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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 2019

FINANCIAL HIGHLIGHTS

- Loss for the period amounted to HK\$267,634,000, representing a decrease of 46.1% as compared to the same period in 2018.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).
- At 30 September 2019, total equity amounted to HK\$2,214,232,000, representing a decrease of 14.3% as compared to HK\$2,584,656,000 as at 31 March 2019.
- At 30 September 2019, net assets per share was HK\$0.30, representing a decrease of 16.7% as compared to HK\$0.36 as at 31 March 2019.

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 2019, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		For the six months ended	
		30 September	
	<i>Notes</i>	2019	2018
		<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue	3	69,882	(1,995)
Cost of sales		(23,397)	(5,090)
Other income and gain, net	4	2,889	7,445
Staff costs		(16,661)	(16,574)
Depreciation		(7,837)	(7,431)
Administrative costs		(16,272)	(16,739)
Other operating expenses		(14,794)	–
Loss arising on change in fair value less costs to sell on biological assets		(1,437)	–
Loss arising on change in fair value of investment properties		(21,111)	(1,149)
Loss arising on change in fair value of financial assets at fair value through profit or loss		(191,953)	(449,399)
Loss from operations	5	(220,691)	(490,932)
Finance costs	6	(51,608)	(32,724)
Loss before taxation		(272,299)	(523,656)
Taxation	7	4,665	27,408
Loss for the period		(267,634)	(496,248)
Attributable to:			
Owners of the Company		(267,616)	(496,217)
Non-controlling interests		(18)	(31)
		(267,634)	(496,248)
Loss per share attributable to the owners of the Company	8		
— Basic and diluted		HK(3.67) cents	HK(8.16) cents

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	For the six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(267,634)	(496,248)
Other comprehensive income		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation during the period	<u>(102,790)</u>	<u>(167,918)</u>
Total comprehensive loss for the period	<u>(370,424)</u>	<u>(664,166)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(370,406)	(664,135)
Non-controlling interests	<u>(18)</u>	<u>(31)</u>
	<u>(370,424)</u>	<u>(664,166)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019

		At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		1,191,244	1,282,094
Property, plant and equipment		865,818	890,326
Mining rights		178,664	178,664
Goodwill		91,454	91,454
Right-of-use assets		4,174	–
		<hr/> 2,331,354 <hr/>	<hr/> 2,442,538 <hr/>
Current assets			
Inventories		9,686	7,664
Biological assets		21,120	17,951
Trade and other receivables and prepayments	<i>10</i>	157,393	176,522
Loan receivables	<i>11</i>	42,781	52,475
Financial assets at fair value through profit or loss		669,309	911,924
Cash and cash equivalents		21,705	79,975
		<hr/> 921,994 <hr/>	<hr/> 1,246,511 <hr/>
Total assets		<hr/> 3,253,348 <hr/>	<hr/> 3,689,049 <hr/>
Capital and reserves			
Share capital		2,664,298	2,664,298
Reserves		(488,027)	(117,621)
		<hr/> 2,176,271 <hr/>	<hr/> 2,546,677 <hr/>
Equity attributable to owners of the Company		2,176,271	2,546,677
Non-controlling interests		37,961	37,979
		<hr/> 2,214,232 <hr/>	<hr/> 2,584,656 <hr/>
Total equity		<hr/> 2,214,232 <hr/>	<hr/> 2,584,656 <hr/>

		At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		1,963	–
Bank borrowings	13	5,226	5,748
Deferred tax liabilities		115,130	126,839
		<u>122,319</u>	<u>132,587</u>
Current liabilities			
Trade and other payables and deposits received	12	402,375	76,919
Contract liabilities		778	443
Tax payable		6,235	6,286
Lease liabilities		2,225	–
Bank and other borrowings	13	505,184	888,158
		<u>916,797</u>	<u>971,806</u>
Total liabilities		<u>1,039,116</u>	<u>1,104,393</u>
Total equity and liabilities		<u>3,253,348</u>	<u>3,689,049</u>
Net current assets		<u>5,197</u>	<u>274,705</u>
Total assets less current liabilities		<u>2,336,551</u>	<u>2,717,243</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 (the “**HKICPA**”).

The financial information relating to the year ended 31 March 2019 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 2019 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 2019. 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;
- biological assets; and
- financial assets at fair value through profit or loss classified as held for trading

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2019, 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 year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the “new and amendments to HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning from 1 April 2019. A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

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

HKFRS 16 Leases

During the six months ended 30 September 2019, the Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard using the modified retrospective approach, the lease liability is measured based on the remaining lease payments discounting using the incremental borrowing rate as of the date of initial application.

Before the application of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

Upon application of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or the incremental borrowing rate of respective entities if the interest rate implicit to the lease cannot be determined.

At the inception of a contract that contain a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease component from lease components for certain classes of assets if the non-lease components are material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before the date of initial application. Depreciation is charged on a straight-line basis over the shorter of the lease term or the asset's useful life.

When measuring lease liabilities for leases that were classified as operating leases, the Group discount future lease payments using the interest rate implicit to the lease or the incremental borrowing rate as of the date of initial application. The rate applied at 7.96%.

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	8,294
Lease liabilities discounted at relevant incremental borrowing rate	5,555
Less: Recognition exemption — short-term leases	(283)
Lease liabilities as at 1 April 2019	<u>5,272</u>
Current lease liabilities	2,175
Non-current lease liabilities	<u>3,097</u>
	<u>5,272</u>

In summary, the following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 April 2019):

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the six months ended 30 September 2019 are as follow:

	Right-of-use assets <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>
At 1 April 2019	5,272	(5,272)
Depreciation expense	(1,085)	–
Interest expense	–	(120)
Payments	–	1,192
Exchange alignment	(13)	12
	<u>4,174</u>	<u>(4,188)</u>
At 30 September 2019	<u>4,174</u>	<u>(4,188)</u>

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.

	Right-of-use assets <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Accumulated losses <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: Remeasurement	<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>

New and revised HKFRSs 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:

HKFRS 17	Insurance Contract ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 3 (Amendments)	Definition of a Business ³
HKAS 1 and HKAS 8 (Amendments)	Definition of Material ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁴ Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company considered the application of the above 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:

Property investment operation	—	Leasing of rental property in the People's Republic of China (the "PRC") and Hong Kong
Hotel operation	—	Hotel operation in the PRC
Agricultural operation	—	Agricultural farming, cattle raising and sales of Cattle, soybean, corn and rice in the Plurinational State of Bolivia ("Bolivia")
Financing and securities investment operation	—	Provision of financing service and securities investment operation in Hong Kong

Certain operating segments that do not meet the quantitative thresholds are therefore aggregate in “Other operation”. Information regarding the above segments is reported below.

(a) Segment revenue and result

The following is an analysis of the Group’s revenue and results by reportable and operating segment:

	Segment revenue		Segment result	
	For the six months ended 30 September		For the six months ended 30 September	
	2019	2018	2019	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property investment operation	31,496	36,501	1,805	30,354
Hotel operation	17,348	19,700	516	88
Agricultural operation	21,038	398	(5,175)	(2,475)
Financing and securities investment operation	–	(58,594)	(201,743)	(446,539)
Other operation	–	–	(800)	(1,057)
Total	<u>69,882</u>	<u>(1,995)</u>	<u>(205,397)</u>	<u>(419,629)</u>
Interest income and other revenue			2,889	7,445
Unallocated expenses			<u>(18,183)</u>	<u>(78,748)</u>
Loss from operations			(220,691)	(490,932)
Finance costs			<u>(51,608)</u>	<u>(32,724)</u>
Loss before taxation			(272,299)	(523,656)
Taxation			<u>4,665</u>	<u>27,408</u>
Loss for the period			<u><u>(267,634)</u></u>	<u><u>(496,248)</u></u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 September 2019 (for the six months ended 30 September 2018: Nil).

Segment result represents the result generated from each segment without allocation of central administration costs including directors’ salaries, finance costs and income tax expenses. 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

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Segment assets		
Property investment operation	1,219,929	1,340,729
Hotel operation	506,710	541,956
Financing and securities investment operation	712,104	964,412
Agricultural operation	459,881	451,192
Other operation	179,695	179,679
	<hr/>	<hr/>
Total segment assets	3,078,319	3,477,968
Unallocated assets	175,029	211,081
	<hr/>	<hr/>
Consolidated total assets	<u>3,253,348</u>	<u>3,689,049</u>
	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Segment liabilities		
Property investment operation	57,876	67,593
Hotel operation	44,433	47,545
Financing and securities investment operation	270	180
Agricultural operation	74,837	61,078
Other operation	5,948	5,871
	<hr/>	<hr/>
Total segment liabilities	183,364	182,267
Unallocated bank and other borrowings	489,010	887,113
Unallocated liabilities	360,507	28,727
Tax payable	6,235	6,286
	<hr/>	<hr/>
Consolidated total liabilities	<u>1,039,116</u>	<u>1,104,393</u>

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

All assets related to property investment operation, hotel operation, financing and securities investment operation, agricultural operation and other operation are allocated to reportable segments other than certain property, plant and equipment, other non-current assets, other receivables, prepayment and deposits and cash and bank balances that are not attributable to individual segments.

All liabilities related to property investment operation, hotel operation, financing and securities investment operation, agricultural operation and other operation are allocated to reportable segments other than certain other payables, deferred tax liabilities and bank and other borrowings that are not attributable to individual segments.

(c) Other segment information

For the six months ended 30 September 2019 (Unaudited)

	Property Investment operation HK\$'000	Hotel operation HK\$'000	Financing and securities investment operation HK\$'000	Agricultural operation HK\$'000	Other operation HK\$'000	Consolidated total HK\$'000
Other segment information						
Depreciation	53	6,537	-	36	-	6,626
Unallocated amounts						1,211
						<u>7,837</u>
Capital expenditure	-	-	-	11,593	-	11,593
Unallocated amounts						-
						<u>11,593</u>
Fair value change in investment properties	21,111	-	-	-	-	21,111
Fair value change in financial assets at fair value through profit or loss	-	-	191,953	-	-	191,953

For the six months ended 30 September 2018 (Unaudited)

	Property Investment operation HK\$'000	Hotel operation HK\$'000	Financing and securities investment operation HK\$'000	Agricultural operation HK\$'000	Other operation HK\$'000	Consolidated total HK\$'000
Other segment information						
Depreciation	58	6,863	-	351	7	7,279
Unallocated amounts						152
						<u>7,431</u>
Capital expenditure	29	-	-	-	-	29
Unallocated amounts						-
						<u>29</u>
Fair value change in investment properties	1,149	-	-	-	-	1,149
Fair value change in financial assets at fair value through profit or loss	-	-	449,399	-	-	449,399

(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, mining rights, goodwill and other non-current assets (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	
	For the six months ended 30 September		As at 30 September	As at 31 March
	2019	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	–	(58,594)	59,804	55,754
The PRC	48,844	56,201	1,681,489	1,805,808
Indonesia	–	–	179,133	179,134
Bolivia	21,038	398	410,928	401,842
	<u>69,882</u>	<u>(1,995)</u>	<u>2,331,354</u>	<u>2,442,538</u>

(e) **Information from major customers**

Revenue from a major customer which accounted for 10% or more of the Group's total revenue is set out below:

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Agricultural operation - Customer A	<u>20,997</u>	<u>–</u>

3. **REVENUE**

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Property rental	31,496	36,501
Hotel income	17,348	19,700
Sales of financial assets at FYTPL, net	–	(60,725)
Interest income from loan receivables	–	2,131
Income from sale of crops and livestock	21,038	398
	<u>69,882</u>	<u>(1,995)</u>

4. OTHER INCOME AND GAIN, NET

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	156	1,206
Net foreign exchange gain	3	314
Other loan interest income	496	4,403
Sundry income	2,234	1,522
	<u>2,889</u>	<u>7,445</u>

5. LOSS FROM OPERATIONS

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

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	6,752	7,431
Depreciation of right-of-use assets	1,085	–
Impairment loss recognised of trade, other receivable and loan receivable	14,794	–
Operating lease rentals in respect of premises	397	1,578
Gross rental income from investment properties	(31,496)	(36,501)
Less: direct operating expenses from investment properties that generated rental income during the period	5,432	2,542
	<u>5,432</u>	<u>2,542</u>

6. FINANCE COSTS

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
— Bank borrowings	492	–
— Other borrowings	50,996	32,724
— Lease liabilities	120	–
	<u>51,608</u>	<u>32,724</u>

7. TAXATION

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	–	–
The PRC Enterprise Income Tax	2,204	24
Over-provision in prior years	–	(25,498)
	<u>2,204</u>	<u>(25,474)</u>
Deferred tax	<u>(6,869)</u>	<u>(1,934)</u>
	<u>(4,665)</u>	<u>(27,408)</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 six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

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.

During the six months ended 30 September 2018, the Group had received a tax refund of approximately RMB22,183,000 (equivalent to approximately HK\$25,498,000) for tax paid in the previous years.

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.

The Bolivia Corporate Tax

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

8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(267,616)</u>	<u>(496,217)</u>
	For the six months ended 30 September	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>7,294,369,363</u>	<u>6,078,669,363</u>

The diluted loss per share is the same as basic loss per share as the Company had no dilutive potential ordinary share outstanding for the six months ended 30 September 2019 and 2018.

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

9. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 September 2019 and 30 September 2018, nor any dividend been proposed by the board of directors subsequent to the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The ageing 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:

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Trade receivables:		
0 to 30 days	784	6,756
31 to 60 days	889	196
61 to 90 days	763	–
91 to 180 days	153	37
Over 181 days	5,309	98
	<u>7,898</u>	<u>7,087</u>
Prepayment, deposits and other receivables	<u>248,363</u>	<u>263,203</u>
	<u>256,261</u>	<u>270,290</u>
Less: Allowance for expected credit loss	<u>(98,868)</u>	<u>(93,768)</u>
	<u><u>157,393</u></u>	<u><u>176,522</u></u>

The Group's prepayments, deposits and other receivables as 30 September 2019 and 31 March 2019, inter alia, the following:

- (i) other receivable of approximately HK\$39,722,000 (31 March 2019: HK\$42,059,000) paid for acquisition of several potential water plant project in the PRC; and
- (ii) prepayments and other receivable of approximately HK\$35,833,000 (31 March 2019: HK\$37,940,000) paid various contractors for construction of water treatment projects in the PRC.

11. LOAN RECEIVABLES

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Loan receivables	61,006	61,006
Less: Allowance for expected credit loss	<u>(18,225)</u>	<u>(8,531)</u>
	<u><u>42,781</u></u>	<u><u>52,475</u></u>

The amount of approximately HK\$61,006,000 (31 March 2019: HK\$61,006,000) were secured by collateral provided by customers, bearing interest at 5% (31 March 2019: 5%) per annum with fixed repayment terms.

12. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Trade payables:		
0 to 30 days	590	10,057
31 to 60 days	209	275
61 to 90 days	2,267	2,259
	<u>3,066</u>	<u>12,591</u>
Other payables and deposits received	399,309	64,328
	<u>402,375</u>	<u>76,919</u>

Included in other payables as at 30 September 2019 were (i) amounts of interest expenses payable of approximately HK\$1,244,000 (31 March 2019: HK\$18,865,000); (ii) rental deposits received of approximately HK\$3,656,000 (31 March 2019: HK\$5,034,000); (iii) deposit of decoration expenses received from Heilongjiang Interchina of approximately HK\$5,889,000 (31 March 2019: HK\$6,235,000) and (iv) amount due to a related company of approximately HK\$346,111,000 (31 March 2019: Nil).

The amount due to a related company is unsecured, interest free and repayable on demand.

13. BANK AND OTHER BORROWINGS

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Bank borrowings, secured (<i>Note (i)</i>)	21,400	6,794
Other borrowings, secured (<i>Note (ii)</i>)	489,010	887,112
Total borrowings	<u>510,410</u>	<u>893,906</u>
Carrying amounts repayable:		
Within one year	505,184	888,158
Not repayable within one year	5,226	5,748
	<u>510,410</u>	<u>893,906</u>

Notes:

- (i) The bank borrowings is repayable on agreed repayment schedule by installments over period of 8 years bearing interest rate of 6.0% per annum (31 March 2019: 6.0% per annum) and secured by a portion of land.

- (ii) The other borrowings bear interest rate ranging from 5.5% to 12.5% per annum for the six months ended 30 September 2019 (31 March 2019: 5.5% to 12.5% per annum).

During the period ended 30 September 2019, the other borrowings with carrying amount of approximately HK\$350,000,000 had been repaid. The other borrowings with carrying value of approximately HK\$322,222,000 (31 March 2019: HK\$341,175,000) are secured by the Group's investment in Heilongjiang Interchina, whose shares are listed on the Shanghai Stock Exchange and corporate guarantee executed by the Company. The other borrowings with carrying amount of approximately HK\$150,000,000 (31 March 2019: HK\$529,412,000) are secured by the Group's investment properties and hotel property in the PRC and the corporate guarantee executed by the Company.

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

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Hong Kong Dollar	16,788	16,525
Renminbi	472,222	870,587
US Dollar	21,400	6,794
	<u>510,410</u>	<u>893,906</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The Group's revenue for the six months ended 30 September 2019 was approximately HK\$69,882,000, compared with the negative revenue of approximately HK\$1,995,000 over last year, which was mainly due to (i) none of the negative revenue was recognised from sale of financial assets at FVTPL for the period (six months ended 30 September 2018: negative HK\$60,725,000) and (ii) new stream of revenue generated from agricultural operation during the period. The revenue of the agricultural operation for the six months ended 30 September 2019 was HK\$21,038,000 (six months ended 30 September 2018: HK\$398,000).

The Group recorded a loss of approximately HK\$267,634,000 for the six months ended 30 September 2019, representing a decrease of approximately 46.1% as compared to the loss of approximately HK\$496,248,000 for the same period of last year, which was mainly due to the net effect of (i) an unrealised fair value loss on financial assets at fair value through profit and loss of approximately HK\$191,953,000 (six months ended 30 September 2018: HK\$449,399,000); (ii) a loss arising on change in fair value of the Group's investment properties of approximately HK\$21,111,000 (six months ended 30 September 2018: HK\$1,149,000); (iii) provision for impairment losses in respect of expected credit losses on receivables of approximately HK\$14,794,000 (six months ended 30 September 2018: Nil); (iv) an increase in finance cost by approximately HK\$18,883,000 to HK\$51,608,000 (six months ended 30 September 2018: HK\$32,724,000) as a result of increase in interest for other borrowings; and (v) none of tax refund was recognised for the period (six months ended 30 September 2018: HK\$25,498,000).

Loss for the period attributable to shareholders of the Company amounted to approximately HK\$267,616,000 (six months ended 30 September 2018: HK\$496,217,000). The basic and diluted loss per share amounted to HK3.67 cents (six months ended 30 September 2018: HK8.16 cents).

BUSINESS REVIEW

Property Investment Operation

The Group's property investment operation mainly comprise two investment properties located in the centre of Beijing and Shanghai respectively. At 30 September 2019, the Group's investment property was valued at an aggregate value of approximately HK\$1,191,244,000 (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\$21,111,000 was recorded for the period (six months ended 30 September 2018: HK\$1,149,000).

During the period, the Group recorded rental income of approximately HK\$31,496,000 from property investment operation, a decrease by approximately 13.7% when compared with the same period of last year. The decrease in rental income was mainly resulted from the depreciation of RMB against HKD incurred during the period. The overall occupancy rate for the property investment portfolio remaining high at approximately 95% as of 30 September 2019. The segment profit amounted to approximately HK\$1,805,000 (six months ended 30 September 2018: HK\$30,354,000). The decrease in profit was mainly attributable to increase in the loss arising on change in fair value of the Group's investment properties for the period.

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

Hotel Operation

At 30 September 2019, the sole hotel property held by the Group, is the Express by Holiday Inn Wujiaochang Shanghai located in Yangpu District, Shanghai, the PRC, (the “**Hotel**”).

During the period, the Group recorded revenue of approximately HK\$17,348,000 from the Hotel, a decrease by approximately 11.9% when compared with the same period of last year. The average occupancy rate of the Hotel decreased by 8% from the same period of last year to approximately 70% for the current period while the average room rate decreased by 3.7% from the same period of last year to approximately RMB310 for the current period. The segment profit amounted to approximately HK\$516,000, an increase by approximately 486.4% when compared with the same period of last year. The increase in profit was mainly attributable to introduction of cost control measures for this segment during the period.

The Group is in consideration of undergoing renovation works on the Hotel and, if materialised, would expect to maintain competitiveness of the Hotel's occupancy rate and average room tariff.

Agricultural Operation

The Group's agricultural operation engages in agricultural farming and cattle raising in Bolivia. As at 30 September 2019, 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 period, the Group recorded revenue of approximately HK\$21,038,000 from agricultural operation (six months ended 30 September 2018: HK\$398,000). 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 period, approximately 4,300 hectares of soybeans were planted, the average yield was 2.4 ton per hectare with a grain production of approximately 10,300 tonnes. The average selling price of soybean dropped by 14.3% to US\$300/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. Besides as the cattle raising business is at the initial stage, none of cattle was sold during the period.

The segment loss amounted to approximately HK\$5,175,000 (six months ended 30 September 2018: HK\$2,475,000). The loss was mainly due to the impact on average selling price of soybean as a result of US-China trade dispute which nibbled away the profitability of this segment.

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.

Financing and Securities Investment Operation

As at 30 September 2019, total loan receivable under financing operation amounted to approximately HK\$42,781,000 (31 March 2019: HK\$52,475,000) and total securities investment, which was booked under financial assets at fair value through profit or loss amounted to approximately HK\$669,309,000 (31 March 2019: HK\$911,924,000), representing 30.2% (31 March 2019: 35.3%) of the Group's net assets of HK\$2,214,232,000 (31 March 2019: HK\$2,584,656,000).

As at 30 September 2019, 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 HK\$264,221,000 at 30 September 2019 (31 March 2019: HK\$279,763,000). 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 RMB2.65 per share as at 30 September 2019. The Group recorded an unrealised loss of investment at fair value through profit or loss of HK\$191,953,000 for the investment in Heilongjiang Interchina for the period.

As disclosed in the latest interim report of Heilongjiang Interchina for the six months ended 30 June 2019, Heilongjiang Interchina recorded revenue of approximately RMB179,490,000 (equivalent to approximately HK\$199,433,000), profit for the period of approximately RMB11,637,000 (equivalent to approximately HK\$12,930,000) and net assets of approximately RMB3,506,730,000 (equivalent to approximately HK\$3,896,367,000). 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 30 September 2019, the management had engaged an independent qualified valuer to determine the expected credit losses of the Group's loan receivables and impairment loss on loan receivables of approximately HK\$9,694,000 was recognised for the period (six months ended 30 September 2018: Nil).

During the period, the Group did not grant any new loan nor make any new securities investment in this segment. This segment did not contribute any revenue to the Group for the period (six months ended 30 September 2018: HK\$2,131,000). The segment loss amounted to approximately HK\$201,743,000 for the period, as compared to the loss of approximately HK\$446,539,000 from the same period of last year. The decrease in loss was mainly due to the decrease in loss arising on change in fair value of the financial assets at fair value through profit or loss.

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

Other Operation

The Group's other operation represents the manganese mining right in Indonesia. Production has not been commenced. As at 30 September 2019, the carrying value of the mining right amounted to HK\$178,664,000 (31 March 2019: HK\$178,664,000). There was no significant change in the estimate resources during the period.

As the Group had decided not to invest more resources in natural resources operation, no income was generated from this segment for the period (for six months ended 30 September 2018: Nil). Loss for the period amounted to HK\$800,000 (for six months ended 30 September 2018: HK\$1,057,000). The loss was mainly represented the administrative expenses for the period.

Nevertheless, the Group will closely monitor the market conditions and not preclude the chance of realizing its investment in this sector should the opportunity arise.

OUTLOOK

Looking ahead, the external environment will remain unstable. 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 30 September 2019, the equity reached approximately HK\$2,214,232,000 (31 March 2019: approximately HK\$2,584,656,000). At 30 September 2019, the Group's cash on hand and deposits in bank was approximately HK\$21,705,000 (31 March 2019: approximately HK\$79,975,000), mainly denominated in Renminbi (“**RMB**”) and Hong Kong dollars. At 30 September 2019, the Group's net current assets were approximately HK\$5,197,000 (31 March 2019: approximately HK\$274,705,000). The current ratio of the Group as at 30 September 2019 was 1.01 (31 March 2019: 1.28). The gearing ratio (total outstanding borrowings over total assets) of the Group as of 30 September 2019 was 15.7% (31 March 2019: 24.2%).

At 30 September 2019, the Group's total borrowings of approximately HK\$510,410,000 of which approximately HK\$505,184,000 (31 March 2019: approximately HK\$888,158,000) were repayable within one year and approximately HK\$5,226,000 (31 March 2019: approximately HK\$5,748,000) were repayable within two to five years. As at 30 September 2019, the Group's borrowings were denominated in RMB, HKD and USD, amounting to approximately RMB425,000,000 (31 March 2019: approximately RMB740,000,000), approximately HK\$16,788,000 (31 March 2019: approximately HK\$16,525,000) and approximately US\$2,744,000 (31 March 2019: approximately US\$871,000) respectively.

The Group had no particular seasonal pattern of borrowing. During the period, 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, for the purpose of repaying the other borrowings of the Group. It is unsecured, interest free and repayable on demand. As at 30 September 2019, the amount payable to Shanghai Pengxin is RMB311,500,000 (equivalent to approximately HK\$346,111,000).

There has been no change in the share capital of the Company during the period. As at 1 April 2019 and 30 September 2019, the number of issued shares of the Company was 7,294,369,363.

Pledged of Assets

At 30 September 2019, the Group's investment properties with carrying amounts of approximately HK\$596,667,000 (31 March 2019: approximately HK\$655,294,000) and hotel property with carrying amounts of approximately HK\$453,043,000 (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\$668,389,000 (31 March 2019: approximately HK\$910,671,000) 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

As at 30 September 2019, the Group had no material contingent liabilities (31 March 2019: Nil).

Capital Commitment

As at 30 September 2019, the Group had no material capital commitment (31 March 2019: Nil).

Material Acquisition and Disposal

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 2019 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 2019, the Group employed approximately 160 employees (31 March 2019: approximately 160). 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 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE CODE

Throughout the period 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 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 re-election 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 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.

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 2019 (six months ended 30 September 2018: Nil).

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2019 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 2019 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, 28 November 2019

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.