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EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations amounted to HK\$46,497,000, representing an increase of 4.0% as compared to the same period in 2015.
- Profit for the period amounted to HK\$301,299,000, as compared to the loss of HK\$66,598,000 for the same period in 2015.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).
- At 30 September 2016, total equity amounted to HK\$3,972,637,000, representing an increase of 5.9% as compared to HK\$3,750,460,000 as at 31 March 2016.
- At 30 September 2016, net assets per share was HK\$0.65, representing an increase of 4.8% as compared to HK\$0.62 as at 31 March 2016.

The board (the “Board”) of directors (the “Directors”) of EverChina Int’l Holdings Company Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2016, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		For the six months ended	
		30 September	
	<i>Notes</i>	2016	2015
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	2	46,497	44,689
Cost of sales		(1,956)	(3,221)
Other income and gain, net	3	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	12	285,673	(973,505)
Profit/(loss) from operations	4	347,784	(929,663)
Finance costs		(26,617)	(22,376)
Share of results of an associate		–	(1,138)
Gain on loss of significant influence of an associate	5	–	882,107
Profit/(loss) before taxation		321,167	(71,070)
Taxation	6	(18,487)	(1,589)
Profit/(loss) for the period from continuing operations		302,680	(72,659)
Discontinued operations			
(Loss)/profit for the period from discontinued operations		(1,381)	6,061
Profit/(loss) for the period		301,299	(66,598)
Attributable to:			
Owners of the Company		301,334	(66,441)
Non-controlling interests		(35)	(157)
		301,299	(66,598)
Earnings/(loss) per share attributable to the owners of the Company			
	7		
From continuing and discontinued operations — Basic and diluted		HK4.96 cents	HK(1.09) cents
From continuing operations — Basic and diluted		HK4.98 cents	HK(1.19) cents
From discontinued operations — Basic and diluted		HK(0.02) cents	HK0.10 cents

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016

		At 30 September 2016 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Investment properties	9	1,419,993	612,549
Property, plant and equipment		519,674	536,429
Mining rights		271,880	271,880
Goodwill		63,807	63,807
Other non-current assets		25,798	26,254
		<hr/> 2,301,152	<hr/> 1,510,919
Current assets			
Inventories		12	9
Trade and other receivables and prepayments	10	602,583	858,084
Loan receivables	11	383,454	273,173
Financial assets at fair value through profit or loss	12	1,790,331	1,528,024
Tax recoverable		1,407	1,407
Cash and cash equivalents		325,508	305,451
		<hr/> 3,103,295	<hr/> 2,966,148
Total assets		<hr/> 5,404,447	<hr/> 4,477,067

		At 30 September 2016 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
Equity			
Share capital		2,490,454	2,490,454
Reserves		<u>1,439,406</u>	<u>1,217,194</u>
Equity attributable to owners of the Company		3,929,860	3,707,648
Non-controlling interests		<u>42,777</u>	<u>42,812</u>
Total equity		<u>3,972,637</u>	<u>3,750,460</u>
Non-current liability			
Deferred tax liabilities		<u>133,454</u>	<u>117,104</u>
Current liabilities			
Trade and other payables and deposits received	13	222,308	53,828
Tax payable		2,263	2,263
Bank borrowings	14	3,976	16,004
Other borrowings	14	<u>1,069,809</u>	<u>537,408</u>
		<u>1,298,356</u>	<u>609,503</u>
Total liabilities		<u>1,431,810</u>	<u>726,607</u>
Total equity and liabilities		<u>5,404,447</u>	<u>4,477,067</u>
Net current assets		<u>1,804,939</u>	<u>2,356,645</u>
Total assets less current liabilities		<u>4,106,091</u>	<u>3,867,564</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND 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

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

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ 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.

2. SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

Continuing operations

Property investment operation	— Leasing of rental property in the PRC and Hong Kong
Hotel operation	— Hotel operation in the PRC
Financing and securities investment operation	— Provision of financing service and securities investment operation in 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 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 included any amounts for these discontinued operations. 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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	<u>46,497</u>	<u>44,689</u>	<u>389,407</u>	<u>(944,421)</u>
Interest income and other revenue			4,478	36,426
Unallocated expenses			<u>(46,101)</u>	<u>(21,668)</u>
Profit/(loss) from operations			347,784	(929,663)
Finance costs			<u>(26,617)</u>	<u>(22,376)</u>
Gain on loss of significant influence of an associate			–	882,107
Share of result of an associate			<u>–</u>	<u>(1,138)</u>
Profit/(loss) before taxation			321,167	(71,070)
Taxation			<u>(18,487)</u>	<u>(1,589)</u>
Profit/(loss) for the period			<u><u>302,680</u></u>	<u><u>(72,659)</u></u>

3. OTHER INCOME AND GAIN, NET

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

4. PROFIT/(LOSS) FROM OPERATIONS

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

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(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

5. GAIN ON LOSS OF SIGNIFICANT INFLUENCE OF AN ASSOCIATE

In May 2015, the representative of the Group retired by rotation from the board of directors of Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”). The directors of the Company are of the view that the Company has no significant influence over the associate as it has no board representation and it has been unable to participate in the financial and operating policy decisions of the associate. The Company ceased of using equity accounting to account for its interests in the associate as required under HKAS 28 “Investment in Associates”, and reclassified its interest as financial asset at fair value through profit or loss (“FVTPL”). After taking into account, a gain on loss of significant influence of Heilongjiang Interchina of HK\$882,107,000 was recognised in condensed consolidated statement of profit or loss for the six months ended 30 September 2015.

6. TAXATION

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	–	–
The PRC Enterprise Income Tax	94	428
	94	428
Deferred tax	18,393	1,161
	18,487	1,589

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.

7. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

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

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

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 from 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.

8. 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.

9. 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 Zhao Bai (“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 Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions.

At 30 September 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 granted to the Group.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

As of 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	23,239	22,923
Margin clients’ accounts receivables	99,761	99,761
Prepayments, deposits and other receivables	581,152	817,462
	<u>704,152</u>	<u>940,146</u>
Less: Impairment of trade and other receivables and prepayment	<u>(101,569)</u>	<u>(82,062)</u>
	<u><u>602,583</u></u>	<u><u>858,084</u></u>

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

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

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.

The Group's prepayments, deposits and other receivables as 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 HK\$218,698,000 paid for the acquisition of the Shanghai Properties. The acquisition was completed in August 2016 as set out in note 9.

11. LOAN RECEIVABLES

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

During the six months ended 30 September 2016, no impairment loss (six months ended 30 September 2015: nil) was recognised in the condensed consolidated statement of profit or loss.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Included in the gain arising on change in fair value of financial asset 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 (six months ended 30 September 2015: loss of HK\$879,305,000).

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

13. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 September 2016 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
Trade payables	3,216	2,318
Other payables and deposits received	<u>219,092</u>	<u>51,510</u>
	<u><u>222,308</u></u>	<u><u>53,828</u></u>

Included in other payables as at 30 September 2016 were (i) no interest expenses payable (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 9 (31 March 2016: nil).

14. BANK AND OTHER BORROWINGS

	At 30 September 2016 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
Bank borrowings, secured (<i>Note (i)</i>)	3,976	16,004
Other borrowings, secured (<i>Note (i)</i>)	<u>1,069,809</u>	<u>537,408</u>
Total bank and other borrowings	<u><u>1,073,785</u></u>	<u><u>553,412</u></u>
Carrying amounts repayable:		
Within one year:		
— Bank borrowings	435	430
— Other borrowings	<u>553,529</u>	<u>537,408</u>
	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)	<u>519,821</u>	<u>15,574</u>
Total borrowings	<u><u>1,073,785</u></u>	<u><u>553,412</u></u>

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 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
Investment properties	1,419,993	270,111
Property, plant and equipment	512,960	—
Financial assets at fair value through profit or loss	<u><u>1,595,968</u></u>	<u><u>1,290,443</u></u>

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 shareholders of the Company amounted to HK\$301,334,000, as compared to loss attributable to shareholders 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 operation) 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.

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 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.

Financing and Securities Investment Operation

As at 30 September 2016, total loan receivable 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 unrealized 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 Water Treatment Company Limited (“Heilongjiang Interchina”) (stock code: 600187) listed on Shanghai Stock Exchange and 57,957,000 shares or approximately 1.01% 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 recognized 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 resource 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.

FINANCIAL REVIEW

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.

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 such a measure if it is deemed prudent.

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.

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.

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.

Compliance with the 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.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2016 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, have been reviewed by the Group’s auditor, HLB Hodgson Impey Cheng Limited, and the audit committee of the Company (the “Audit Committee”). The Audit Committee comprises Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Group for the six months ended 30 September 2016 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.everchina202.com.hk) in due course.

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

As of the date of this announcement, the executive Directors are Mr. Jiang Zhaobai, Mr. Lam Cheung Shing, Richard, Mr. Chen Yi, Ethan and Mr. Shen Angang, the independent non-executive Directors are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.