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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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020**

#### **FINANCIAL HIGHLIGHTS**

For the year ended 31 March 2020, the audited results of the Group were as follows:

- Revenue amounted to approximately HK\$137,199,000, representing an increase of 75.8% as compared to the last year.
- Loss for the year amounted to approximately HK\$529,111,000, representing a decrease of 12.5 % as compared to the last year.
- The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: Nil).
- At 31 March 2020, total equity amounted to approximately HK\$1,989,547,000, representing a decrease of 23% as compared to approximately HK\$2,584,656,000 as at 31 March 2019.
- At 31 March 2020, net assets per share was approximately HK\$0.27, representing a decrease of 22.9% as compared to approximately HK\$0.35 as at 31 March 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of EverChina Int’l Holdings Company Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020, together with the comparative figures, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

|  | <i>Notes</i> | <b>2020</b><br><i>HK\$’000</i> | 2019<br><i>HK\$’000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue  | 4            | <b>137,199</b>                 | 78,064                  |
| Cost of sales  |              | <b>(54,896)</b>                | (39,819)                |
| Gross profit   |              | <b>82,303</b>                  | 38,245                  |
| Other income and gain, net   | 5            | <b>1,923</b>                   | 9,871                   |
| Staff costs  |              | <b>(33,838)</b>                | (35,416)                |
| Depreciation   |              | <b>(16,393)</b>                | (15,722)                |
| Administrative costs   |              | <b>(34,632)</b>                | (80,541)                |
| Other operating expenses   |              | <b>(91,454)</b>                | (93,216)                |
| Allowance for expected credit losses on trade and other receivables and prepayments and loan receivable, net |              | <b>(14,431)</b>                | (43,238)                |
| Loss arising on change in fair value of investment properties  |              | <b>(57,256)</b>                | (3,529)                 |
| Gain arising on change in fair value less costs to sell on biological assets                                 |              | <b>1,123</b>                   | 2,282                   |
| Loss arising on change in fair value of financial asset at fair value through profit or loss                 |              | <b>(282,878)</b>               | (320,912)               |
| Loss from operations   | 6            | <b>(445,533)</b>               | (542,176)               |
| Finance costs  | 7            | <b>(98,035)</b>                | (86,594)                |
| Loss before taxation   |              | <b>(543,568)</b>               | (628,770)               |
| Tax credit   | 8            | <b>14,457</b>                  | 23,810                  |
| <b>Loss for the year</b>   |              | <b>(529,111)</b>               | (604,960)               |
| <b>Attributable to:</b>  |              |                                |                         |
| Owners of the Company  |              | <b>(529,070)</b>               | (600,252)               |
| Non-controlling interests  |              | <b>(41)</b>                    | (4,708)                 |
|  |              | <b>(529,111)</b>               | (604,960)               |
| <b>Loss per share attributable to the owners of the Company</b>  | 9            |                                |                         |
| — Basic and diluted  |              | <b>HK7.253 cents</b>           | HK8.993 cents           |

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

*FOR THE YEAR ENDED 31 MARCH 2020*

|   | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| <b>Loss for the year</b>  | <b>(529,111)</b>               | (604,960)               |
| <b>Other comprehensive loss</b>                                     |                                |                         |
| <i>Items that maybe reclassified subsequently to profit or loss</i> |                                |                         |
| Exchange differences on translation during the year                 | <u>(102,765)</u>               | <u>(114,308)</u>        |
| <b>Total comprehensive loss for the year</b>                        | <u><b>(631,876)</b></u>        | <u>(719,268)</u>        |
| <b>Total comprehensive loss attributable to:</b>                    |                                |                         |
| Owners of the Company   | <b>(631,835)</b>               | (714,560)               |
| Non-controlling interests   | <u>(41)</u>                    | <u>(4,708)</u>          |
|   | <u><b>(631,876)</b></u>        | <u>(719,268)</u>        |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2020**

|  | <i>Notes</i> | <b>2020</b><br><b>HK\$'000</b> | 2019<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                            |              |                                |                         |
| Investment properties                                |              | <b>1,155,100</b>               | 1,282,094               |
| Property, plant and equipment                        |              | <b>858,811</b>                 | 890,326                 |
| Right-of-use assets                                  |              | <b>2,957</b>                   | –                       |
| Mining rights  |              | <b>178,664</b>                 | 178,664                 |
| Goodwill   |              | <b>–</b>                       | 91,454                  |
|  |              | <u><b>2,195,532</b></u>        | <u>2,442,538</u>        |
| <b>Current assets</b>                                |              |                                |                         |
| Inventories  |              | <b>6,463</b>                   | 7,664                   |
| Biological assets                                    |              | <b>20,501</b>                  | 17,951                  |
| Trade and other receivables and prepayments          | <i>11</i>    | <b>136,879</b>                 | 176,522                 |
| Loan receivables                                     | <i>12</i>    | <b>42,781</b>                  | 52,475                  |
| Financial asset at fair value through profit or loss | <i>13</i>    | <b>578,384</b>                 | 911,924                 |
| Cash and cash equivalents                            |              | <b>16,188</b>                  | 79,975                  |
|  |              | <u><b>801,196</b></u>          | <u>1,246,511</u>        |
| <b>Total assets</b>                                  |              | <u><b>2,996,728</b></u>        | <u>3,689,049</u>        |
| <b>Capital and reserves</b>                          |              |                                |                         |
| Share capital  |              | <b>2,664,298</b>               | 2,664,298               |
| Reserves   |              | <b>(712,689)</b>               | (117,621)               |
| Equity attributable to owners of the Company         |              | <b>1,951,609</b>               | 2,546,677               |
| Non-controlling interests                            |              | <b>37,938</b>                  | 37,979                  |
| <b>Total equity</b>                                  |              | <u><b>1,989,547</b></u>        | <u>2,584,656</u>        |

|  | <i>Notes</i> | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current liabilities</b>                 |              |                                |                         |
| Lease liabilities                              |              | 757                            | –                       |
| Bank and other borrowings                      |              | 4,703                          | 5,748                   |
| Amount due to a related company                | 15           | 137,935                        | –                       |
| Deferred tax liabilities                       |              | <u>107,472</u>                 | <u>126,839</u>          |
|  |              | <u>250,867</u>                 | <u>132,587</u>          |
| <b>Current liabilities</b>                     |              |                                |                         |
| Trade and other payables and deposits received | 14           | 71,009                         | 76,919                  |
| Contract liabilities                           |              | 1,255                          | 443                     |
| Lease liabilities                              |              | 2,197                          | –                       |
| Tax payable                                    |              | 6,259                          | 6,286                   |
| Bank and other borrowings                      |              | <u>675,594</u>                 | <u>888,158</u>          |
|  |              | <u>756,314</u>                 | <u>971,806</u>          |
| <b>Total liabilities</b>                       |              | <u><u>1,007,181</u></u>        | <u><u>1,104,393</u></u> |
| <b>Total equity and liabilities</b>            |              | <u><u>2,996,728</u></u>        | <u><u>3,689,049</u></u> |
| <b>Net current assets</b>                      |              | <u><u>44,882</u></u>           | <u><u>274,705</u></u>   |
| <b>Total assets less current liabilities</b>   |              | <u><u>2,240,414</u></u>        | <u><u>2,717,243</u></u> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Ints**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The financial information relating to the years ended 31 March 2020 and 2019 included in this preliminary announcement of the 2020 annual results do not constitute the Company’s statutory annual consolidated financial statements for those years 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 Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2020 in due course.

The Company’s auditor has reported on those financial statements of the Group for both years. For the year ended 31 March 2020, auditor’s reports were 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 Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, biological assets and financial instruments that are measured at fair values at the end of each reporting period.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

|                      |  |
|----------------------|--|
| HKFRS 16             | Leases   |
| HKFRS 9 (Amendments) | Prepayment Features with Negative Compensation       |
| HK(IFRIC) — Int 23   | Uncertainty over Income Tax Treatment                |
| HKAS 19 (Amendments) | Plan Amendment, Curtailment or Settlement            |
| HKAS 28 (Amendments) | Long-term Interests in Associates and Joint Ventures |
| HKFRSs (Amendments)  | Annual Improvements to HKFRSs 2015–2017 Cycle        |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or disclosures set out in these consolidated financial statements.

## **HKFRS16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

### ***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS16 in assessing whether a contract contains a lease.

### ***As a lessor***

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

### ***As a lessee***

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by approximately HK\$5,272,000 by applying HKFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated loss and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to lease previously classified as operating lease under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for lease with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment;
- (iv) relied on the assessment of whether lease are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review; and
- (v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5% .

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

|   |                 |
|---|-----------------|
|   | <i>HK\$'000</i> |
| Operating lease commitments disclosed as at 31 March 2019           | <u>8,294</u>    |
| Lease liabilities discounted at relevant incremental borrowing rate | 5,555           |
| Less: Recognition exemption — short-term lease                      | <u>(283)</u>    |
| Lease liabilities recognised as at 1 April 2019                     | <u>5,272</u>    |
| Analysed as:  |                 |
| — Current lease liabilities   | 2,175           |
| — Non-current lease liabilities                                     | <u>3,097</u>    |
|   | <u>5,272</u>    |

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

|  |                 |
|--|-----------------|
|  | <i>HK\$'000</i> |
| Right-of-use assets recognised as at 1 April 2019                          | <u>5,272</u>    |
| The recognised right-of-use assets relate to the following type of assets: |                 |
| — Offices  | <u>5,272</u>    |

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application, 1 April 2019. Line items that were not affected by the changes have not been included.

### Summary of effects arising from initial application of HKFRS 16

The table below illustrates effect of HKFRS 16 at the date of initial application, 1 April 2019.

|  | <b>Right-of-use<br/>assets</b><br><i>HK\$'000</i> | <b>Lease<br/>liabilities</b><br><i>HK\$'000</i> | <b>Accumulated<br/>losses</b><br><i>HK\$'000</i> |
|--|---|---|--|
| Closing balance at 31 March 2019                                   | <u>—</u>  | <u>—</u>  | <u>(2,132,015)</u>                               |
| Effect arising from initial application of HKFRS 16:<br>Adjustment | <u>5,272</u>                                      | <u>(5,272)</u>                                  | <u>—</u>   |
| Opening balance at 1 April 2019                                    | <u>5,272</u>                                      | <u>(5,272)</u>                                  | <u>(2,132,015)</u>                               |

### 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

#### New and amendments to HKFRS in issue but not yet effective

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

|   |   |
|---|---|
| HKAS 1 and HKAS 8 (Amendments)            | Definition of Material <sup>1</sup>   |
| HKFRS 9, HKAS 39 and HKFRS 7 (Amendments) | Interest Rate Benchmark Reform <sup>1</sup>   |
| HKFRS 3 (Amendments)                      | Definition of a Business <sup>2</sup>   |
| HKFRS 10 and HKAS 28 (Amendments)         | Sale or Contribution of Assets between an<br>Investor and its Associate or Joint Venture <sup>4</sup> |
| HKFRS 17                                  | Insurance Contracts <sup>3</sup>  |
| HKFRS 16 (Amendments)                     | Covid-19-Related Rent Concessions <sup>5</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework in HKFRS Standards” will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 4. 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 (“PRC”)  |
| Hotel operation                               | — | Hotel operation in the PRC  |
| Agricultural operation                        | — | Agricultural farming and sale of crops and cattle raising and sales of cattle in the Plurinational State of Bolivia (“Bolivia”) |
| Securities investment and financing operation | — | Provision of securities investment and financing service in Hong Kong and the PRC   |

##### (a) Segment revenue and results

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

|   | Segment revenue  |                  | Segment result   |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
| Property investment operation                 | 47,831           | 53,249           | (40,337)         | 35,623           |
| Hotel operation                               | 27,734           | 35,242           | (49,317)         | (1,441)          |
| Agricultural operation                        | 61,634           | 48,168           | (20,018)         | 15,125           |
| Securities investment and financing operation | —                | (58,595)         | (292,775)        | (407,847)        |
| Other operations                              | —                | —                | (1,385)          | (95,314)         |
| Total   | <u>137,199</u>   | <u>78,064</u>    | <u>(403,832)</u> | <u>(453,854)</u> |
| Interest income and other revenue             |                  |                  | 1,923            | 9,871            |
| Unallocated expenses                          |                  |                  | (43,624)         | (98,193)         |
| Loss from operations                          |                  |                  | (445,533)        | (542,176)        |
| Finance costs                                 |                  |                  | (98,035)         | (86,594)         |
| Loss before taxation                          |                  |                  | (543,568)        | (628,770)        |
| Tax credit                                    |                  |                  | 14,457           | 23,810           |
| Loss for the year                             |                  |                  | <u>(529,111)</u> | <u>(604,960)</u> |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2019: Nil).

Segment result represents the result generated from each segment without allocation of central administration costs including directors' salaries, interest income and other revenue, finance costs and income tax credit. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

|   | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Segment assets</b>                         |                         |                         |
| Property investment operation                 | 1,257,795               | 1,340,729               |
| Hotel operation                               | 451,052                 | 541,956                 |
| Securities investment and financing operation | 621,178                 | 964,412                 |
| Agricultural operation                        | 463,407                 | 451,192                 |
| Other operations                              | 179,648                 | 179,679                 |
|   | <hr/>                   | <hr/>                   |
| Total segment assets                          | 2,973,080               | 3,477,968               |
| Unallocated assets                            | 23,648                  | 211,081                 |
|   | <hr/>                   | <hr/>                   |
| Consolidated total assets                     | 2,996,728               | 3,689,049               |
|   | <hr/> <hr/>             | <hr/> <hr/>             |
|   | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
| <b>Segment liabilities</b>                    |                         |                         |
| Property investment operation                 | 60,318                  | 67,593                  |
| Hotel operation                               | 44,869                  | 47,545                  |
| Securities investment and financing operation | 180                     | 180                     |
| Agricultural operation                        | 66,590                  | 61,078                  |
| Other operations                              | 5,965                   | 5,871                   |
|   | <hr/>                   | <hr/>                   |
| Total segment liabilities                     | 177,922                 | 182,267                 |
| Unallocated bank and other borrowings         | 642,222                 | 887,113                 |
| Unallocated liabilities                       | 180,778                 | 28,727                  |
| Tax payable                                   | 6,259                   | 6,286                   |
|   | <hr/>                   | <hr/>                   |
| Consolidated total liabilities                | 1,007,181               | 1,104,393               |
|   | <hr/> <hr/>             | <hr/> <hr/>             |

For the purposes of monitoring segment performance and allocating resource between segments:

All assets related to property investment operation, hotel operation, securities investment and financing operation, agricultural operation and other operations are allocated to reportable segments other than certain property, plant and equipment, certain right-of-use assets, certain other receivables, certain prepayments and certain cash and cash equivalents that are not attributable to individual segments.

All liabilities related to property investment operation, hotel operation, securities investment and financing operation, agricultural operation and other operations are allocated to reportable segments other than certain other payables, certain bank and other borrowings, certain lease liabilities and amount due to a related company that are not attributable to individual segments.

(c) Other segment information

For the year ended 31 March 2020

|  | Property<br>investment<br>operation<br><i>HK\$'000</i> | Hotel<br>operation<br><i>HK\$'000</i> | Securities<br>investment<br>and financing<br>operation<br><i>HK\$'000</i> | Agricultural<br>operation<br><i>HK\$'000</i> | Other<br>operations<br><i>HK\$'000</i> | Consolidated<br>total<br><i>HK\$'000</i> |
|--|--|---------------------------------------|---|--|--|--|
| Other segment information  |  |                                       |   |  |  |  |
| Depreciation of property, plant and equipment  | 106  | 12,916                                | -   | 973  | -                                      | 13,995                                   |
| Depreciation of right-of-use assets  | 63   | -                                     | -   | -  | -                                      | 63                                       |
| Unallocated amounts  |  |                                       |   |  |  | 2,335                                    |
|  |  |                                       |   |  |  | <u>16,393</u>                            |
| Capital expenditure  | -  | -                                     | -   | 13,053                                       | -                                      | 13,053                                   |
| Loss arising on change in fair value of investment properties                                | 57,256   | -                                     | -   | -  | -                                      | 57,256                                   |
| Loss arising on change in fair value of financial asset at fair value through profit or loss | -  | -                                     | 282,878   | -  | -                                      | 282,878                                  |
| Gain arising on change in fair value less costs to sell on biological assets                 | -  | -                                     | -   | (1,123)                                      | -                                      | (1,123)                                  |

For the year ended 31 March 2019

|  | Property<br>investment<br>operation<br><i>HK\$'000</i> | Hotel<br>operation<br><i>HK\$'000</i> | Securities<br>investment<br>and financing<br>operation<br><i>HK\$'000</i> | Agricultural<br>operation<br><i>HK\$'000</i> | Other<br>operations<br><i>HK\$'000</i> | Consolidated<br>total<br><i>HK\$'000</i> |
|--|--|---------------------------------------|---|--|--|--|
| Other segment information  |  |                                       |   |  |  |  |
| Depreciation of property, plant and equipment  | 133  | 13,426                                | -   | 1,880  | -                                      | 15,439                                   |
| Unallocated amounts  |  |                                       |   |  |  | 283                                      |
|  |  |                                       |   |  |  | <u>15,722</u>                            |
| Capital expenditure  | 15   | 40                                    | -   | 5,975  | 18                                     | 6,048                                    |
| Loss arising on change in fair value of investment properties                                | 3,529  | -                                     | -   | -  | -                                      | 3,529                                    |
| Loss arising on change in fair value of financial asset at fair value through profit or loss | -  | -                                     | 320,912   | -  | -                                      | 320,912                                  |
| Gain arising on change in fair value less costs to sell on biological assets                 | -  | -                                     | -   | (2,282)                                      | -                                      | (2,282)                                  |

**(d) Geographical information**

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's investment properties, property, plant and equipment, right-of-use assets, mining rights and goodwill (collectively referred to as "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset or the location of the operation to which they are allocated.

|           | Revenue from external customers |                         | Specified non-current assets |                         |
|-----------|---------------------------------|-------------------------|------------------------------|-------------------------|
|           | 2020<br><i>HK\$'000</i>         | 2019<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i>      | 2019<br><i>HK\$'000</i> |
| Hong Kong | –                               | (58,595)                | 29,115                       | 55,754                  |
| The PRC   | 75,565                          | 88,491                  | 1,576,819                    | 1,805,808               |
| Bolivia   | 61,634                          | 48,168                  | 410,465                      | 401,842                 |
| Indonesia | –                               | –                       | 179,133                      | 179,134                 |
|           | <u>137,199</u>                  | <u>78,064</u>           | <u>2,195,532</u>             | <u>2,442,538</u>        |

**(e) Information about major customers**

Revenue from a major customer for the years ended 31 March 2020 and 2019 contributing over 10% of the Group's revenue are as follows:

|                                     | Year ended 31 March     |                         |
|-------------------------------------|-------------------------|-------------------------|
|                                     | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
| Agricultural operation — Customer A | <u>50,983</u>           | <u>42,874</u>           |

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

|                            | Year ended 31 March     |                         |
|----------------------------|-------------------------|-------------------------|
|                            | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
| Bank interest income       | 687                     | 1,695                   |
| Other loan interest income | 975                     | 6,767                   |
| Net foreign exchange loss  | (325)                   | (2,939)                 |
| Investment income          | 518                     | 944                     |
| Gain on lease cancellation | 2                       | –                       |
| Sundry income              | 66                      | 3,404                   |
|                            | <u>1,923</u>            | <u>9,871</u>            |

## 6. LOSS FROM OPERATIONS

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

|  | Year ended 31 March |                  |
|--|---------------------|------------------|
|  | 2020<br>HK\$'000    | 2019<br>HK\$'000 |
| Depreciation of property, plant and equipment  | 14,243              | 15,722           |
| Depreciation of right-of-use assets  | 2,150               | –                |
| Auditors' remuneration   | 2,768               | 2,121            |
| Cost of inventories for hotel operation provided   | 6,158               | 6,939            |
| Allowance for expected credit losses ("ECL") recognised in respect of trade, other receivables and prepayments and loan receivables, net | 14,431              | 43,238           |
| Impairment loss recognised on mining rights  | –                   | 93,216           |
| Impairment loss recognised on goodwill   | 91,454              | –                |
| Short-term lease payment   | 259                 | –                |
| Expenses relating to leases of low value assets  | 35                  | –                |
| Operating lease rentals in respect of premises   | –                   | 3,146            |
| Net foreign exchange loss  | 325                 | 2,939            |
| Fair value change in investment properties   | 57,256              | 3,529            |
| Gain arising on change in fair value less costs to sell on biological assets   | (1,123)             | (2,282)          |
| Gross rental income from investment properties   | (47,831)            | (53,249)         |
| Less: direct operating expenses from investment properties that generated rental income during the year                                  | 1,784               | 1,892            |
|  | <u>(46,047)</u>     | <u>(51,357)</u>  |

## 7. FINANCE COSTS

|   | Year ended 31 March |                  |
|---|---------------------|------------------|
|   | 2020<br>HK\$'000    | 2019<br>HK\$'000 |
| Interests on:                                       |                     |                  |
| — Bank borrowings                                   | 981                 | 365              |
| — Other borrowings                                  | 92,720              | 86,229           |
| — Lease liabilities                                 | 212                 | –                |
| Imputed interest on amount due to a related company | 4,122               | –                |
|   | <u>98,035</u>       | <u>86,594</u>    |

## 8. TAX CREDIT

|                                 | Year ended 31 March |                  |
|---------------------------------|---------------------|------------------|
|                                 | 2020<br>HK\$'000    | 2019<br>HK\$'000 |
| PRC Enterprise Income tax       |                     |                  |
| — Current tax (expense)/credit  | (2,419)             | 23,529           |
| — Over provision in prior years | 1,759               | –                |
| Bolivia Corporate tax           | –                   | (3,972)          |
|                                 | <u>(660)</u>        | <u>19,557</u>    |
| Deferred tax                    | 15,117              | 4,253            |
|                                 | <u>14,457</u>       | <u>23,810</u>    |

### Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made as the Group’s operation in Hong Kong had no assessable profit for the year ended 31 March 2020 (2019: Nil).

### The PRC Enterprise Income Tax

All the Company’s subsidiaries established in the PRC are either subject to the PRC Enterprise Income Tax at 25% of the assessable income of each company or preferential enterprise income tax rate of the assessable income of each company during the years ended 31 March 2020 and 2019, 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% (2019: 25%) during the year. No Indonesia Corporate Tax was recognised as the subsidiary in the Indonesia has no estimated assessable profits for the both years.

### The Bolivia Corporate Tax

The corporate tax rate applicable to the subsidiaries which are operating in Bolivia is 25% (2019: 25%) during the year.

## 9. LOSS PER SHARE

|   | Year ended 31 March        |                      |
|---|----------------------------|----------------------|
|   | 2020                       | 2019                 |
|   | HK\$’000                   | HK\$’000             |
| Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share | <u>529,070</u>             | <u>600,252</u>       |
|   | <b>Year ended 31 March</b> |                      |
|   | <b>2020</b>                | <b>2019</b>          |
| <b>Number of shares</b>   |                            |                      |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share              | <u>7,294,369,363</u>       | <u>6,674,861,966</u> |

The diluted loss per share is the same as basic loss per share as the Company has no dilutive potential shares outstanding for the years ended 31 March 2020 and 2019.

## 10. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

## 11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The aging analysis of trade receivables, based on the invoice date which was included in trade and other receivables and prepayments as the end of the reporting period is as follows:

|                                   | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|-----------------------------------|--------------------------------|-------------------------|
| Trade receivables:                |                                |                         |
| 0 to 30 days                      | <b>1,361</b>                   | 6,756                   |
| 31 to 60 days                     | <b>64</b>                      | 196                     |
| 61 to 90 days                     | <b>1,141</b>                   | –                       |
| 91 to 180 days                    | <b>6,709</b>                   | 37                      |
| Over 180 days                     | <b>816</b>                     | 98                      |
|                                   | <b>10,091</b>                  | 7,087                   |
| Prepayments and other receivables | <b>220,204</b>                 | 263,203                 |
|                                   | <b>230,295</b>                 | 270,290                 |
| Less: Allowance for ECL           | <b>(93,416)</b>                | (93,768)                |
|                                   | <b>136,879</b>                 | 176,522                 |

The Group's trade and other receivables and prepayments are determined in the following currencies:

|                   | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Hong Kong dollar  | <b>19,691</b>                  | 30,271                  |
| Renminbi (“RMB”)  | <b>92,191</b>                  | 115,507                 |
| US dollar (“USD”) | <b>24,997</b>                  | 30,744                  |
|                   | <b>136,879</b>                 | 176,522                 |

Movement in the allowance for ECL of trade and other receivables were as follow:

|                          | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--------------------------|--------------------------------|-------------------------|
| At beginning of the year | <b>93,768</b>                  | 78,576                  |
| Exchange alignment       | <b>(5,089)</b>                 | (2,097)                 |
| Allowance for ECL, net   | <b>4,737</b>                   | 17,289                  |
| At end of the year       | <b>93,416</b>                  | 93,768                  |

The average credit period granted to customers is 60 to 90 days (31 March 2019: 60 to 90 days).

The aged analysis of the trade receivables that are past due but not impaired was as follow:

|              | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| Over 90 days | <u>7,525</u>                   | <u>135</u>              |

Trade receivables within credit terms relate to a wide range of customers for whom there is no recent history of default. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of trade receivables. The Group does not hold any collateral over these balances.

The Group's prepayments and other receivables as 31 March 2020 and 2019, inter alia, the following:

- (i) other receivable of approximately HK\$104,049,000 (31 March 2019: HK\$110,169,000) paid for acquisition of several potential water plant project in the PRC; and
- (ii) prepayments of approximately HK\$35,833,000 (31 March 2019: HK\$37,940,000) paid to various contractors for construction of water treatment projects in the PRC.

## 12. LOAN RECEIVABLES

|                         | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Loan receivables        | <b>61,006</b>                  | 61,006                  |
| Less: allowance for ECL | <u>(18,225)</u>                | <u>(8,531)</u>          |
|                         | <u><b>42,781</b></u>           | <u>52,475</u>           |

The amount of approximately HK\$61,006,000 (2019: HK\$61,006,000) were secured by collateral providing by the customers with fixed repayment terms.

Movement in the allowance for ECL of loan receivables were as follow:

|                          | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--------------------------|--------------------------------|-------------------------|
| At beginning of the year | <b>8,531</b>                   | 12,660                  |
| Allowance for ECL        | <b>9,694</b>                   | 25,949                  |
| Amounts written-off      | <u>–</u>                       | <u>(30,078)</u>         |
| At end of the year       | <u><b>18,225</b></u>           | <u>8,531</u>            |

### 13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Held for trading:                                 |                         |                         |
| Listed equity securities — the PRC, at fair value | <u>578,384</u>          | <u>911,924</u>          |

#### Notes:

- (i) Loss arising on change in fair value of financial asset at fair value through profit or loss for the year ended 31 March 2020 of approximately HK\$282,878,000 was solely derived from investment in Heilongjiang Interchina Water Treatment Company Limited (“**Heilongjiang Interchina**”) (2019: loss of approximately HK\$320,912,000).
- (ii) At 31 March 2020, financial asset at fair value through profit or loss with the carrying amount of approximately HK\$577,589,000 (31 March 2019: HK\$910,671,000) have been pledged to secure loan facilities granted to the Group.
- (iii) The fair value of all equity securities is based on their closing prices as at 31 March 2020 and 2019 in an active market.

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

|                                      | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Trade payables:                      |                         |                         |
| 0 to 30 days                         | 7,346                   | 10,057                  |
| 31 to 60 days                        | 445                     | 275                     |
| Over 60 days                         | <u>3,528</u>            | <u>2,259</u>            |
|                                      | 11,319                  | 12,591                  |
| Other payables and deposits received | <u>59,690</u>           | <u>64,328</u>           |
|                                      | <u>71,009</u>           | <u>76,919</u>           |

The Group’s other payables and deposits received as at 31 March 2020 and 2019, inter alia, the followings:

- (i) interest expenses payable of approximately HK\$15,091,000 (2019: HK\$18,865,000); and
- (ii) deposit of decoration expenses received from Heilongjiang Interchina of approximately HK\$5,889,000 (2019: HK\$6,235,000).

### 15. AMOUNT DUE TO A RELATED COMPANY

As at 31 March 2020, the carrying amount of amount due to a related company of approximately HK\$137,935,000 represents an unsecured and unguaranteed interest-free with principal amount of approximately HK\$170,580,000 from Shanghai Pengxin (Group) Company Limited, which is controlled by Mr. Jiang Zhaobai, who is a substantial shareholder and the chairman of the Company, which will mature and become repayable on 31 December 2021. The amount due is carried at amortised cost using the effective interest method. The effective interest rate applied was 12.9% per annum. The difference of the principal and the fair value of the amount due is at initial recognition amounting to approximately HK\$36,767,000 was credited as deemed capital contribution from a substantial shareholder.

## **FINANCIAL INFORMATION**

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 March 2020 but represents an extract from those consolidated financial statements. The annual results have been reviewed and approved by the Audit Committee of the Company.

### **Scope of work of HLB Hodgson Impey Cheng Limited on the preliminary announcement**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amount set out in the Group's consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS OF OPERATIONS**

For the year ended 31 March 2020, the Group's revenue increased by 75.8% to approximately HK\$137,199,000 (2019: HK\$78,064,000), which mainly due to (i) none of the net loss was recognised from sale of financial assets at FVTPL for the year (2019: negative HK\$58,595,000) and (ii) increase of revenue generated by the Group's agricultural operation. The revenue of agricultural operation was approximately HK\$61,634,000 representing an increase of 28% as compared to last year.

The Group recorded a loss of approximately HK\$529,111,000, representing a decrease of approximately 12.5% as compared to the loss of approximately HK\$604,960,000 of last year. The decrease in loss was mainly attributable to the net effect of:

- (i) a decreased in unrealised fair value loss on financial assets at fair value through profit and loss by approximately 11.9% to HK\$282,878,000 (2019: HK\$320,912,000) as a result of the change in the stock market sentiment;
- (ii) no impairment loss on mining rights was recognised for the year (2019: HK\$93,216,000);
- (iii) recognised an impairment loss on goodwill of approximately HK\$91,454,000 (2019: Nil) as a result of the COVID-19 outbreak affecting the business outlooks of the relevant business of the Group;
- (iv) an increase in loss arising on change in fair value of the Group's investment properties by approximately 15.2 times to HK\$57,256,000 (2019: HK\$3,529,000);
- (v) a decreased in allowance for expected credit losses on trade and other receivables and loan receivable by approximately 66.6% to HK\$14,431,000 (2019: HK\$43,238,000);

- (vi) a decrease in administrative cost by 57% to HK\$34,632,000 (2019: HK\$80,541,000) as a result of strict control on expense imposed by the management; and
- (vii) an increase in finance cost by approximately 13.2% to HK\$98,035,000 (2019: HK\$86,594,000) as a result of increase in interest for other borrowings.

Loss for the year attributable to shareholders of the Company amounted to approximately HK\$529,070,000 (2019: HK\$600,252,000). The basic and diluted loss per share amounted to HK7.253 cents (2019: HK8.993 cents).

## **BUSINESS REVIEW**

During the year, the Company is mainly engaged in property investment operation, hotel operation, agricultural operation and securities investment and financing operation.

### **Property Investment Operation**

The Group's property investment operation mainly comprise two investment properties located in the centre of Beijing and Shanghai respectively. The total floor area of the entire portfolio is approximately 28,200 sq. m. including retail properties, office properties and carparking space. At 31 March 2020, the Group's investment property was valued at an aggregate value of approximately HK\$1,155,100,000 (31 March 2019: HK\$1,282,094,000). Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK\$57,256,000 was recorded for the year (2019: HK\$3,529,000).

During the year, the Group recorded rental income of approximately HK\$47,831,000 from property investment operation (2019: HK\$53,249,000), which accounted for 34.9% of total revenue. The decrease in rental income was mainly result of devaluation of RMB against HKD incurred during the year. The overall occupancy rate for the property investment portfolio remaining high at approximately 94% as of 31 March 2020. The segment loss amounted to approximately HK\$40,337,000 (2019: profit of approximately HK\$35,623,000). The turnaround to loss was mainly attributable to (i) an increase in the loss arising on change in fair value of the Group's investment properties and (ii) recognised an impairment loss on goodwill of approximately HK\$18,069,000 (2019: Nil) as a result of the epidemic of COVID-19. Should the loss arising on change in fair value of the investment properties and the impairment loss on goodwill be excluded, segment profit for the year would be approximately HK\$34,988,000.

It expects this segment will keep generating a stable rental income stream and capturing potential appreciation.

### **Hotel Operation**

The sole hotel property held by the Group, is the Express by Holiday Inn Wujiaochang Shanghai (the "Hotel") 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. At 31 March 2020, the average occupancy rate was around 62% for the year (2019: 80%).

During the year, the Group recorded revenue of approximately HK\$27,734,000 from the Hotel (2019: HK\$35,242,000), which accounted for 20.2% of total revenue. Decrease in revenue was mainly due to keen completion in the Yangpu District as well as the travel restriction caused by the outbreak of the COVID-19 (Novel Coronavirus) in early 2020. Occupancy rate and average room rate had dropped by 18% and 4%, respectively. Gross profit for the year amounted to HK\$21,576,000 (2019: HK\$28,302,000). Profit before depreciation, impairment on goodwill, finance costs and tax for the year was HK\$9,724,000 (2019: HK\$12,003,000). The hotel property is subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the hotel property for the year amounted to HK\$12,916,000 (2019: HK\$13,426,000) which, although not affecting cash flow, have nevertheless impacted the reported profit. Besides, the epidemic of COVID-19 has had and is expected to continue to have material impact on this segment. The segment recorded impairment loss on goodwill of approximately HK\$45,738,000. As a result, segment loss for the year increased from approximately HK\$1,441,000 to approximately HK\$49,317,000 from 2019 to 2020.

The Group will continue to review its marketing strategies. In terms of operation, the Group will continue to take actions of both short term and longer term to control costs and drive efficiency as the tourism sentiment may take some time to improve.

### **Agricultural Operation**

The Group's agricultural operation engages in agricultural farming and cattle raising in Bolivia. As at 31 March 2020, the Group totally owns approximately 17,500 hectares of farmland in Bolivia with carrying value of approximately HK\$371,962,000 (31 March 2019: HK\$368,087,000).

During the year, the Group recorded revenue of approximately HK\$61,634,000 from agricultural operation (2019: HK\$48,168,000), which accounted for 44.9% of total revenue. The increase in revenue was mainly due to the acquisition of agricultural farming business was completed in October 2018. The major crops of the farm is soybean. During the year, approximately 10,000 hectares of soybeans were planted, the average yield was 2.5 ton per hectare with a grain production of approximately 25,400 tonnes. The average selling price of soybean dropped by 11.3% to US\$266/MT as compared to the same period of last year. The US-China trade dispute was the major key factor to the volatility of the market price of soybean. During the year, the scale of operation of the cattle farm has progressively increased. As at 31 March 2020, the number of cattle increased by approximately 90% to 1,925 as compared to the same period of last year. Since the Group acquired the cattle raising business in November 2016, this business has continued to suffer loss because of it has been in the start-up stage. It expects it will need a longer time to turnaround this business to profit. Therefore, approximately of HK\$27,647,000 of goodwill in relation to the cattle raising business is fully impaired for the year. The segment loss amounted to approximately HK\$20,018,000 (2019: profit HK\$15,125,000). The loss was mainly due to the impairment on goodwill. Should the impairment loss on goodwill be excluded, segment profit for the year would be approximately HK\$7,629,000.

In view of the global demand and supply of soybean have been rising, we are confident that this segment will continue to make stable contribution to the Group's revenue and cash-flow stream in the time ahead.

## Securities Investment and Financing Operation

During the year, the Group did not grant any new loan nor make any new securities investment. This segment did not contribute any revenue to the Group for the year (2019: negative HK\$58,595,000). The segment loss amounted to approximately HK\$292,775,000, as compared to the loss of approximately HK\$407,847,000 with the last year. The decrease in loss was mainly due to the decrease in loss arising on change in fair value of the financial asset at fair value through profit or loss.

As at 31 March 2020, total securities investment, which was booked under financial asset at fair value through profit or loss amounted to approximately HK\$578,384,000 (31 March 2019: HK\$911,924,000), representing 29.1% (31 March 2019: 35.3%) of the Group's net assets of HK\$1,989,547,000 (31 March 2019: HK\$2,584,656,000) and total loan receivable under financing operation amounted to approximately HK\$42,781,000 (31 March 2019: HK\$52,475,000).

As at 31 March 2020, the Group solely held 227,312,500 shares of Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina", whose shares are listed on Shanghai Stock Exchange, stock code: 600187), representing 13.74% Heilongjiang Interchina's total issued shares. The cost of investment in Heilongjiang Interchina was approximately RMB243,394,000 (equivalent to approximately HK\$270,437,000) at 31 March 2020. Heilongjiang Interchina and its subsidiaries are principally engaged in the provision of sewage water treatment, water supply and the provision of environmental technology services. The stock price of Heilongjiang Interchina decreased from RMB3.41 per share as at 31 March 2019 to RMB2.29 per share as at 31 March 2020. The Group recorded an unrealised loss of investment at fair value through profit or loss of HK\$282,878,000 for the investment in Heilongjiang Interchina for the year.

As disclosed in the latest annual report of Heilongjiang Interchina for the year ended 31 December 2019, Heilongjiang Interchina recorded revenue of approximately RMB537,836,000 (equivalent to approximately HK\$597,596,000), profit for the year of approximately RMB22,445,000 (equivalent to approximately HK\$24,939,000) and net assets of approximately RMB3,452,081,000 (equivalent to approximately HK\$3,835,646,000). Heilongjiang Interchina operates thirteen sewage and water supply projects with aggregate daily processing capacity of approximately 1,200,000 tonnes. Under the background of environmental protection policies and industry development trends, Heilongjiang Interchina focused on environmental protection areas such as water supply and sewage and was proactively deploying the development of energy conservation and environmental protection project.

As at 31 March 2020, the Group's loan receivables included two individual borrowers and they were overdue and not repaid on the maturity date. The loans were secured by collateral providing by the borrowers. After numerous negotiations between the Company and the borrowers, the Group has obtained authorisation to disposal the collateral/security and use the proceeds from the disposal to repay the outstanding loan receivables. The Company would start the procedures for the disposal of the security at the appropriate time. Independent professional valuer has been appointed to evaluate the recoverable amount and impairment loss of HK\$9,694,000 on the loan receivables was recognised in profit or loss for the year ended 31 March 2020 (2019: HK\$8,531,000).

The Group adopts a prudent investment strategy for securities investment operation and will closely monitor the market changes and realise its investment to enhance the Group's working capital if necessary and when timing is appropriate. Besides, the Group has decided to suspend the financing operation in order to allocate more resources in other segment of the Group.

## **OUTLOOK**

In the past year, we faced business challenges and market uncertainties due to certain macro-economic factors including but not limit to the US-China trade war, the slowdown of China GDP growth and the outbreak of coronavirus pandemic. We expect that the business outlook for this year would not be optimistic. The Group will continue its cautious and disciplined approach in managing the Group's existing operations with a view to reduce its exposure to market fluctuations.

Meanwhile, we will actively restructure all underperforming business to enhance the financial performance of the Group and seize investment opportunities with good prospects, aiming to enhance the returns to the shareholders of the Company.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

At 31 March 2020, the equity reached approximately HK\$1,989,547,000 (31 March 2019: approximately HK\$2,584,656,000). At 31 March 2020, the Group's cash on hand and deposits in bank was approximately HK\$16,188,000 (31 March 2019: approximately HK\$79,975,000), mainly denominated in Renminbi (“**RMB**”) and Hong Kong dollars. At 31 March 2020, the Group's net current assets were approximately HK\$44,882,000 (31 March 2019: approximately HK\$274,705,000). The current ratio of the Group as at 31 March 2020 was 1.06 (31 March 2019: 1.28). The gearing ratio (total outstanding borrowings over total assets) of the Group as of 31 March 2020 was 27.3% (31 March 2019: 24.2%).

The Group had no particular seasonal pattern of borrowing. At 31 March 2020, the Group's total borrowings amounted to approximately HK\$818,232,000 (31 March 2019: approximately HK\$893,906,000) of which approximately HK\$675,594,000 (31 March 2019: HK\$888,158,000) were repayable within one year and approximately HK\$142,638,000 (2019: HK\$5,748,000) were repayable within two to five years. As at 31 March 2020, the Group's borrowings were denominated in RMB, HKD and USD, amounting to approximately RMB702,140,000 (31 March 2019: approximately RMB740,000,000), approximately HK\$27,000,000 (31 March 2019: approximately HK\$16,525,000) and approximately US\$1,420,000 (31 March 2019: approximately US\$871,000) respectively.

During the year, the Group has borrowed RMB311,500,000 (equivalent to approximately HK\$346,111,000) from Shanghai Pengxin (Group) Company Limited (“**Shanghai Pengxin**”), a company owned as to 99% by Mr. Jiang Zhaobai, an executive Director, the Chairman and a substantial shareholder of the Company. It is unsecured, interest free and repayable on 31 December 2021. As at 31 March 2020, the carrying amount due to to Shanghai Pengxin is approximately RMB124,142,000 (equivalent to approximately HK\$137,935,000).

There has been no change in the share capital of the Company during the period. As at 1 April 2019 and 31 March 2020, the number of issued shares of the Company was 7,294,369,363.

### **Pledged of Assets**

At 31 March 2020, the Group's investment properties with carrying amounts of approximately HK\$631,766,000 (31 March 2019: approximately HK\$655,294,000), freehold land with carrying amounts of approximately HK\$145,860,000 (31 March 2019: approximately HK\$145,860,000) and hotel property with carrying amounts of approximately HK\$442,385,000 (31 March 2019: approximately HK\$485,235,000) were pledged as security for its liabilities. In addition, 227,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited held by the Group with carrying amounts of approximately HK\$577,589,000 (31 March 2019: approximately HK\$910,671,000) were also pledged to lender(s) to secure loan facilities granted to the Group.

### **Material Acquisition and Disposal**

There was no material acquisition or disposal of subsidiaries or associates during the year.

### **Foreign Exchange Exposure**

The majority of the Group's income and expenses are settled in Renminbi and Hong Kong dollars. During the year, 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**

As at 31 March 2020, the Group had no material contingent liabilities (31 March 2019: Nil).

### **Capital Commitment**

As at 31 March 2020, the Group had no material capital commitment (31 March 2019: Nil).

### **Human Resources**

As at 31 March 2020, the Group employed approximately 158 employees (31 March 2019: 160). The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus. The Group maintained a share option scheme in place for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the year ended 31 March 2020.

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

During the year ended 31 March 2020, 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")**

Throughout the year under review, the Company had complied, to the extent applicable and permissible, with the code provision as set out in the Corporate Governance Code (the "CG Code") except for the deviations as stated below:

- (i) The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. Currently, all Directors (including independent non-executive Directors) was not appointed for a specific term but all Directors are subject to retirement by rotation and reelection at the annual general meeting ("AGM") in accordance with the Articles of Association ("Articles"). Moreover, according to the Articles, all Directors newly appointed to fill a casual vacancy are subject to election at the next following general meeting following their appointments. Code provision D.1.4 of the CG Code stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. All Directors, except independent non-executive Directors, have formal letters of appointment. The independent non-executive Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. The independent non-executive Directors clearly understand role and responsibilities of independent non-executive Directors. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those prescribed by code provisions A.4.1 and D.1.4 of the CG Code and therefore does not intend to take any steps in this regard at the moment.
- (ii) The code provision E.2.1 of the CG Code stipulates that the chairman of the Board should attend the AGM to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2019 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the deputy chairman and executive director of the Company, attended the AGM on 29 August 2019 and was delegated to make himself available to answer questions if raised at the meeting.

(iii) The code provision A2.7 stipulates that the chairman of the board should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present. Due to the various other business engagement, the Chairman of the Board did not meet up with the independent non-executive directors during the year. Although the Chairman did not hold any formal meeting with the non-executive Directors without the presence of executive Directors during the year, he delegated the Company Secretary to gather any opinions/questions that the non-executive Directors might have and report to him for follow up. As such, the non-executive Directors of the Company were given opportunities to voice their concerns to the Chairman directly.

Notwithstanding the aforesaid deviations, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

### **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 of the Listing Rules (the “**Model Code**”) as its code of conduct regarding the directors' securities transaction. Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period. The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the above-mentioned written guidelines by the relevant employees of the Company was noted by the Company.

### **PUBLICATION OF THE ANNUAL REPORT**

The annual report of the Group for the year ended 31 March 2020 will be published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.everchina202.com.hk](http://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 June 2020

*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.*