



EVERCHINA INT'L HOLDINGS COMPANY LIMITED  
潤中國際控股有限公司

Stock Code: 202



潤中國際



2016  
Interim Report

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Jiang Zhaobai (*Chairman*)  
Mr. Lam Cheung Shing, Richard  
Mr. Chen Yi, Ethan  
Mr. Shen Angang

### Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis  
Mr. Ko Ming Tung, Edward  
Professor Shan Zhemin

## BOARD COMMITTEES

### Audit Committee

Mr. Ho Yiu Yue, Louis (*Committee Chairman*)  
Mr. Ko Ming Tung, Edward  
Professor Shan Zhemin

### Remuneration Committee

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

### Nomination Committee

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

## COMPANY SECRETARY

Mr. Lau Chi Lok

## LISTING INFORMATION

Stock Code: 202  
Board Lot: 5,000 shares

## REGISTERED OFFICE

15/F., CCB Tower  
3 Connaught Road Central  
Hong Kong

## WEBSITE

[www.everchina202.com.hk](http://www.everchina202.com.hk)

## AUDITORS

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

## SOLICITORS

K&L Gates  
Patrick Mak & Tse

## SHARE REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

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

## INVESTOR RELATIONS CONSULTANT

PR ASIA Consultants Ltd  
5/F., Euro Trade Centre  
13-14 Connaught Road Central  
Hong Kong



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

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

## **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF EVERCHINA INT'L HOLDINGS COMPANY LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 4 to 30, which comprise the condensed consolidated statement of financial position of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months 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 are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial information 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 the interim financial information consists of making enquiries, 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 as at 30 September 2016 is not prepared, in all material respects, in accordance with HKAS 34.

**HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

**Yu Chi Fat**

Practising Certificate Number: P05467

Hong Kong, 29 November 2016

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended	
		30 September	
		2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Continuing operations</b>			
Revenue	3	46,497	44,689
Cost of sales		(1,956)	(3,221)
Other income and gain, net	4	4,478	47,551
Staff costs		(17,498)	(15,995)
Amortisation and depreciation		(7,784)	(8,294)
Administrative costs		(22,352)	(22,472)
Other operating expenses		(19,507)	(9,924)
Gain arising on change in fair value of investment properties		80,233	11,508
Gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss	16	285,673	(973,505)
Profit/(loss) from operations	5	347,784	(929,663)
Finance costs	6	(26,617)	(22,376)
Share of results of an associate		–	(1,138)
Gain on loss of significant influence of an associate		–	882,107
Profit/(loss) before taxation		321,167	(71,070)
Taxation	7	(18,487)	(1,589)
<b>Profit/(loss) for the period from continuing operations</b>		<b>302,680</b>	<b>(72,659)</b>
<b>Discontinued operations</b>	8		
(Loss)/profit for the period from discontinued operations		(1,381)	6,061
<b>Profit/(loss) for the period</b>		<b>301,299</b>	<b>(66,598)</b>
<b>Attributable to:</b>			
Owners of the Company		301,334	(66,441)
Non-controlling interests		(35)	(157)
		<b>301,299</b>	<b>(66,598)</b>

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the six months ended	
		2016	2015
		HK\$	HK\$
		(Unaudited)	(Unaudited)
<b>Earnings/(loss) per share attributable to the owners of the Company</b>	9		
From continuing and discontinued operations — Basic and diluted		<b>HK4.96 cents</b>	HK(1.09) cents
From continuing operations — Basic and diluted		<b>HK4.98 cents</b>	HK(1.19) cents
From discontinued operations — Basic and diluted		<b>HK(0.02) cents</b>	HK0.10 cents

The accompanying notes form an integral part of these condensed consolidated financial statements. Details of dividend distribution are set out in note 10 to the condensed consolidated financial statements.

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

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit/(loss) for the period</b>	<b>301,299</b>	(66,598)
<b>Other comprehensive income</b>		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation during the period	<b>(47,803)</b>	(188,996)
Release of exchange reserve upon deregistration of subsidiaries	<b>(31,319)</b>	–
<i>Items reclassified to profit or loss</i>		
Recognition of accumulated exchange reserve in profit or loss arising from loss of significant influence of an associate	–	(18,976)
<b>Total comprehensive income/(loss) for the period</b>	<b>222,177</b>	(274,570)
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the Company	<b>222,212</b>	(274,413)
Non-controlling interests	<b>(35)</b>	(157)
	<b>222,177</b>	(274,570)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	11	1,419,993	612,549
Property, plant and equipment	12	519,674	536,429
Mining rights	13	271,880	271,880
Goodwill		63,807	63,807
Other non-current assets		25,798	26,254
		<b>2,301,152</b>	1,510,919
<b>Current assets</b>			
Inventories		12	9
Trade and other receivables and prepayments	14	602,583	858,084
Loan receivables	15	383,454	273,173
Financial assets at fair value through profit or loss	16	1,790,331	1,528,024
Tax recoverable		1,407	1,407
Cash and cash equivalents		325,508	305,451
		<b>3,103,295</b>	2,966,148
<b>Total assets</b>		<b>5,404,447</b>	4,477,067
<b>Equity</b>			
Share capital	17	2,490,454	2,490,454
Reserves		1,439,406	1,217,194
Equity attributable to owners of the Company		<b>3,929,860</b>	3,707,648
Non-controlling interests		42,777	42,812
<b>Total equity</b>		<b>3,972,637</b>	3,750,460
<b>Non-current liability</b>			
Deferred tax liabilities	18	133,454	117,104
<b>Current liabilities</b>			
Trade and other payables and deposits received	19	222,308	53,828
Tax payable		2,263	2,263
Bank borrowings	20	3,976	16,004
Other borrowings	20	1,069,809	537,408
		<b>1,298,356</b>	609,503
<b>Total liabilities</b>		<b>1,431,810</b>	726,607
<b>Total equity and liabilities</b>		<b>5,404,447</b>	4,477,067
<b>Net current assets</b>		<b>1,804,939</b>	2,356,645
<b>Total assets less current liabilities</b>		<b>4,106,091</b>	3,867,564

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Equity attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory surplus reserve HK\$'000	Accumulated loss HK\$'000	Sub-total HK\$'000		
At 1 April 2016 (Audited)	2,490,454	571,996	1,342,477	122,828	871	(820,978)	3,707,648	42,812	3,750,460
Exchange differences arising on translation during the period	-	-	-	(47,803)	-	-	(47,803)	-	(47,803)
Release of exchange reserve upon deregistration of subsidiaries	-	-	-	(31,319)	-	-	(31,319)	-	(31,319)
Profit/(loss) for the period	-	-	-	-	-	301,334	301,334	(35)	301,299
Total comprehensive income/(loss) for the period	-	-	-	(79,122)	-	301,334	222,212	(35)	222,177
At 30 September 2016 (Unaudited)	2,490,454	571,996	1,342,477	43,706	871	(519,644)	3,929,860	42,777	3,972,637

For the six months ended 30 September 2015

	Equity attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory surplus reserve HK\$'000	Accumulated loss HK\$'000	Sub-total HK\$'000		
At 1 April 2015 (Audited)	2,490,454	571,996	1,342,477	347,704	871	(75,930)	4,677,572	303,162	4,980,734
Exchange differences arising on translation during the period	-	-	-	(188,996)	-	-	(188,996)	-	(188,996)
Release of reserve upon loss of significant influence of an associate	-	-	-	(18,976)	-	-	(18,976)	-	(18,976)
Loss for the period	-	-	-	-	-	(66,441)	(66,441)	(157)	(66,598)
Total comprehensive loss for the period	-	-	-	(207,972)	-	(66,441)	(274,413)	(157)	(274,570)
Acquisition of additional interests in a subsidiary	-	-	-	1,528	-	(59,376)	(57,848)	(260,152)	(318,000)
At 30 September 2015 (Unaudited)	2,490,454	571,996	1,342,477	141,260	871	(201,747)	4,345,311	42,853	4,388,164

Notes:

## 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 a special general meeting held on 18 September 2009 and upon all conditions precedents to the capital reorganisation have been fulfilled on 9 April 2010, (i) the nominal value of each share was reduced from HK\$0.10 to HK\$0.01 by cancelling the Company's paid up capital to the extent of HK\$0.09 on each share, (ii) part of the credit arising from capital reduction was utilised to set off accumulated losses 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.

## 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 the consolidated statement of profit or loss and other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operations.

## 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 which is restricted as to use. When the balance of such reserve reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised, upon approval by 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 entity's capital after such usage.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	<b>306,792</b>	443,576
Net cash used in investing activities	<b>(802,239)</b>	(157,256)
Net cash generated from/(used in) financing activities	<b>520,374</b>	(194,566)
Net increase in cash and cash equivalents	<b>24,927</b>	91,754
Cash and cash equivalents at beginning of the period	<b>305,451</b>	468,647
Effect of foreign exchange rate changes	<b>(4,870)</b>	(22,259)
Cash and cash equivalents at end of the reporting period	<b>325,508</b>	538,142
<b>Analysis of the balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>325,508</b>	538,230
Bank overdraft	–	(88)
	<b>325,508</b>	538,142

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 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 15th Floor, CCB Tower, 3 Connaught Road Central, Hong Kong.

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

The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

## 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial information relating to the year ended 31 March 2016 that is included in the Interim Financial Statement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on the financial statements for the year ended 31 March 2016. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Interim Financial Statement has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the impact of the adoption of the new and revised HKAS, Hong Kong Financial Reporting Standards and interpretations described below.

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning from 1 April 2016. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The directors of the Company considered the application of the above new or revised HKFRSs has no material impact on the Group’s financial performance and financial position for current and prior period.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKAS 16	Leases <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>2</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 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:

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

The Group ceased the securities dealing and brokerage operation since July 2012. Another operating segment regarding environmental water treatment was discontinued in May 2015. The segment information reported does not include any amounts for these discontinued operations which are described in more detail in note 8. Prior year comparative information has been restated.

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

	Segment revenue		Segment result	
	For the six months ended 30 September		For the six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property investment operation	15,313	13,355	91,768	22,063
Hotel operation	18,922	20,722	606	1,286
Financing and securities investment operation	12,262	10,612	297,839	(967,140)
Natural resources operation	—	—	(806)	(630)
Total for continuing operations	46,497	44,689	389,407	(944,421)
Interest income and other revenue			4,478	47,551
Unallocated expenses			(46,101)	(32,793)
Profit/(loss) from operations			347,784	(929,663)
Finance costs			(26,617)	(22,376)
Gain on loss of significant influence of an associate			—	882,107
Share of result of an associate			—	(1,138)
Profit/(loss) before taxation			321,167	(71,070)
Taxation			(18,487)	(1,589)
Profit/(loss) for the period			302,680	(72,659)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 4. OTHER INCOME AND GAIN, NET

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Bank interest income	3,198	1,744
Reversal of provision for bad debt	–	25,734
Net foreign exchange gain	–	2,416
Sundry income	1,280	17,657
	<b>4,478</b>	47,551

## 5. PROFIT/(LOSS) FROM OPERATIONS

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

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	7,784	8,294
Net foreign exchange loss	5	–
Loss on disposal of financial assets at fair value through profit or loss	–	9,924
Operating lease rentals in respect of premises	4,026	3,873
Gross rental income from investment properties	(15,313)	(13,355)
Less: direct operating expenses from investment properties that generated rental income during the period	55	57

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 6. FINANCE COSTS

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interests on:		
— Bank borrowings	229	660
— Other borrowings	26,388	21,716
	<b>26,617</b>	<b>22,376</b>

## 7. TAXATION

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	—	—
The PRC Enterprise Income Tax	95	428
	<b>95</b>	<b>428</b>
Deferred tax	<b>18,392</b>	1,161
	<b>18,487</b>	<b>1,589</b>

### Hong Kong Profits Tax

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

### The PRC Enterprise Income Tax

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

### The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in the Indonesia is 25% for both periods. No Indonesia Corporate Tax was recognised as the subsidiary in the Indonesia has no estimated assessable profit for the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 8. DISCONTINUED OPERATIONS

The Group ceased the operation of securities dealing and brokerage services since July 2012. As at 30 September 2016 and 31 March 2016, the relevant subsidiary under the operation of securities dealing and brokerage services was in the process of revocation of licence. Another operation of environmental water treatment was also discontinued in May 2015. The results and cash flows of the discontinued operations for the current and prior periods were as follows:

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income and gain, net	–	32,520
Staff costs	(193)	(193)
Administrative costs	(1,188)	(26,266)
(Loss)/profit before taxation	(1,381)	6,061
Taxation	–	–
(Loss)/profit for the period	(1,381)	6,061

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	10	148
Net cash inflow	10	148

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 9. EARNINGS/(LOSS) PER SHARE

### From continuing and discontinued operations

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	<b>301,334</b>	(66,441)

	For the six months ended 30 September	
	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<b>6,078,669</b>	6,078,669

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company has no dilutive potential shares outstanding for the six months ended 30 September 2016 and 2015.

### From continuing operations

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	<b>301,334</b>	(66,441)
Loss/(profit) for the period from discontinued operations	<b>1,381</b>	(6,061)
	<b>302,715</b>	(72,502)

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

### From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.02 cents (30 September 2015: earnings per share HK0.10 cents), based on the loss for the period from the discontinued operations of approximately HK\$1,381,000 (30 September 2015: profit of HK\$6,061,000).

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 10. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 September 2016 and 30 September 2015, nor any dividend been proposed by the board of directors subsequent to the end of the reporting period.

## 11. INVESTMENT PROPERTIES

During the period, the Group completed the acquisition of 14 retail units located at Levels 1–3 of Above the Bund Square, No. 948 Dongdaming Road, Hongkou District, Shanghai, the PRC with total area of 8,585.79 sq.m. (the “Shanghai Properties”) at the consideration of RMB616,000,000 (equivalent to approximately HK\$716,279,000) from Shanghai Lai Yin Si Zhiye Company Limited (“Lai Yin Si”). The Lai Yin Si is owned (i) as to 99% by Mr. Jiang Zhaobai (“Mr. Jiang”), an executive Director and the chairman of the Company; and (ii) as to 1% by Mr. Jiang Lei, the brother of Mr. Jiang. Details of the acquisition was set out in the Company’s announcement dated 24 December 2015 and the circular dated 19 February 2016.

The fair value of the Group’s investment properties at 30 September 2016 have been arrived at on the basis of a valuation carried out on that date by Messrs. DTZ Cushman & Wakefield Limited and Savills Valuation and Professional Services Limited, independent professional valuers who are not connected with the Group and have recent experience in the valuation of similar properties in relevant locations. Both of them are members of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions.

At 30 September 2016, investment properties with the carrying amount of approximately HK\$1,419,993,000 (31 March 2016: HK\$270,111,000) have been pledged to secure banking facilities and other loan granted to the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 11. INVESTMENT PROPERTIES (Continued)

### Fair value measurements

The table below analyses recurring fair value measurements for investment properties located in Hong Kong and outside Hong Kong. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 September 2016 (Unaudited)</b>				
Hong Kong	–	23,200	–	23,200
Outside Hong Kong	–	–	1,396,793	1,396,793
	–	23,200	1,396,793	1,419,993
<b>At 31 March 2016 (Audited)</b>				
Hong Kong	–	23,200	–	23,200
Outside Hong Kong	–	–	589,349	589,349
	–	23,200	589,349	612,549

There were no transfers among Level 1, Level 2 and Level 3 during the period/year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

## 12. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
<b>Carrying amounts:</b>	
At 1 April 2015	585,083
Additions	2,258
Disposal	(58)
Exchange alignment	(34,327)
Depreciation expenses	(16,527)
At 31 March 2016 and 1 April 2016 (Audited)	536,429
Depreciation expenses	(16,755)
<b>At 30 September 2016 (Unaudited)</b>	<b>519,674</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 30 September 2016, the carrying amounts of property, plant and equipment comprise the followings:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
<b>Carrying amounts:</b>		
Property under development	127	127
Hotel properties	512,960	528,847
Furniture and fixtures	3,124	3,498
Equipment, motor vehicles and others	3,463	3,957
	<b>519,674</b>	536,429

No impairment loss was recognised in the condensed consolidated statement of profit or loss during both periods.

At 30 September 2016, hotel properties with carrying amount of approximately HK\$505,999,000 (31 March 2016: nil) have been pledged to secure loan facilities granted to the Group.

## 13. MINING RIGHTS

	HK\$'000
<b>Cost</b>	
At 1 April 2015, 31 March 2016, 1 April 2016 and 30 September 2016	1,227,344
<b>Accumulated impairment</b>	
At 1 April 2015	357,328
Impairment	598,136
At 31 March 2016, 1 April 2016 and 30 September 2016	955,464
<b>Carrying amount</b>	
<b>At 30 September 2016 (Unaudited)</b>	<b>271,880</b>
At 31 March 2016 (Audited)	271,880

The mining rights represent the rights to conduct mining activities in East Nusa Tenggara, Kupang, Indonesia.

The mining rights are 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 and would be expired on 18 November 2031, until all proven and probable mineral reserves have been mined. For the six months ended 30 September 2016 and 30 September 2015, the management of the Company considered that commercial production of the mine has not yet commenced, no amortisation was provided during both periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

As at the end of the reporting period, the aging analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Trade receivables:		
0 to 30 days	784	869
31 to 60 days	429	253
61 to 90 days	–	3
91 to 180 days	228	–
Over 180 days	21,798	21,798
	<b>23,239</b>	22,923
Margin clients' accounts receivables	99,761	99,761
Prepayments, deposits and other receivables	581,152	817,462
	<b>704,152</b>	940,146
Less: Impairment of trade and other receivables and prepayment	<b>(101,569)</b>	(82,062)
	<b>602,583</b>	858,084

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

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
At beginning of the period/year	82,062	120,908
Written off	–	(48,302)
Reversal of impairment loss recognised	–	(32,521)
Impairment loss recognised	19,507	41,977
At end of the period/year	<b>101,569</b>	82,062

The average credit period granted to customers is 60 days (31 March 2016: 60 days).

Loans to margin clients are secured by client's pledged securities, repayable on demand and interest free. 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The Group's prepayments, deposits and other receivables as at 30 September and 31 March 2016, inter alia, the following:

- (i) other receivable of approximately HK\$118,604,000 (31 March 2016: HK\$120,710,000) paid for acquisition of several potential water plant project in the PRC;
- (ii) prepayments and other receivable of approximately HK\$226,795,000 (31 March 2016: HK\$235,377,000) paid various contractors for construction of water treatment projects in the PRC; and
- (iii) for the year ended 31 March 2016, deposits of approximately HK\$218,698,000 paid for the acquisition of the Shanghai Properties. The acquisition was completed in August 2016 as set out in note 11.

## 15. LOAN RECEIVABLES

The loan was unsecured, carrying at the prevailing interest rate ranging from 5.25% to 7.2% per annum (31 March 2016: from 4.35% to 7.2% per annum) with fixed repayment terms.

No impairment loss was recognised in the condensed consolidated statement of profit or loss during both periods of 2016 and 2015.

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Held for trading:		
Listed equity securities- Hong Kong, at fair value	172,712	188,360
Listed equity securities- the PRC, at fair value	1,617,619	1,339,664
	<b>1,790,331</b>	1,528,024

Included in the gain arising on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 September 2016 of approximately HK\$301,321,000 was derived from investment in Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (six months ended 30 September 2015: loss of approximately HK\$879,305,000).

At 30 September 2016, financial assets at fair value through profit or loss with the carrying amount of approximately HK\$1,423,256,000 (31 March 2016: HK\$1,102,083,000) have been pledged to secure loan facilities granted to the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Details of the Group's financial assets at fair value through profit or loss are as follows:

### At 30 September 2016

Stock Code	Name of investee companies	Number of shares held	Percentage of shareholding held by the Group	Investment cost	Market value	Percentage to the Group's net assets as at 30 September 2016	Unrealised gain/(loss) on change in fair value for the six months ended 30 September 2016
					as at 30 September 2016		HK\$'000 (Note1)
600187	Heilongjiang Interchina (Note 2)	227,312,500	15.62%	283,016	1,617,619	40.72%	301,321
439	KuangChi Science Limited (Note 3)	57,957,000	0.79%	312,156	172,712	4.35%	(15,648)
				595,172	1,790,331	45.07%	285,673

For the six months ended 30 September 2016, the unrealised gain on change in fair value of financial assets was approximately HK\$285,673,000 (six months ended 30 September 2015: loss of approximately HK\$973,505,000.)

### At 31 March 2016

Stock Code	Name of investee companies	Number of shares held	Percentage of shareholding held by the Group	Investment cost	Market value	Percentage to the Group's net assets as at 31 March 2016	Unrealised gain/(loss) on change in fair value for the year ended 31 March 2016
					as at 31 March 2016		HK\$'000 (Note1)
600187	Heilongjiang Interchina (Note 2)	227,312,500	15.62%	289,754	1,339,664	35.72%	(892,626)
439	KuangChi Science Limited (Note 3)	57,957,000	0.79%	312,156	188,360	5.02%	9,764
				601,910	1,528,024	40.74%	(882,862)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (*Continued*)

Notes:

- (1) The investment cost, market value as at 30 September and 31 March 2016 and unrealised gain/(loss) of the investments in the above table have been subject to foreign exchange adjustments and rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding them.
- (2) Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services and its issued shares is listed on the Shanghai Stock Exchange. There was no movement in the number of shares held by the Group during the six months ended 30 September 2016. No dividend was received during each of the six months ended 30 September 2016 and year ended 31 March 2016. According to the latest published unaudited financial statements of Heilongjiang Interchina, it had net asset value of RMB2,566,086,274.14 as at 30 June 2016 (31 December 2015: RMB2,544,564,430.85). Heilongjiang Interchina recorded revenue of RMB169,283,477.09 and net profit of RMB19,609,580.55 for the six months ended 30 June 2016. Heilongjiang Interchina recorded revenue of RMB474,704,839.61 and net loss of RMB119,416,606.70 for the year ended 31 December 2015.
- (3) KuangChi Science Limited ("KuangChi") is principally engaged in provision of in-depth space services, manufacturing and trading of paper packaging products and property investment and its issued shares is listed on the Stock Exchange. There was no movement in the number of shares held by the Group during the six months ended 30 September 2016. No dividend was received during each of the six months ended 30 September 2016 and year ended 31 March 2016. According to the latest published unaudited financial statements of KuangChi, it had net asset value of approximately HK\$2,215,285,000 as at 30 June 2016 (31 December 2015: HK\$2,174,998,000). KuangChi recorded revenue of approximately HK\$311,992,000 and net profit of approximately HK\$64,792,000 for the six months ended 30 June 2016. KuangChi recorded revenue of approximately HK\$353,831,000 and net loss of approximately HK\$4,984,000 for the year ended 31 December 2015.

### Future prospects of the investments

#### Heilongjiang Interchina

Heilongjiang Interchina was accounted for as an associate of the Group since January 2013. Due to loss of significant influence over Heilongjiang Interchina, the investment in Heilongjiang Interchina is reclassified as financial assets at fair value through profit or loss since May 2015. Therefore, the investment in Heilongjiang Interchina has been one of the major investment of the Group. With regards to the future prospects of Heilongjiang Interchina based on published information, the directors of the Company noted the revenue of Heilongjiang Interchina for six months ended 30 June 2016 was approximately RMB169,283,500, representing a decrease of 34.53% as compared to the same period of last year and net profit of approximately RMB19,610,000, representing an increase of 47.26% as compared to the same period of last year. As disclosed in the 2016 half year report of Heilongjiang Interchina, the directors of the Company noted that Heilongjiang Interchina is upgrading certain municipal water supply and drainage projects and implement the refinement of operation and management, as well as strengthen internal and external resource integration during the period. In addition, the environmental renovation policies adopted by the central government will continue to generate significant growth for the environmental protection industry. Therefore, the directors of the Company are optimistic towards the future development of Heilongjiang Interchina.

#### KuangChi

With regards to the further prospects of KuangChi, based on published information, the directors of the Company are confident that KuangChi may improve its performance in the long run. As disclosed in the 2016 interim report of KuangChi, the future technology business, the core business of KuangChi recorded revenue of approximately HK\$284,732,000, representing an increase of 13 times over last year and accounted for approximately 91.26% of the total revenue of KuangChi for the six month ended 30 June 2016.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### General

The directors of the Company expect that the stock market in Hong Kong and the PRC remains to be volatile in the year of 2016 which may affect the performance of the Group's securities investments. Looking forward, the Board believes that the performance of the securities investments of the Group will be dependent on the financial and operating performance of investee companies and market sentiment which are affected by factors such as interest rate movements and performance of the macro economy. In order to mitigate the associated risk, the Group will continuously remain cautious in the allocation of resources and the identification and capture of appropriate securities investment opportunities and will review its investment strategy regularly and take appropriate actions whenever necessary in response to changes in the market.

## 17. SHARE CAPITAL

	Number of shares		Nominal value	
	At 30 September 2016 '000 (Unaudited)	At 31 March 2016 '000 (Audited)	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
<b>Issued and fully paid ordinary shares:</b>				
At beginning and end of the reporting period	<b>6,078,669</b>	6,078,669	<b>2,490,454</b>	2,490,454

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 18. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised and movements thereon during the current period and prior year:

	Revaluation of properties HK\$'000	Fair value adjustments arising on acquisition of subsidiaries HK\$'000	Total HK\$'000
At 1 April 2015	68,414	55,043	123,457
Exchange alignment Charged/(credited) to the consolidated statement of profit or loss	(4,048) 4,343	(3,258) (3,390)	(7,306) 953
At 31 March 2016 and 1 April 2016 (Audited)	68,709	48,395	117,104
Exchange alignment Charged/(credited) to the condensed consolidated statement of profit or loss	<b>(1,198)</b> <b>20,058</b>	<b>(844)</b> <b>(1,666)</b>	<b>(2,042)</b> <b>18,392</b>
<b>At 30 September 2016 (Unaudited)</b>	<b>87,569</b>	<b>45,885</b>	<b>133,454</b>

## 19. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Trade payables:		
0 to 30 days	446	354
31 to 60 days	303	364
Over 60 days	2,467	1,600
	<b>3,216</b>	2,318
Other payables and deposits received	<b>219,092</b>	51,510
	<b>222,308</b>	53,828

Included in other payables as at 30 September 2016 were (i) interest expenses payable of nil (31 March 2016: HK\$852,000); (ii) amount due to a director of the Company of approximately HK\$896,000 (31 March 2016: HK\$803,000); (iii) amount due to a director of the subsidiaries of approximately HK\$627,000 (31 March 2016: HK\$524,000); and (iv) amount due to a related company of approximately HK\$175,814,000 for the acquisition of the Shanghai Properties as set out in note 11 (31 March 2016: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 20. BANK AND OTHER BORROWINGS

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Bank borrowings, secured (Note (i))	3,976	16,004
Other borrowings, secured (Note (i))	1,069,809	537,408
Total bank and other borrowings	1,073,785	553,412
Carrying amounts repayable:		
Within one year:		
— Bank borrowings	435	430
— Other borrowings	553,529	537,408
	553,964	537,838
Carrying amount of bank and other borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	519,821	15,574
Total borrowings	1,073,785	553,412

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 20. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (i) 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 2.45% (31 March 2016: 2.45%) per annum. The effective interest rates on bank borrowings denominated in Renminbi is 6.37% (31 March 2016: 6.37%) per annum.

The other borrowings bear interest at rates of 6.4% to 8% per annum for the six months ended 30 September 2016 (31 March 2016: 7.3% to 8.2% per annum).

- (ii) Assets with the following carrying amount have been pledged to secured general banking facilities and other borrowings granted to the Group, set out as follow:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Investment properties	1,419,993	270,111
Property, plant and equipment	505,999	–
Financial assets at fair value through profit or loss	1,423,256	1,102,083

- (iii) The Group's bank and other borrowings are denominated in the following currencies:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Hong Kong dollars	92,389	68,225
Renminbi	981,396	485,187
	1,073,785	553,412

## 21. OPERATING LEASE COMMITMENTS

### The Group as lessee

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Minimum lease payments paid under operating leases during the period:		
Premises	4,026	3,873

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 21. OPERATING LEASE COMMITMENTS *(Continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within one year	5,689	8,535
In the second to the fifth year inclusive	–	1,422
	<b>5,689</b>	<b>9,957</b>

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within one year	17,065	15,084
In the second to the fifth year inclusive	18,389	37,767
	<b>35,454</b>	<b>52,851</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets measured at fair value

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 September 2016 (Unaudited)</b>				
<b>Recurring fair value measurement</b>				
Financial assets at fair value through profit or loss classified as held for trading	1,790,331	–	–	1,790,331
<b>At 31 March 2016 (Audited)</b>				
<b>Recurring fair value measurement</b>				
Financial assets at fair value through profit or loss classified as held for trading	1,528,024	–	–	1,528,024

During the six months ended 30 September 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 March 2016: Nil).

### (b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2016 and 31 March 2016.

## 23. MATERIAL RELATED PARTY TRANSACTIONS

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

### 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Salaries and other short-term benefits	5,425	4,877
Pension scheme contribution	258	258
	<b>5,683</b>	5,135

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

## 25. APPROVAL AND AUTHORISATION FOR ISSUE OF INTERIM FINANCIAL STATEMENT

The Interim Financial Statement were approved and authorised for issue by the board of directors on 29 November 2016.

# MANAGEMENT STATEMENT

## BUSINESS REVIEW

### Property Investment Operation

During the period, the Group recorded revenue of HK\$15,313,000 from property investment operation, an increase by 14.7% when compared with the same period of last year. The segment profit amounted to HK\$91,768,000, an increase by 315.9% when compared with the same period of last year. The Increase in profit was mainly attributable to the increase in the gain arising on change in fair value of the Group's investment properties from HK\$11,508,000 for the previous period to HK\$80,233,000 for the current period.

In August 2016, the Group completed the acquisition of 14 retail units located at Levels 1–3 of Above the Bund Square, Shanghai, the PRC with total area of 8,585.79 sq.m. (the "Shanghai Property") at the aggregate consideration of RMB616,000,000. Detail of the transaction was set out in the Company's announcement dated 24 December 2015 and circular dated 19 February 2016. The Group is now actively recruiting tenants for the Shanghai Property.

At 30 September 2016, the Group's investment properties, which mainly comprise the Shanghai Property and Beijing Interchina Commercial Building, located in the CBD of Beijing, the PRC with total gross floor area of 19,620 sq.m. (the Beijing Property), respectively. At 30 September 2016, the Shanghai Property was still vacant and the Beijing Property had occupancy rate of 99%.

Looking forward, 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.

### Hotel Operation

The Express by Holiday Inn Wujiaochang Shanghai (the "Hotel"), the sole hotel property held by the Group, is located in Yangpu District, Shanghai, the PRC, which is a 20-storey hotel with total gross floor area of approximately 15,900 sq. m., and 296 guest rooms. During the period, the Hotel recorded revenue of HK\$18,922,000 (six months ended 30 September 2015: HK\$20,722,000) and operating profit of HK\$606,000 (six months ended 30 September 2015: HK\$1,286,000). The average occupancy rate was around 77%. The decrease in revenue and operating profit was mainly attributable to the decreased in other non-core revenue such as food and beverage and facilities renting and the Renminbi currency depreciation during the period.

In order to increase the Hotel's competitive, the Group is planning to improve certain facilities of the Hotel. It expects that the Hotel will continue providing the Group with a solid revenue stream as well as capital gain potentials.

# MANAGEMENT STATEMENT

## Financing and Securities Investment Operation

As at 30 September 2016, total loan receivables under financing operation amounted to HK\$383,454,000 (31 March 2016: HK\$273,173,000) and total securities investment/financial assets at fair value through profit and loss stood at HK\$1,790,331,000 (31 March 2016: HK\$1,528,024,000). The increase in total securities investment/financial assets at fair value through profit and loss was mainly attributable to the increase in the share price of Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) (stock code: 600187) listed on Shanghai Stock Exchange during the period, which contributed an unrealised fair value gain of RMB1.14 per share to the Group. At 30 September 2016, the Group held listed securities, being 227,312,500 shares or approximately 15.62% interest in Heilongjiang Interchina and 57,957,000 shares or approximately 0.79% interest in KuangChi Science Limited (stock code: 439).

During the period, segment revenue represents interest income from financing operation, increased by 15.5% when compared to the same period of last year. The segment profit amounted to HK\$297,839,000 for the period, as compared to a loss of HK\$967,140,000 from the same period of last year. The turnaround to profit was mainly due to the gain of HK\$285,673,000 arising on change in fair value of the financial assets at fair value through profit or loss recognised for the period, compared with the loss of HK\$973,505,000 from the same period of last year as a result of the improvement in the stock market sentiment during the period.

Going forward, the Group will continue to adopt a conservative approach to this segment for minimising the business risk.

## Natural Resources Operation

The Group operates the natural resources operation through a non-wholly owned subsidiary of the Company, PT Satwa Lestari Permai (“SLP”) which is a licensed mining company under the Laws of Indonesia. SLP owns mining licenses to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in areas totaling approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggara, Indonesia for a period of twenty years (“Mining Rights”), with estimate resources of approximately 18,800,000 tonnes. The estimate resources has no significant change during the year. Production has not been commenced since the Group acquired the Mining Rights in 2011. Therefore, this segment did not contribute any revenue to the Group for the period. The segment loss amounted to HK\$806,000, an increase by 27.9% when compared with the same period of last year. The loss was mainly represented the administrative expenses for the period.

## OUTLOOK

Looking forward, the global economic outlook will remain to be volatile and subject to a lot of uncertainties. The Group would maintain a professional and prudent financial management of the financial resources and closely monitor the impacts from the economic environment to the business operations. Meanwhile, we will adopt appropriate measures and strategies to identify any suitable investment opportunity including other new business operation to strive for the best return to the shareholders.

# MANAGEMENT STATEMENT

## FINANCIAL REVIEW

### Results of Operations

During the period, the Group recorded a revenue of HK\$46,497,000, an increase by 4.0% when compared with the same period of last year. The Group's profit for the period amounted to HK\$301,299,000, compared with the loss of HK\$66,598,000 from the same period of last year. The loss reported in the same period of last year was mainly attributable to the loss arising on change in fair value of financial assets held for trading of HK\$973,505,000 which offset the one-off gain on loss of significant influence of an associate of HK\$882,107,000. The turnaround to a profit for the current period was mainly due to the net results of (i) a gain of HK\$285,673,000 arising on change in the fair value of financial assets held for trading as the result of the improvement in the market sentiment; (ii) a gain of HK\$80,233,000 arising on change in fair value of the Group's investment properties (six months ended 30 September 2015: HK\$11,508,000) and (iii) a decrease in other income by HK\$43,073,000 as none of reversal of provision for bad debts was recognised for the period (six months ended 30 September 2015: HK\$25,734,000).

Profit for the period attributable to owners of the Company amounted to HK\$301,334,000, as compared to loss attributable to owners of the Company of HK\$66,441,000 from the same period of last year. The basic and diluted earnings per share (including continuing and discontinued operations) amounted to HK4.96 cents, compared with the basic and diluted loss per share of HK1.09 cents from the same period of last year.

### Liquidity and Financial Resources

At 30 September 2016, the Group's cash on hand and deposits in bank was HK\$325,508,000 (31 March 2016: HK\$305,451,000). At 30 September 2016, the Group's total borrowings comprising bank borrowings of HK\$3,976,000 (31 March 2016: HK\$16,004,000) and other borrowings of HK\$1,069,809,000 (31 March 2016: HK\$537,408,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK\$553,964,000 repayable within one year and HK\$518,134,000 repayable after one year but within five years, and HK\$1,687,000 repayable after five years.

As at 30 September 2016, the average cost of financing was around 6.5% (31 March 2016: 6.7%) per annum whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 19.9% (31 March 2016: 12.4%).

The Group's principal assets, liabilities, revenue and payments are denominated in Renminbi and Hong Kong dollars. As at 30 September 2016, around 99% of the Group's cash on hand and deposits in bank was denominated in Renminbi with the rest mainly in Hong Kong dollars whereas around 91.4% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

### Capital Structure

There was no material change in Group's capital structure during the period as compared to the most recent published annual report.

### Pledged of Assets

At 30 September 2016, the Group had pledged certain of its investment properties with carrying amount of HK\$1,419,993,000 (31 March 2016: HK\$270,111,000) and hotel properties with carrying amount of HK\$505,999,000 (31 March 2016: nil) to secure the Group's loan facilities. In addition, 200,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited with carrying amount of HK\$1,423,256,000 (31 March 2016: HK\$1,102,083,000) held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

# MANAGEMENT STATEMENT

## Foreign Exchange Exposure

The majority of the Group's income and expenses are settled in Renminbi and Hong Kong dollars. During the period, the Group did not encounter any significant difficulties or come under any impact on its operations or liquidity due to fluctuations in currency exchange rates. The Group does not currently engage in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, the management will continue to monitor the relevant circumstances and will take appropriate measure to avoid any foreign exchange exposure, if necessary.

## Contingent Liability

The Company had provided corporate guarantees for the loan facilities of RMB450,000,000 (equivalent to approximately HK\$523,256,000) (31 March 2016: nil) granted by a trust company to a wholly-owned subsidiary of the Group. As at 30 September 2016, the loan facilities utilised by the subsidiary amounted to RMB444,000,000 (equivalent to approximately HK\$516,279,000).

## Capital Commitment

As at 30 September 2016, the Group had no material capital commitment (31 March 2016: HK\$510,296,000).

## Material Acquisition and Disposal

Save as the acquisition and disposal have been described in the "Business Review" section, there was no material acquisition or disposal of subsidiaries or associates during the period.

## Financial Risks Management

The Group continues to closely manage financial risks to safeguard the interests of the shareholders of the Company. The Group applies its cash flows generated from operation and bank and other borrowings to its operational and investment needs.

The Group set out in its 2016 annual report and financial statements the principal risks that could impact its performance, these have remained unchanged since the annual report was published. The main risks arising from the Group's financial instruments are equity securities price risk, credit risk, liquidity risk and interest rate risk. The Group reviews and monitors each of these risks closely at all times.

## HUMAN RESOURCES

As at 30 September 2016, the Group employed 120 (31 March 2016: 120) employees in Hong Kong and the PRC. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

# DISCLOSEABLE INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2016, the relevant interests or short positions of the Directors and chief executive of the Company in the ordinary shares and underlying shares of the Company or its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

### Long positions in shares

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Jiang Zhaobai	Interest in controlled corporation ( <i>Note</i> )	1,742,300,000	28.66%
Shen Angang	Beneficial owner	187,865,000	3.09%
Lam Cheung Shing, Richard	Beneficial owner	7,700,000	0.13%

*Note:* As at 30 September 2016, of the 1,742,300,000 shares, 1,033,300,000 shares are held by Rich Monitor Limited and 709,000,000 shares are held by Pengxin Holdings Company Limited, all of which are wholly and beneficially owned by Mr. Jiang Zhaobai ("Mr. Jiang"). Therefore, Mr. Jiang is deemed to be interested in 1,742,300,000 shares of the Company under the SFO.

Save as disclosed above, none of the Directors or chief executive had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2016.

# DISCLOSEABLE INFORMATION

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Rich Monitor Limited <sup>1</sup>	Beneficial owner	1,033,300,000	17.00%
Pengxin Holdings Company Limited <sup>1</sup>	Beneficial owner	709,000,000	11.66%

(1): Each of these corporations are wholly and beneficially owned by Mr. Jiang. The interests of Mr. Jiang in the Company is stated under the section headed "Directors' and Chief Executive's interests and short positions in shares" above.

Save as disclosed above, as at 30 September 2016, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders of the Company and became effective on 12 August 2011. Detailed terms of the Scheme were disclosed in the 2016 annual report.

No share options have been granted pursuant to the Scheme since its adoption.

## DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the period from the date of publication of the latest annual report of the Company to 30 September 2016, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

# OTHER INFORMATION

## CORPORATE GOVERNANCE

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

The Board puts emphasis on maintaining a quality Board with the balance of skill set of directors, high transparency and effective accountability system in order to enhance shareholders' value. Throughout the period under review, the Company had complied with the applicable provisions of the Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviations as stated below:

- (i) Pursuant to the 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 (including independent non-executive directors) are not appointed for a fixed term. However, according to Article 101 of the Articles of Association of the Company, one-third of the directors (including executive and non-executive Directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The retiring director shall be eligible for re-election. The Board believes that the current arrangement will give the Company sufficient flexibility to organise the composition of the Board to serve the needs of the Group.
- (ii) Pursuant to the Code Provision E.2.1 of the CG Code, the chairman of the Board should attend the annual general meeting ("AGM") to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2016 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company, attended the AGM on 31 August 2016 and was delegated to make himself available to answer questions if raised at the meeting.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct regarding securities transactions by its Directors. Specific enquiry has been made to all directors, who have confirmed that they had complied with the required standard set out in the Model Code during the period.

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors of the Company, namely Mr. Ho Yiu Yue, Louis (the chairman of the Audit Committee), Mr. Ko Ming Tung, Edward and Professor Shan Zhemin. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure, risk management and internal controls of the Company. The unaudited interim results for the six months ended 30 September 2016 have been reviewed and approved by the Audit Committee.

# OTHER INFORMATION

## BOARD OF DIRECTORS

As at the date of this report, the Board consists of Mr. Jiang Zhaobai (the chairman of the Board), Mr. Lam Cheung Shing, Richard, Mr. Chen Yi, Ethan and Mr. Shen Angang (all being executive Directors), Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin (all being independent non-executive Directors).

By order of the Board of  
**EverChina Int'l Holdings Company Limited**  
**Lam Cheung Shing, Richard**  
*Executive Director and Chief Executive Officer*

Hong Kong, 29 November 2016