Cushman & Wakefield Valuation Advisory Services (HK) Limited, 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 2012, investment properties with the carrying amount of approximately HK$389,111,000 (31 March 2012: HK$379,531,000) have been pledged to secure banking facilities granted to the Group.

On 23 November 2012, Equal Smart Profits Limited, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with 上海平祥企業管理有限公司 for the disposal of the property located at the second basement, the first basement, the first floor and second floor of No.1546 Dalian Road, Yangpu District, Shanghai, the PRC at the consideration of RMB280,000,000 (equivalent to approximately HK$345,679,000). As at the date between its approval of these financial statements, the disposal has not completed. The fair value loss on the investment properties amounted to RMB82,012,000 (equivalent to HK$101,249,000) represented the difference of carrying amount and the market value is recognised directly in the condensed consolidated income statement for the six months ended 30 September 2012.

12. PROPERTY, PLANT AND EQUIPMENT

	HK$'000 (Unaudited)
Net book value	
At 1 April 2012	404,295
Additions	12,396
Disposal	(27)
Impairment loss	(20,454)
Depreciation	(3,776)
At 30 September 2012	392,434

At 30 September 2012, the net book value of property, plant and equipment comprise the followings:

	HK$'000 (Unaudited)
Net book value	
Property under development	8,647
Building	25,491
Leasehold improvements	7,463
Plant and machinery	322,790
Furniture and fixtures	9,476
Equipment, motor vehicles and others	18,567
	392,434

At 30 September 2012, plant and machinery, furniture and fixtures and equipment, motor vehicle and others with carrying amounts of approximately HK$322,790,000, HK$128,000 and HK$6,245,000 respectively (31 March 2012: plant and machinery: HK$336,808,000, furniture and fixtures: HK$133,000 and equipment, motor vehicle and others: HK$4,351,000 respectively) have been pledged to secure general banking facilities granted to the Group.

13. MINING RIGHTS

	HK$'000 (Unaudited)
Net book value	
At 1 April 2012 and 30 September 2012	1,232,400

The mining rights is amortised using the unit-of-production methods based on the total proven and probable mineral reserves, under the assumption that the initial granted period is 20 years, till all proven and probable mineral reserves have been mined. No amortisation was provided for the year ended 31 March 2012 and for the six months ended 30 September 2012 as commercial production of the mine has not yet commenced during the year and the period respectively.

14. INTANGIBLE ASSETS

	Concession intangible assets HK$'000 (Unaudited)
Net book value	
At 1 April 2012	**1,065,905**
Amortisation	**(18,232)**
At 30 September 2012	**1,047,673**

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

15. OTHER FINANCIAL ASSETS

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Receivables under service concession arrangements	**490,090**	494,408

Other financial assets, bear interest at rates ranging from 5.25% to 11.98% (31 March 2012: 3.22% to 15.46%), represented the considerations paid for the construction and operation of sewage water treatment plants under BOT or TOT 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 or TOT arrangements.

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (31 March 2012: 60 days) to its trade customers. The aged analysis of trade receivables is as follow:

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Trade receivables:		
0–30 days	238,226	206,360
Margin clients' accounts receivables	95,756	91,889
Clearing houses, brokers and dealers	–	274
Prepayments and deposits	1,586,448	1,200,611
Other receivables	96,987	58,465
	2,017,417	1,557,599
Less: Impairment of trade and other receivables and prepayments	(79,249)	(56,971)
	1,938,168	1,500,628

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.

Movement on impairment of trade and other receivables and prepayments were as follow:

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
At the beginning of the period/year	56,971	2,313
Impairment loss reversed	–	(1,340)
Impairment loss recognised	22,278	55,998
At the end of the period/year	79,249	56,971

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The Group's prepayments and deposits as at 30 September 2012, inter alia, are as follows:

(i) deposit of approximately HK$51,000,000 (31 March 2012: Nil) paid for acquisition of the remaining equity interest of companies principally engaged in the exploration, mining, processing and sale of manganese resources in the Republic of Indonesia;

(ii) deposits of approximately HK$438,428,000 (31 March 2012: HK$198,765,000) paid for acquisition of certain investment properties in the PRC;

(iii) deposits of approximately HK$306,914,000 (31 March 2012: HK$306,914,000) paid for acquisition of several potential water projects in the PRC;

(iv) prepayments of approximately HK$635,768,000 (31 March 2012: HK$602,102,000) to various contractors for construction of environmental water treatment projects in the PRC; and

(v) On 10 February 2012, Heilongjiang Interchina entered into an option agreement in relation to acquire an aggregate of 90% equity interest in Beijing TDR Enviro-Tech Co., Ltd ("Beijing Company") at a predetermined price. The aggregate premium payable for the options is RMB10,000,000 (equivalent to approximately HK$12,346,000). The carrying amount of the options had been remeasured to its fair value to approximately HK$62,889,000 at 31 March 2012 and recognised as derivative financial instruments. Accordingly, the fair value gain on derivative financial instrument amounted to approximately HK$50,543,000 was recognised for the year ended 31 March 2012.

    On 21 June 2012, Heilongjiang Interchina exercised the options and a formal sale and purchase agreement was signed for acquiring the 90% equity interest in Beijing Company (the "Acquisition"). The fair value of the option premium was reassessed at the exercise date by Ascent Partners Transaction Service Limited, a firm of independent valuers, which is the same as the carrying amount of the derivative financial instrument amounted to approximately HK$62,889,000. At the end of the reporting period, the Acquisition has not completed and the option premium was therefore reclassified as prepayment accordingly.

17. LOAN RECEIVABLES

The loan was unsecured, carrying at the prevailing interest rate ranging from 2% to 7.2% per annum (31 March 2012: from 9.6% to 15% per annum).

During the period, an impairment loss of approximately HK$41,335,000 was determined to be impaired and recognised as impairment loss for the period (31 March 2012: HK$2,764,000). The Group does not hold any collateral over these balances.

The remaining balance of loan receivables relate to a number of independent debtors that 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 had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

18. SHARE CAPITAL

	Number of shares		Nominal value	
	At 30 September 2012	At 31 March 2012	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Ordinary shares of HK$0.10 each				
Authorised:				
At the beginning and the end of the period/year	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At the beginning of the period/year	**4,274,669,363**	3,555,419,363	**427,467**	355,542
Placement of shares (note a & b)	**854,000,000**	712,000,000	**85,400**	71,200
Exercise of share options (note c)	**–**	7,250,000	**–**	725
Conversion of convertible notes (note d)	**950,000,000**	–	**95,000**	–
At the end of the period/year	**6,078,669,363**	4,274,669,363	**607,867**	427,467

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

Notes:

(a) On 14 August 2012, the Company allotted and issued an aggregate of 854,000,000 new shares of HK$0.10 each by way of placing to independent investors at a price of HK$0.34 per share. The net proceeds from the placing was approximately HK$284,350,000.

(b) On 13 December 2011, the Company allotted and issued an aggregate of 712,000,000 new shares of HK$0.10 each by way of placing to independent investors at a price of HK$0.31 per share. The net proceeds from the placing was approximately HK$215,202,000.

(c) On 6 April, 3 May, 8 July and 28 July 2011, the Company allotted and issued in aggregated of 4,250,000 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.

On 6 April and 20 April 2011, the Company allotted and issued in aggregated of 2,000,000 and 1,000,000 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$0.83 and HK$1.03 per share respectively.

(d) On 14 May 2012, convertible notes amounted to HK$294,500,000 were converted at initial conversion price of HK$0.31 each into 950,000,000 ordinary shares of the Company at HK$0.10 each.

19. BANK AND OTHER BORROWINGS

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Bank borrowings, secured	**462,120**	615,370
Bank borrowings, unsecured	**270,000**	261,358
Total bank borrowings	**732,120**	876,728
Other borrowings, secured	**1,169,630**	1,109,506
Other borrowings, unsecured	**–**	7,100
Total other borrowings	**1,169,630**	1,116,606
Total borrowings	**1,901,750**	1,993,334
The maturity profiles are as follows:		
On demand or repayable within one year:		
Bank borrowings	**618,762**	749,614
Other borrowings	**1,169,630**	1,116,606
Portion classified as current liabilities	**1,788,392**	1,866,220
Repayable in the second year, inclusive:		
Bank borrowings	**36,815**	38,843
Repayable in the third to the fifth years, inclusive:		
Bank borrowings	**76,543**	70,370
Repayable after the fifth year		
Bank borrowings	**–**	17,901
Portion classified as non-current liabilities		
Bank borrowings	**113,358**	127,114
Total borrowings	**1,901,750**	1,993,334

Notes:

(a) 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 5.25% to 7.83% (31 March 2012: 5.47% to 9.00%) per annum.

The other borrowings bear interest at rates of 9.4% to 12% per annum for the six months ended 30 September 2012 (for the year ended 31 March 2012: 9% to 12.5% per annum).

19. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (continued)

(b) Secured bank borrowings comprise term loans and mortgage loans which bear interest at commercial rates. The term loans are secured by the assets of the Group with carrying values as follow:

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Intangible assets	**369,001**	464,279
Other financial assets	**207,706**	391,580
	576,707	855,859

The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with an aggregate carrying value of approximately HK$389,111,000 (31 March 2012: HK$379,531,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable by instalments over a period of 1 to 20 years.

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

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Hong Kong dollars	**11,988**	21,027
Renminbi	**1,889,762**	1,972,307
	1,901,750	1,993,334

20. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities provided by the Group and movements thereon during the current reporting period and prior report year:

	Revaluation of properties HK$'000	Convertible notes HK$'000	Fair value adjustments arising on acquisition of subsidiaries HK$'000	Temporary difference on assets under HK (IFRIC)-Int 12 HK$'000	Others HK$'000	Total HK$'000
At 1 April 2011, as previously reported	54,414	–	86,750	34,730	29	175,923
Effect of change in accounting policy	(1,073)	–	–	–	–	(1,073)
At 31 March 2011 and 1 April 2011 (audited and restated)	53,341	–	86,750	34,730	29	174,850
Exchange alignment	2,218	–	(388)	452	–	2,282
Acquisition of subsidiaries	17,669	–	–	–	–	17,669
Disposal of a subsidiary	–	–	(55,675)	–	(29)	(55,704)
Charge to the consolidated income statement (restated)	(231)	–	–	6,998	–	6,767
At 31 March 2012 (audited and restated)	**72,997**	**–**	**30,687**	**42,180**	**–**	**145,864**
At 1 April 2012, as previously reported	74,400	–	30,687	42,180	–	147,267
Effect of change in accounting policy	(1,403)	–	–	–	–	(1,403)
At 31 March 2012 and 1 April 2012 (audited and restated)	72,997	–	30,687	42,180	–	145,864
Exchange alignment	(1,162)	–	–	–	–	(1,162)
Issue of convertible notes	–	6,885	–	–	–	6,885
Conversion of convertible notes	–	(6,885)	–	–	–	(6,885)
Charge to the consolidated income statement (note 7)	(5,643)	–	–	3,851	–	(1,792)
At 30 September 2012 (unaudited)	**66,192**	**–**	**30,687**	**46,031**	**–**	**142,910**

21. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follows:

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Trade payables		
0–30 days	**41,801**	38,451
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	**65**	493
Other payables and deposits received	**255,527**	310,325
	297,393	349,269

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.

The Group's other payables and deposits received as at 30 September 2012, inter alia, are as follows:

(i) other payables of approximately HK$124,489,000 (31 March 2012: HK$146,322,000) to various contractors for construction of environmental protection and water treatment projects in the PRC; and

(ii) interest payables of approximately HK$16,186,000 (31 March 2012: HK$17,208,000) for interest-bearing borrowing.

22. CONVERTIBLE NOTES

On 13 December 2011, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed amongst other things, on a best effort basis, to procure places to subscribe in cash for convertible notes issued by the Company up to the principal amount of HK$294,500,000. On 8 May 2012, the placing conditions precedents for the placing of the convertible notes under the placing agreement were fulfilled and that the placing of convertible notes has been issued to more than six independent parties.

The convertible notes carries interest at 2% per annum and payable per quarter and will be matured in 2015. The convertible notes are denominated in Hong Kong dollar. The initial conversion price is HK$0.31 per share. The effective interest rate of the liability component of the convertible note is 7.5% per annum. Details of which were set out in the Company's circular dated 17 February 2012.

On 8 May 2012, the placing conditions precedents for the placing of the convertible notes under the placing agreement were fulfilled. An aggregated of HK$294,500,000 of the convertible notes were converted at an initial conversion price of HK$0.31 each into 950,000,000 ordinary shares of the Company at HK$0.10 each.

Reconciliation of the liability component of the convertible notes:

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Proceeds of issue of convertible notes	**287,138**	–
Equity component	**(42,080)**	–
Imputed interest recognised for the period/year	**355**	–
Conversion into ordinary shares	**(245,413)**	–
Liability component at the end of period/year	**–**	–

23. SHARE OPTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company adopted a share option scheme pursuant to an extraordinary resolution passed on 2 September 2002 (the "2002 Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 August 2011, the Company adopted a new share option scheme (the "New Share Option Scheme") and terminated the 2002 Share Option Scheme.

During the six months ended 30 September 2012, no share option was granted under the New Share Option Scheme and all the share options under the 2002 Share Option Scheme were lapsed.

24. CAPITAL COMMITMENTS

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**334,666**	236,978
— acquisition of subsidiaries	**598,765**	679,012
— acquisition of investment properties	**–**	44,926
	933,431	960,916

25. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 September 2012 and 31 March 2012, 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 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Within one year	**7,780**	8,113
In the second to the fifth year inclusive	**7,813**	9,308
After five years	**8,736**	8,991
	24,329	26,412

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.

25. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

At 30 September 2012 and 31 March 2012, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Within one year	**33,154**	15,516
In the second to the fifth year inclusive	**58,602**	23,498
After five years	**12,890**	15,121
	104,646	54,135

26. 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) 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	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Salaries and other short-term benefits	**4,499**	4,968
Pension scheme contribution	**133**	138
	4,632	5,106

(b) Balance with related party

Included in other receivables was an amount advanced to director of a subsidiary amounted to approximately HK$2,040,000 (31 March 2012: HK$2,040,000).

27. EVENTS AFTER THE REPORTING PERIOD

(a) On 21 June 2012, the board of directors of Heilongjiang Interchina, a subsidiary of the Company with its shares listed on the Shanghai Stock Exchange, the PRC 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 was approved by the shareholders of the Company on 19 October 2012. Details of which were set out in the Company's announcement dated 25 June 2012, 13 July 2012, 20 September 2012 and 19 October 2012 and circular dated 28 September 2012.

(b) On 21 June 2012, the Heilongjiang Interchina has exercised the option and entered into the sale and purchase agreement with seven independent third parties in relation to the acquisition of 90% equity interest in Beijing Company. The aggregate consideration is RMB495,000,000. Beijing Company is principally engaged in the development of the treatment technology and technique and the production of equipment/ construction of facility for sewage water treatment purpose. As at the date of approval of theses consolidated financial statements, the acquisition has not completed and the management of the Group was still in the midst of determining the financial effect of aforesaid transactions. Details of which were set out in the Company's announcement dated 8 May 2012 and 27 June 2012 and circular dated 23 November 2012.

(c) On 28 June 2012, Universe Glory Limited, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding pursuant to which Group intend to acquire additional 35% of issued share capital of P.T. Satwa Lestari Permai. As at the date of approval of these consolidated financial statements, the management of the Group was still in the midst of determining the financial effect of the aforesaid transactions. Details of which were set out in the Company's announcement dated 28 June 2012 and 3 October 2012.

(d) On 27 August 2012, the board of directors of the Company proposed a specific mandate that to seek the shareholders of the Company approval which involves the possible disposal of 110,000,000 shares of Heilongjiang Interchina held by the Company in one or more transactions. The disposal was approved by the shareholders of the Company on 19 October 2012. Details of which were set out in the Company's announcement date 4 September 2012 and 19 October 2012 and circular date 28 September 2012.

(e) On 23 November 2012, Equal Smart Profits Limited, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with 上海平祥企業管理有限公司 for the disposal of the property located at the second basement, the first basement, the first floor and second floor of No.1546 Dalian Road, Yangpu District, Shanghai, the PRC at the consideration of RMB280,000,000 (equivalent to approximately HK$345,679,000). As at the date of approval of these financial statements, the disposal has not completed. Details of which were set out in the Company's announcement dated 28 August 2012 and 23 November 2012.

BUSINESS REVIEW

The board of directors (the "Board") of Interchina Holdings Company Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012 and the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2012. Turnover from continuing operations slightly increased to HK$193,106,000 from HK$192,970,000 of the same period last year. Loss for the period increased by 118.3% to HK$272,569,000 from HK$124,842,000 of the same period last year.

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

	Turnover HK$'000	Profit/(loss) for the period HK$'000
Continuing operations		
Environmental water treatment operation	179,062	15,975
Property investment operation	12,345	(97,972)
Natural resources operation	–	(1,547)
Financing and securities investment operation	1,699	(33,935)
Total from continuing operations	193,106	(117,479)
Loss from discontinued operations		(63,582)
Other unallocated expenses, net*		(91,508)
Loss for the period		(272,569)

* Other unallocated expenses, net mainly consisted of interest income and other income of HK$19,061,000, other operating and headquarter expenses of HK$15,020,000, finance costs of HK$95,403,000, share of result of an associate of HK$16,000 and taxation of HK$162,000.

Environmental Water Treatment Operation

The Group mainly operates the environmental water treatment operation through its wholly-owned subsidiary, Interchina (Tianjin) Water Treatment Company Limited ("Interchina (Tianjin)") and the 53.77% owned Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, listed on the Shanghai Stock Exchange). As at 30 September 2012, the Group's environmental water treatment operation comprised a total of 13 projects, which includes 4 water supply projects and 9 sewage treatment projects with aggregate daily processing capacity of approximately 1,337,500 tonnes.

Analysis of the segment revenue of environmental water treatment operation during the period is set out below:

	2012 HK$'000	2011 HK$'000
Sewage and water treatment income	**136,326**	106,453
Construction service income	**21,378**	44,252
Finance income under service concession arrangement	**21,358**	21,282
Total revenue of this segment	**179,062**	171,987
Segment profit	**15,975**	36,359

Sewage and water treatment income increased 28.1% to HK$136,326,000 was mainly attributable to the commencement of operation of the sewage treatment plant in Taiyuan in August 2011 and increment of treatment fees for the sewage treatment projects located in Qinhuangdao, Zhuozhou and Changli. On the other hand, due to most of new projects currently under construction was at a preliminary stage, construction service income decreased 51.7% to HK$21,378,000 as compare with the same period of last year. Finance income under service concession arrangement remained stable during the period.

The segment profit amounted to HK$15,975,000, representing a decrease of HK$20,384,000 or 56.1% as compared with the same period of last year was mainly attributable to increase in professional expenses for business expansion during the period.

During the period, the Group has continued in further consolidation of the environmental water treatment operation. On 31 May 2012, Heilongjiang Interchina has entered into a Strategic Cooperation Framework Agreement with the Research Centre for Eco-Environmental Sciences, Chinese Academy of Sciences. Both parties have agreed to jointly invest in and incorporate the Interchina CAS Ecological Scientific Innovation Co. Ltd. for the management and implementation of actual operations involved in the incubation of technological innovation and industrialization. Details of the agreement were set out in the Company's announcement dated 31 May 2012.

In July 2012, Heilongjiang Interchina had submitted a proposal to the Shanghai Stock Exchange to increase its issued shares by not more than 160,000,000 new shares at the price of RMB8.03 each to not more than ten subscribers (the "Non-public Share Issue") to raise not more than RMB1,290,000,000. The net proceeds from the Non-public Share Issue is expected to be not more than RMB1,242,000,000 which Heilongjiang Interchina planned to apply as funding to further expand the existing projects on hand and acquire the 90% equity interest in Beijing TDR Enviro-Tech Company Limited ("Beijing TDR") and 100% equity interest in Huaibei Zhonglian Huanshui Environmental Company Limited ("Huaibei Zhonglian"). Beijing TDR is principally engaged in the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose and Huaibei Zhonglian is principally engaged in the sewage treatment operation. Therefore, on the even date Heilongjiang Interchina has entered into two sale and purchase agreement in relation to (i) the acquisition of 90% equity interest in Beijing TDR at the aggregate consideration is RMB495,000,000 (the "Beijing TDR Acquisition") and (ii) the acquisition of 100% equity interest in Huaibei Zhonglian at the aggregate consideration is RMB34,300,000 (the "Huaibei Zhonglian Acquisition"). Beijing TDR Acquisition constitutes a major transaction of the Company under the Listing Rules while Huaibei Zhonglian Acquisition did not constitute any notifiable transaction of the Company under the Listing Rules. Detail of the Beijing TDR Acquisition was set out in the Company's announcement dated 27 June 2012.

As at 30 September 2012, the Group beneficially owned 229,725,000 shares in Heilongjiang Interchina, representing approximately 53.77% of the issued share capital of Heilongjiang Interchina. After considering all the pros and cons for participating in the Non-public Share Issue, particular the financial burden/cost of further invest in Heilongjiang Interchina, the management of the Company decided not to participate in the Non-public Share Issue. Therefore, upon the completion of the Non-public Share Issue, the Group's equity interest in Heilongjiang will be diluted from 53.77% to 39.12%, constituting a deemed disposal of the Group's interest of Heilongjiang Interchina (the "Deemed Disposal") as well as a very substantial disposal transaction of the Company under the Listing Rules.

Due to the relevant government approval for the Huaibei Zhonglian Acquisition could not be obtained within the agreed timeframe, Huaibei Zhonglian Acquisition is finally terminated and on 20 September 2012, Heilongjiang Interchina had submitted a revised Non-public Share Issue proposal to the Shanghai Stock Exchange to reduce the proposed maximum proceeds raised from the Non-public Share Issue from RMB1,290,000,000 to RMB1,255,700,000 as the result of the termination of Huaibei Zhonglian Acquisition. Save for the aforesaid change, all other terms of the Non-public Share Issue remained unchanged. Heilongjiang Interchina has also submitted the revised proposal to the China Securities Regulatory Commission ("CSRS") on 26 September 2012. The relevant approval procedures by the regulatory authorities of the PRC are still in process.

Besides, on 4 September 2012, the Company announced to seek shareholders' approval to grant a disposal mandate in relation to dispose part of shares it holds in Heilongjiang Interchina (the "Disposal Mandate") subject to the following terms:

(1) the maximum number of Heilongjiang Interchina Shares to be sold shall be 110,000,000, being approximately 25.75% of the issued shares capital of Heilongjiang Interchina;

(2) the minimum disposal price shall be the higher of (a) RMB8.03, being the same as the minimum placing price of the Non-public Share Issue pursuant to the revised Non-public Share Issue Proposal; or (b) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any disposal; and

(3) the specific mandate is to be valid for a period of six months from the date on which the disposal mandate is approved by the shareholders.

The Company intends to apply the net proceeds from the disposal for the repayment of bank and other borrowings of the Group and any future acquisition or investment as and when suitable opportunities arise.

Upon exercise in full of the Disposal Mandate but before the completion of the Deemed Disposal, the Group's interest in Heilongjiang Interchina will be diluted from 53.77% to 28.02%, constituting a very substantial disposal transaction of the Company under the Listing Rules. Besides, it is expected that upon the completion of the Deemed Disposal and exercise in full of the Disposal Mandate, the Group's interest in Heilongjiang Interchina will be further diluted to approximately 20.39%. Heilongjiang Interchina will cease to be a subsidiary of the Company but instead will become an associate investment of the Company. Details of the Non-public Share Issue, the Deemed Disposal and the Disposal Mandate were set out in the Company's circular dated 28 September 2012. The Non-public Share Issue, the Deemed Disposal and the Disposal Mandate were approved by the shareholders of the Company at the extraordinary general meeting held on 19 October 2012.

Looking ahead, environmental water treatment operation remains a one of major investments of the Group and will continue to contribute positively to the results of the Group through equity sharing. It is expected that the Non-public Share Issue is not just a funding raising activities of Heilongjiang Interchina for further expansion but also can enhance the operational efficiency and drive its management standard to a higher level through broadening the shareholder base of Heilongjiang Interchina. In addition, Heilongjiang Interchina will also adhere to its development strategy of strengthening the business chain and well-planned strategic mergers and acquisitions to further expand its business in the market.

Property Investment Operation

The Group currently owns approximately total gross floor area of 19,600 sq. m. in Beijing Interchina Commercial Building, located in the CDB of Beijing (consist of approximately 7,700 sq. m. of office units, 5,800 sq. m. of retail units and 6,100 sq. m. of parking space) (the "Beijing Property"). At 30 September 2012, all of office units and retail units of the Beijing Property have been fully let and provide stable rental income to the Group. The Group also owns a property, total gross floor area of approximately 18,300 sq. m. in Yangpu District, Shanghai (the "Shanghai Property"). The Shanghai Property is suitable for the developing consolidate entertainment centre in the district. Due to the PRC economic development is currently under finetune adjustment, the Shanghai Property has been vacant for a period of time. On 28 August 2012, the Group successful entered into an non-legally binding letter of intent with an international leading private equity company in relation to the disposal of the Shanghai Property at the intended consideration of RMB280,000,000 (the "Possible Disposal"). It is of the view that it is a good opportunity to realize the Shanghai Property into cash and seek for another high quality property for long term investment which can provide a stable and reasonable income stream to the Group. On 23 November 2012, a formal sale and purchase agreement in relation to the Possible Disposal has been signed at the consideration of RMB280,000,000 which constitutes a disclosable transaction of the Company. Detail of the transaction was set out in the Company's announcement dated 23 November 2012.

During the period, the Group was successful in delivering stable revenue growth from property investment operation. Rental income increased by 12.5% to HK$12,345,000. The segment loss amounted to HK$97,972,000, representing a significantly decrease of HK$118,195,000 as compared with the segment profit of HK$20,223,000 in last year. The loss was mainly due to a loss of HK$82,871,000 arising on change in fair value of the Group's investment property (six months ended 30 September 2011: fair value gain of HK$21,361,000) and an impairment loss of HK$19,526,000 on the leasehold improvement of the Shanghai Property.

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 approximately 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 approximately HK$14,379,000). Detail of the transaction was set out in the Company's announcement dated 25 April 2012. The Properties has contributed rental income of RMB1,946,000 for the period to the Group since 1 August 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 a 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.

Natural Resources Operation

The Group's natural 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 company incorporated in 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 Tenggena, Indonesia ("Mining Block") and have rights for exploitation, refining, processing and export in the Mining Block for a period of twenty years. Resource of the Mining Block has no significant change during the period.

Due to SLP is preparing for the formal exploitation and production program, the Mining Block did not contribute revenue to the Group for the period. The segment loss of HK$1,547,000 was recorded for the period. The Group has intention to acquire the remaining 35% interests of SLP from the other shareholders. The Group is currently under negotiation with the other shareholders of SLP and has entered into a memorandum of understanding ("MOU") and its supplement in June and October 2012. Detail of the MOU was set out in the Company's announcement dated 28 June 2012 and 3 October 2012 respectively. The acquisition will increase the Group's interest in SLP from 65% to 100% and the Group will take up the obligation for additional capital injection and commence formal exploitation and production as soon as possible.

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.

Financing and Securities Investment Operation

As at 30 September 2012, total securities investment/financial assets at fair value through profit and loss stood at HK$27,434,000 and total loan receivable under financing operation amounted to HK$345,565,000. Although this segment only recorded revenue of HK$1,699,000 for the period, representing a decrease of 83% as compared to the same period of last year, the segment loss significantly decreased by 59.8% from HK$84,379,000 of the same period last year to HK$33,935,000 for the period. The decrease was mainly attributed by the decrease in the loss arising from the drop in fair value of the securities investment from HK$94,088,000 in the same period of last year to HK$35,600,000 for the current 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.

Discontinued Operations

During the period, the Group decided to cease the operation of securities dealing and brokerage operation and supply and procurement operation, so as to minimize the business risk involved in these two operations. Both are presented as discontinued operations in the condensed consolidated financial statements for the period ended 30 September 2012.

During the period, revenue from securities dealing and brokerage operation decreased 39.5% to HK$8,849,000. The segment loss of HK$57,260,000 was recorded for the period, representing a decrease of HK$68,997,000 as compared with the segment profit of HK$11,737,000 in same period of last year. The loss is mainly attributed by the impairment loss of HK$63,509,000 in respect of client's receivable for the current period.

During the period, revenue from supply and procurement operation decreased 94.5% to HK$8,525,000 as the result of cessation of business in April 2012. The segment loss of HK$6,322,000 was recorded for the period, representing an increase of HK$5,127,000 as compared with the same period of last year.

Prospects

Environmental water treatment operation has been the Group's core principal business. Since the completion of the acquisition of a majority of equity interest in Heilongjiang Interchina by the Group in January 2009, the Group has successfully injected the environmental water treatment business into Heilongjiang Interchina through business restructuring. This injection has enabled Heilongjiang Interchina to become a relatively sizable listed company in the environmental water treatment sector across the country. Over the past few years, thanks to both the support from the policy of the country and the intrinsic technical advantages of the Group, the Group's environmental water treatment operation has recorded an average daily treatment capacity of over 1.30 million tons. At 29 November 2012, the market capitalisation of the Heilongjiang Interchina reached approximately RMB3 billion. The Company considers that a notable success has been made in the investment in Heilongjiang Interchina. Assuming the issuance of additional shares by Heilongjiang Interchina and the disposal of 110,000,000 shares in Heilongjiang Interchina by the Group are fully completed, there will be a reduction in the Group's equity interest in Heilongjiang Interchina from 53.77% to 20.39%. This reduction will be resulted in a change in the status of Heilongjiang Interchina from a subsidiary to an associated company of the Group. Despite this, the Company will continue to regard the investment in Heilongjiang Interchina as one of the Group's major investments. The investment is expected to generate substantial operating income through the equity sharing for the Group in the near future.

The global economic uncertainties and the tightening of the financing policy in PRC market would inevitably affecting the investment properties sector in China. However, the Group had made a great effort to restructure the portfolio of the Group's investment properties during the period. The lease terms of substantial number of the lease agreements for Beijing Property were expired and renewed with significant increase in rental returns during last year and the period which enhance the operating efficiency and profitability of the properties. An agreement to disposal the low return Shanghai Property was entered in November 2012 at a consideration of RMB280,000,000 which provides additional cash flow for the Group to expand other sector of business. On the other hand, during the period, the management had identified and acquired a high quality properties located at Above The Bund (白金灣府邸) which generated a remarkable returns to the Group during the period. We will continue to seek valuable and high quality investment properties in the coming future.

As to natural resources business, the Group has a 65% interest in a manganese mine project in Kupang Island, Indonesia. The manganese resources are of extremely high grade, higher than 50% on the average. These resources are in a robust demand and can be sold at a promising price in the metals markets. Under the backdrop of the global economic uncertainties, manganese would be of no exception but follow a trend that is similar to other metals such as copper, iron and zinc, as noted from a drop in market price of manganese by approximately 20% to USD250 per ton. Notwithstanding this, the Group considers that the manganese project is blessed with certain investment potential. Accordingly, the Group plans to frame a detailed planning on the exploitation proposal upon acquisition of the entire interest in the manganese project. We believe that no operating income will be contributed by the manganese project to the Group at this stage.

The Group's financial borrowings and securities investment business are exposed to higher operational risks when compared to other main business operations. The Group will adhere to a prudent lending and securities investment strategy by keeping ahead of the prevailing market situation, in order to bring greater profit contribution to the Group while mitigating the investment risk exposures.

We will continue to vigorously seek overseas investment projects of superb quality, with a view to creating a brilliant development prospect for our shareholders.

FINANCIAL REVIEW

Results

The Group's operating results for the period was adversely affected by the loss arise from the discontinued operations. During the period, the Group recorded loss of HK$272,569,000, representing an increase of 118.3% over HK$124,842,000 of the same period last year. The increase was mainly attributable to (i) a loss of HK$64,322,000 from the discontinued operations was recorded for the period (six months ended 30 September 2011: gain of HK$8,275,000) as the result of cessation of supply and procurement operation and securities dealing and brokerage operation in April and July 2012 respectively; (ii) the recognition of a fair value loss amounting to HK$82,871,000 in respect of the Group's investment properties (six months ended 30 September 2011: fair value gain of HK$21,361,000); and (iii) the recognition of an impairment loss amounting to HK$19,526,000 in respect of the leasehold improvement of the Shanghai Property (six months ended 30 September 2011: Nil).

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

Liquidity, Financial Resources and Capital Structure

At 30 September 2012, the Group's total assets were HK$7,394,298,000 (31 March 2012: HK$7,228,609,000) and the total liabilities were HK$2,350,755,000 (31 March 2012: Restated HK$2,498,876,000). At 30 September 2012, the number of issued share of the Company as 6,078,669,363 (31 March 2012: 4,274,669,363) and the equity reached HK$5,043,543,000 (31 March 2012: Restated HK$4,729,733,000). At 30 September 2012, the current ratio of the Group was 1.25 (31 March 2012: 1.07) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 25.7 % (31 March 2012: 27.6%).

At 30 September 2012, the Group's cash on hand and deposits in bank was HK$284,718,000 (31 March 2012: HK$398,751,000). Around 44.0% 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 2012, the Group's total borrowings comprising bank borrowings of HK$732,120,000 (31 March 2012: HK$876,728,000), other borrowings of HK$1,169,630,000 (31 March 2012: HK$1,116,606,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$1,788,392,000 repayable within one year and HK$113,358,000 repayable after one year but within five years. Around 99.37% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

On 8 May 2012, the Company successfully issued HK$294,500,000 of 2% convertible notes, at initial conversion price of HK$0.31 per conversion share, with a maturity of 3 years due in May 2015. The net proceeds of HK$286,600,000 will be used to (i) as to HK$130 million for repayment of the bank borrowings of the Group; (ii) as to HK$143.3 million for potential investment in new projects in relation to environmental water treatment operation; and (iii) as to HK$13.3 million will be reserved for general working purpose. Detail of the convertible notes was set out in the Company's announcement dated 13 December 2011 and circular dated 17 February 2012. All the convertible notes had been converted into share capital on 14 May 2012. On 14 August 2012, the Company successfully issued 854,000,000 ordinary shares to not less than seven subscribers at the price of HK$0.34 per share, which involved a total subscription price of HK$290,360,000. One of the subscribers, Pengxin Holdings Company Limited which is wholly and beneficially owned by Mr. Jiang Zhaobai ("Mr. Jiang"), has been issued 709,000,000 ordinary shares of the Company and become a substantial shareholder of the Company. Mr. Jiang has been appointed as executive director and chairman of the Company since 24 September 2012. Detail of the placing was set out in the Company announcements dated 29 March 2012, 18 June 2012 and 14 August 2012.

Pledged of Assets

At 30 September 2012, the Group's assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK$389,111,000, property, plant and equipment with carrying amounts of HK$329,163,000, intangible assets with carrying amounts of HK$369,001,000 and other financial assets with carrying amounts of HK$207,706,000. In addition, certain shares of subsidiary held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

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" section, there was no material acquisition or disposal during the period.

Human Resources

As at 30 September 2012, the Group had approximately 910 employees in Hong Kong and the PRC. To maintain the Group's competitiveness, salary adjustments and award of bonus for staff are subject to the performance of individual staff members. Apart from offering retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

BOARD CHANGES

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

1. Mr. Wong Hin Shek has retired as executive director and Mr. Chi Chi Hung, Kenneth has retired as independent non-executive director of the Company with effect from 15 August 2012.

2. Mr. Jiang Zhaobai was appointed as executive director and chairman of the Company with effect from 24 September 2012.

3. Mr. Zhu Deyu and Mr. Lu Yaohua were appointed as executive director of the Company with effect from 24 September 2012.

4. Mr. Choi Fun Tai, Bosco has resigned as executive director of the Company with effect from 24 September 2012.

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

As at 30 September 2012, 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	Capacity	Number of shares and underlying shares held	Percentage of the issued share capital (Note 1)
Jiang Zhaobai	Interest in controlled corporation	709,000,000	11.66%
Shen Angeng	Beneficial owner	187,865,000	3.09%
Lam Cheung Shing, Richard	Beneficial owner	7,700,000	0.13%
Zhu Deyu	Beneficial owner	1,000,000	0.16%
Lu Yaohua	Beneficial owner	1,000,000	0.16%

Note:

(1) The calculation of percentages is based on 6,078,669,363 shares of the Company in issue as at 30 September 2012.

Save as disclosed above, as at 30 September 2012, 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, 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 an interest of 5% or more in the issued share capital of the Company.

Long positions in shares and underlying shares

Name of shareholder	Capacity	Number of shares and underlying shares held	Percentage of the issued share capital of the Company (Note 3)
Chu Yuet Wah	Interest in controlled corporation (Note 1)	1,033,300,000	16.99%
Rich Monitor Limited	Beneficial owner	1,033,300,000	16.99%
Jiang Zhaobai	Interest in controlled corporation (Note 2)	709,000,000	11.66%
Pengxin Holdings Company Limited	Beneficial owner	709,000,000	11.66%

Notes:

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

(2) The entire issued share capital of Pengxin Holdings Company Limited is held by Jiang Zhaobai. Therefore, Jiang Zhaobai is deemed to be interested in 709,000,000 shares of the Company under SFO.

(3) The calculation of percentages is based on 6,078,669,363 shares of the Company in issue as at 30 September 2012.

Save as disclosed above, as at 30 September 2012, 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.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The existing share option scheme was approved by the shareholders of the Company on 2 September 2002 (the "2002 Share Option Scheme"), and was terminated and replaced by a new share option scheme approved by the shareholders of the Company on 19 August 2011 (the "New Share Option Scheme"). The New Share Option Scheme became effective for a period of 10 years commencing on 19 August 2011 and the 2002 Share Option Scheme was terminated on the same date. Thereafter, no further options shall be offered under the 2002 Share Option Scheme but in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect and options granted there under prior to such termination shall continue to be valid and exercisable in accordance with the terms of issue. Under the New Share Option Scheme, the Board is authorised, at their discretion, invite a wider category of participants as defined in the Company's circular issued on 18 July 2011 (the "Participants"), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

(a) New Share Option Scheme

No share option has been granted under the New Share Option Scheme during the period.

(b) 2002 Share Option Scheme

2002 Share Option Scheme has been lapsed on 2 September 2012. The following table discloses the movement of the share options granted under the 2002 Share Option Scheme during the six months ended 30 September 2012:

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 31 March 2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2012
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)	–
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)	–
				92,900,000	–	–	(92,900,000)	–
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	2,000,000	–	–	(2,000,000)	–
	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	25,250,000	–	–	(25,250,000)	–
				40,550,000	–	–	(40,550,000)	–

Name of category of participant	Date of granted (DD/MM/YY)	Exercise price per share HK$	Exercise period (DD/MM/YY)	Number of share options: Outstanding as at 31 March 2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2012
Employees								
In aggregate	28/8/2007	1.46	28/08/07 to 02/09/12	1,500,000	–	–	(1,500,000)	–
	31/7/2009	1.03	31/07/09 to 02/09/12	7,600,000	–	–	(7,600,000)	–
	25/8/2010	0.89	25/08/10 to 02/09/12	8,000,000	–	–	(8,000,000)	–
				17,100,000	–	–	(17,100,000)	–
				150,550,000	–	–	(150,550,000)	–

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 2012.

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.

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

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 2012.

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

Hong Kong, 29 November 2012