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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 2023**

FINANCIAL HIGHLIGHTS

- Loss for the period amounted to HK\$186,896,000, representing an increase in loss of approximately HK\$132,724,000 as compared to the same period in 2022.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).
- At 30 September 2023, total equity amounted to HK\$1,278,661,000, representing a decrease of 16.0% as compared to HK\$1,521,716,000 as at 31 March 2023.
- At 30 September 2023, net assets per share was HK\$0.18, representing a decrease of 14.3% as compared to HK\$0.21 as at 31 March 2023.

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 2023, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	<i>Notes</i>	For the six months ended	
		30 September	
		2023	2022
		<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue	3	44,605	73,748
Cost of sales		(23,732)	(27,647)
Gross profit		20,873	46,101
Other income, net	4	(16,801)	998
General and administrative costs		(40,561)	(39,048)
Impairment loss recognised on property, plant and equipment		(20,545)	–
Reversal of/(allowance for) expected credit losses (“ECL”) on trade and other receivables, net		241	(4,930)
Loss on change in fair value less costs to sell on biological assets		(10,892)	(8,125)
Loss on change in fair value of investment properties		(78,462)	(70,588)
Gain on change in fair value of financial assets at fair value through profit or loss		–	42,788
Loss from operations	5	(146,147)	(32,804)
Finance costs	6	(14,184)	(25,034)
Loss before taxation		(160,331)	(57,838)
Tax (expenses)/credit	7	(26,565)	3,666
Loss for the period		(186,896)	(54,172)

	For the six months ended	
	30 September	
<i>Notes</i>	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Attributable to:		
Owners of the Company	(186,884)	(54,156)
Non-controlling interests	(12)	(16)
	<u>(186,896)</u>	<u>(54,172)</u>
Loss per share attributable to the owners of the Company	8	
— Basic and diluted	<u>HK(2.562) cents</u>	<u>HK(0.742) cents</u>

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	For the six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(186,896)	(54,172)
Other comprehensive expenses		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(56,159)</u>	<u>(128,681)</u>
Total comprehensive expenses for the period	<u>(243,055)</u>	<u>(182,853)</u>
Total comprehensive expenses attributable to:		
Owners of the Company	(243,043)	(182,837)
Non-controlling interests	<u>(12)</u>	<u>(16)</u>
	<u>(243,055)</u>	<u>(182,853)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2023

	<i>Notes</i>	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		783,261	900,000
Property, plant and equipment		767,600	812,721
Right-of-use assets		1,215	224
Mining rights		52,947	52,947
Interest in an associate		544	568
		<u>1,605,567</u>	<u>1,766,460</u>
Current assets			
Inventories		11,102	7,461
Biological assets		28,385	32,663
Trade and other receivables and prepayments	<i>10</i>	15,946	34,934
Financial assets at fair value through profit or loss		–	656,107
Cash and cash equivalents		72,288	60,746
		<u>127,721</u>	<u>791,911</u>
Total assets		<u>1,733,288</u>	<u>2,558,371</u>
Capital and reserves			
Share capital		2,664,298	2,664,298
Reserves		(1,417,402)	(1,174,359)
		<u>1,246,896</u>	<u>1,489,939</u>
Equity attributable to owners of the Company		1,246,896	1,489,939
Non-controlling interests		31,765	31,777
		<u>1,278,661</u>	<u>1,521,716</u>
Total equity		<u>1,278,661</u>	<u>1,521,716</u>

		At 30 September <i>Notes</i> 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		578	–
Deferred tax liabilities		60,437	69,542
		61,015	69,542
Current liabilities			
Trade and other payables and deposits received	<i>11</i>	131,871	84,820
Lease liabilities		645	235
Tax payable		6,237	6,237
Bank and other borrowings		254,859	285,660
Amount due to a related company	<i>12</i>	–	590,161
		393,612	967,113
Total liabilities		454,627	1,036,655
Total equity and liabilities		1,733,288	2,558,371
Net current liabilities		(265,891)	(175,202)
Total assets less current liabilities		1,339,676	1,591,258

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2023.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 March 2023, except for the adoption of the revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “HKFRSs”) as disclosed below.

The condensed consolidated financial statements have been prepared on historical cost basis except that the following assets and liabilities are stated at their fair value:

- investment properties;
- biological assets; and
- certain financial instruments that are measured at fair value at the end of reporting period.

Going concern

The Group recorded loss of approximately HK\$186,896,000 for the six months ended 30 September 2023 and it had net current liabilities of approximately HK\$265,891,000 as at 30 September 2023. In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the condensed consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

- (1) The Group is in active negotiations with certain intended purchasers for disposal of the hotel property and/or certain investment properties of the Group to enhance its liquidity position;
- (2) At 30 September 2023, the bank and other borrowings to the extent of approximately HK\$254,859,000 will be due for repayment within twelve months. The Company is actively negotiating with the lenders of the Group on the renewal of other borrowings;
- (3) A substantial shareholder of the Company has agreed to continuously provide financial support for the operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the next twelve months from date of approval for issue of these condensed consolidated financial statements;

- (4) Soliciting for further financing arrangements which include funding from related companies of the Group; and
- (5) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

Based on the Group’s cash flow projections, taking into account of the above measures covering a period of twelve months from the date of issue of these condensed consolidated financial statements, the directors of the Company consider that the Group would be able to finance its operations and to meet its financial obligations as and when they fall due.

The financial information relating to the year ended 31 March 2023 that is included in these condensed consolidated financial statements 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 is as follows:

The Company has delivered the financial statements for the year ended 31 March 2023 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 those financial statements for the year ended 31 March 2023. The auditors’ report was unqualified; but include a reference to a matter to which the auditor drew attention by way of emphasis under the heading “Material Uncertainty Related to Going Concern” without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Application of amendments to HKFRSs

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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:

Agricultural operation	—	Agricultural farming and sales of crops and cattle raising and sales of cattle in the Plurinational State of Bolivia (“ Bolivia ”)
Property investment operation	—	Leasing of rental property in the PRC
Hotel operation	—	Hotel operation in the PRC
Securities investment and financing operation	—	Provision of securities investment and financing operation in Hong Kong and the PRC
Resources operation	—	Mining and production of manganese products in Republic of Indonesia (“ Indonesia ”)

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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Agricultural operation	30,151	42,183	(11,242)	4,842
Property investment operation	14,454	13,573	(71,031)	(59,850)
Hotel operation	—	17,992	(31,330)	(566)
Securities investment and financing operation	—	—	(28)	42,767
Resources operation	—	—	(314)	(376)
Total	<u>44,605</u>	<u>73,748</u>	<u>(113,945)</u>	<u>(13,183)</u>
Other income, net			(16,801)	998
Finance costs			(14,184)	(25,034)
Unallocated expenses			<u>(15,401)</u>	<u>(20,619)</u>
Loss before taxation			<u>(160,331)</u>	<u>(57,838)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

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

(b) Segment assets and liabilities

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Segment assets		
Agricultural operation	427,683	445,836
Property investment operation	840,367	930,192
Hotel operation	372,928	426,865
Securities investment and financing operation	–	656,111
Resources operation	53,508	53,499
	<hr/>	<hr/>
Total segment assets	1,694,486	2,512,503
Unallocated assets	38,802	45,868
	<hr/>	<hr/>
Consolidated total assets	<u>1,733,288</u>	<u>2,558,371</u>
	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Segment liabilities		
Agricultural operation	52,307	46,821
Property investment operation	20,075	23,499
Hotel operation	45,670	42,538
Securities investment and financing operation	12	24
Resources operation	1,316	1,285
	<hr/>	<hr/>
Total segment liabilities	119,380	114,167
Unallocated borrowings	254,859	285,660
Unallocated liabilities	74,151	630,591
Tax payable	6,237	6,237
	<hr/>	<hr/>
Consolidated total liabilities	<u>454,627</u>	<u>1,036,655</u>

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

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

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

(c) Other segment information

For the six months ended 30 September 2023 (Unaudited)

	Agricultural operation <i>HK\$'000</i>	Property investment operation <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Securities investment and financing operation <i>HK\$'000</i>	Resources operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
Other segment information							
Depreciation of property, plant and equipment	3,797	183	6,322	-	-	385	10,687
Depreciation of right-of-use assets	-	-	-	-	-	335	335
Capital expenditure (<i>Note</i>)	3,859	7	-	-	-	-	3,866
Loss on change in fair value of investment properties	-	78,462	-	-	-	-	78,462
Impairment loss recognised on property, plant and equipment	-	-	20,545	-	-	-	20,545
Loss on change in fair value less costs to sell on biological assets	10,892	-	-	-	-	-	10,892
Reversal of ECL on trade and other receivables, net	(33)	-	(143)	-	-	(65)	(241)

Note: Capital expenditure includes addition to property, plant and equipment, excluding biological assets.

For the six months ended 30 September 2022 (Unaudited)

	Agricultural operation <i>HK\$'000</i>	Property investment operation <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Securities investment and financing operation <i>HK\$'000</i>	Resources operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
Other segment information							
Depreciation of property, plant and equipment	2,833	314	6,745	–	–	24	9,916
Depreciation of right-of-use assets	–	–	–	–	–	335	335
Capital expenditure (<i>Note</i>)	2,256	–	–	–	–	473	2,729
Loss on change in fair value of investment properties	–	70,588	–	–	–	–	70,588
Gain on change in fair value of financial assets at fair value through profit or loss	–	–	–	(42,788)	–	–	(42,788)
Loss on change in fair value less costs to sell on biological assets	8,125	–	–	–	–	–	8,125
Allowance for/(reversal of) ECL on trade and other receivables, net	<u>(2)</u>	<u>–</u>	<u>82</u>	<u>–</u>	<u>–</u>	<u>4,850</u>	<u>4,930</u>

Note: Capital expenditure includes addition to property, plant and equipment, excluding biological assets.

(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 and mining rights (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		At	At
	30 September	2022	30 September	31 March
	2023	2022	2023	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	–	–	25,342	25,305
The PRC	14,454	31,565	1,154,745	1,315,714
Bolivia	30,151	42,183	371,989	371,926
Indonesia	–	–	52,947	52,947
	<u>44,605</u>	<u>73,748</u>	<u>1,605,023</u>	<u>1,765,892</u>

* Specified non-current assets exclude interest in an associate

(e) **Information about major customers**

Revenue from a major customer which contributing over 10% of the Group's total revenue is set out below:

	For the six months ended	
	30 September	2022
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Agricultural operation — Customer A	<u>27,592</u>	<u>36,387</u>

3. REVENUE

Revenue is analysed as follow:

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from contracts with customers		
Hotel income	–	17,992
Agricultural operation	<u>30,151</u>	<u>42,183</u>
	<u>30,151</u>	<u>60,175</u>
Timing of revenue recognition		
A point of time:		
Agricultural operation	30,151	42,183
Hotel income — food and beverage	–	5,584
Over time:		
Hotel income — hotel room services	<u>–</u>	<u>12,408</u>
	<u>30,151</u>	<u>60,175</u>
Revenue from other sources		
Property rental income	<u>14,454</u>	<u>13,573</u>
	<u>44,605</u>	<u>73,748</u>

As permitted under HKFRS 15 paragraph 121, it does not disclose the (i) aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period, and (ii) information about when the Group expects to recognise as revenue, as the Group's contracts with customers generally have an original expected duration of one year or less.

4. OTHER INCOME, NET

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	277	30
Other interest income	214	321
Net foreign exchange gain/(loss)	69	(171)
Investment income	–	30
Government grant (<i>Note</i>)	–	279
Loss on early repayment of amount due to a related company (<i>note 12</i>)	(17,444)	–
Sundry income	83	509
	<u>83</u>	<u>509</u>
	<u>(16,801)</u>	<u>998</u>

Note: For the six months ended 30 September 2023, the Group recognised government grants of approximately HK\$Nil provided by the Hong Kong Special Administrative Region Government (for the six months ended 30 September 2022: approximately HK\$279,000).

5. LOSS FROM OPERATIONS

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

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	10,687	9,916
Depreciation of right-of-use assets	335	335
(Reversal of)/allowance for ECL on trade and other receivables, net	(241)	4,930
Short-term lease payment	124	134
Expenses relating to leases of low value assets	17	17
Gross rental income from investment properties	(14,454)	(13,573)
Less: direct operating expenses from investment properties that generated rental income during the period	607	611
	<u>(13,847)</u>	<u>(12,962)</u>

6. FINANCE COSTS

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
— Bank borrowings	467	–
— Other borrowings	12,776	13,309
— Lease liabilities	20	22
Imputed interest on amount due to a related company	921	11,703
	<u>14,184</u>	<u>25,034</u>

7. TAX EXPENSES/(CREDIT)

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
— Enterprise Income Tax	33,033	785
— Withholding Tax	1,114	–
	<u>34,147</u>	785
Deferred tax credit	<u>(7,582)</u>	<u>(4,451)</u>
Tax expenses/(credit)	<u>26,565</u>	<u>(3,666)</u>

Hong Kong Profits Tax

Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision has been made as the Group had no assessable profit for the six months ended 30 September 2023 (six months ended 30 September 2022: 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.

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in the Indonesia is 22% for the six months ended 30 September 2023 (six months ended 30 September 2022: 22%). No Indonesia Corporate Tax was recognised as the subsidiary in the Indonesia has no estimated assessable profit for both periods.

The Bolivia Corporate Tax

The corporate tax rate applicable to the subsidiaries which are operating in Bolivia is 25% for the six months ended 30 September 2023 (six month ended 30 September 2022: 25%). Bolivia Corporate Tax was recognised as the subsidiary in Bolivia has estimated assessable profit for the six months ended 30 September 2023. The Bolivia withholding tax represents tax charged by the Bolivia tax authority on dividends at 12.5% of distribution by the Group's Bolivia subsidiaries during the six months ended 30 September 2023.

8. LOSS PER SHARE

	For the six months ended 30 September	
	2023	2022
	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>(186,884)</u>	<u>(54,156)</u>
	For the six months ended 30 September	
	2023	2022
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>7,294,369,363</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 six months ended 30 September 2023 and 2022.

9. INTERIM DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the six months ended 30 September 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Trade receivables		
0 to 30 days	–	1,689
31 to 60 days	–	–
61 to 90 days	–	693
91 to 180 days	–	6,038
Over 180 days	–	3,069
	<hr/>	<hr/>
	–	11,489
Other receivables and deposits	161,348	165,504
	<hr/>	<hr/>
	161,348	176,993
Less: allowance for ECL, net	(153,646)	(157,412)
	<hr/>	<hr/>
Prepayments	7,702	19,581
	8,244	15,353
	<hr/>	<hr/>
	15,946	34,934
	<hr/> <hr/>	<hr/> <hr/>

The average credit period granted to customers is 60 to 90 days (31 March 2023: 60 to 90 days).

The Group's other receivables and prepayments as at 30 September 2023 and 31 March 2023, mainly include other receivables of approximately HK\$124,099,000 (31 March 2023: HK\$126,570,000) paid for acquisition and construction of several potential water plant projects in the PRC.

11. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables		
0 to 30 days	623	640
31 to 60 days	9,911	9,911
Over 60 days	2,508	5,101
	<u>13,042</u>	15,652
Other payables and deposits received	<u>118,829</u>	<u>69,168</u>
	<u><u>131,871</u></u>	<u><u>84,820</u></u>

The average credit period granted by suppliers is 30 to 60 days (31 March 2023: 30 to 60 days).

The Group's other payables and deposits received as at 30 September 2023 and 31 March 2023, inter alia, the followings:

- (i) interest payable of approximately HK\$5,819,000 (31 March 2023: HK\$6,514,000);
- (ii) deposit of decoration expenses received from Heilongjiang Interchina of approximately HK\$5,761,000 (31 March 2023: HK\$6,023,000);
- (iii) amount due to a director of the Company of approximately HK\$52,719,000 (31 March 2023: HK\$23,047,000) which is unsecured, unguaranteed, interest-free and repayable on demand;
- (iv) deposit received for disposal of hotel property of approximately HK\$5,435,000 (31 March 2023: HK\$Nil);
- (v) rental deposit received from customers of approximately HK\$3,960,000 (31 March 2023: HK\$2,563,000); and
- (vi) deposit received for disposal of an equity interest of a wholly-owned subsidiary of the Company of approximately HK\$18,000,000 (31 March 2023: HK\$Nil).

12. AMOUNT DUE TO A RELATED COMPANY

Pursuant to the disposal agreements dated 9 August 2022 entered into between Interchina (Tianjin) Water Treatment Company Limited (“**Interchina Tianjin**”), a wholly-owned subsidiary of the Company, Mr. Jiang Zhaobai (“**Mr. Jiang**”), a substantial shareholder and the executive director and chairman of the Company and Shanghai Pengxin (Group) Company Limited (“**Shanghai Pengxin**”), a related company of the Group which is owned as 99% by Mr. Jiang, the parties agreed that Interchina Tianjin disposed the shares in the share capital of Heilongjiang Interchina Water Treatment Company Limited to Mr. Jiang. Part of the consideration of RMB536,053,333.34 payable to Interchina Tianjin shall be set-off against the amount due to Shanghai Pengxin and the remaining consideration of RMB41,320,416.66 shall be paid in cash by Shanghai Pengxin. Upon completion, the amount due to Shanghai Pengxin is fully paid off and the Group shall no longer owe Shanghai Pengxin any amount. The Company discharged the full amount of amount due to a related company in April 2023 due to completion of the disposal agreements.

As at 31 March 2023, the amount due to a related company denominated in RMB represents an unsecured and unguaranteed amount from Shanghai Pengxin. The amounts are repayable on demand. The borrowing is carried at amortised cost using the effective interest method. The effective interest rate applied was 10.6% per annum.

As at 31 March 2023, the principal amount of amount due to a related company of approximately HK\$590,161,000 is unsecured, unguaranteed, interest-free and repayable on demand from Shanghai Pengxin.

13. EVENTS AFTER THE REPORTING PERIOD

On 30 October 2023, the Company and Interchina Corporate Services Limited, a wholly-owned subsidiary of the Company entered into brought and sold notes with an independent third party of the Company and its connected persons, to disposal the entire equity interest in Jet Source Investments Limited, a wholly-owned subsidiary of the Company at the consideration of HK\$21,000,000 (the “**Disposal**”). The sole asset owned by Jet Source Investments Limited is the residential property located in Unit 17, 27/F., Apartment Tower, Western Side of Convention Plaza, Wan Chai, Hong Kong which was classified as building in the property, plant and equipment of the Group. The Disposal did not constitute notifiable transaction under the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

For the six months ended 30 September 2023, the Group's revenue amounted to approximately HK\$44,605,000 (six months ended 30 September 2022: HK\$73,748,000), representing a decrease of approximately 39.5% as compared to the same period of last year. Such decrease was mainly due to none of revenue recognised from hotel operation (six months ended 30 September 2022: HK\$17,992,000) and revenue from agricultural operation decreased by approximately 28.5% to approximately HK\$30,151,000 (six months ended 30 September 2022: HK\$42,183,000).

The Group recorded a loss of approximately HK\$186,896,000 for the six months ended 30 September 2023 (six months ended 30 September 2022: HK\$54,172,000), representing an increase of approximately 2.5 times as compared to the same period of last year. The loss was mainly due to the net effect of (i) a decrease in gross profit by 54.7% to approximately HK\$20,873,000 (six months ended 30 September 2022: HK\$46,101,000); (ii) an impairment loss recognised on the property, plant and equipment of approximately HK\$20,545,000 (six months ended 30 September 2022: Nil); (iii) an increase in loss on change in fair value of the Group's investment properties by 11.2% to approximately HK\$78,462,000 (six months ended 30 September 2022: HK\$70,588,000); and (iv) in absence of gain on change in fair value of financial assets at fair value through profit and loss (six months ended 30 September 2022: HK\$42,788,000).

Loss for the period attributable to owners of the Company amounted to approximately HK\$186,884,000 (six months ended 30 September 2022: HK\$54,156,000). The basic and diluted loss per share amounted to approximately HK2.562 cents for the six months ended 30 September 2023 (six months ended 30 September 2022: HK0.742 cents).

BUSINESS REVIEW

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

Agricultural operation

The Group's agricultural operation engages in agricultural farming and cattle raising in Bolivia. As at 30 September 2023, the Group totally owns approximately 18,730 hectares of farmland in Bolivia with carrying value of approximately HK\$345,213,000 (31 March 2023: HK\$345,213,000). As at 30 September 2023, the Group raised cattle of 2,560 heads (31 March 2023: 2,492 heads).

During the period, revenue generated from agricultural operation decreased by 28.5% to approximately HK\$30,151,000 (six months ended 30 September 2022: HK\$42,183,000), which account for 67.6% of total revenue of the Group. Revenue from sale of crops amounted to approximately HK\$28,817,000 (six months ended 30 September 2022: HK\$40,674,000) whereas revenue from sale of cattle amounted to HK\$1,334,000 (six months ended 30 September 2022: HK\$1,509,000). The major crops of the farm is soybean. During the period, approximately 5,000 hectare of soybeans was planted (six months ended 30 September 2022: 4,200 hectare), the average yield was 1.8 ton per hectare (six months ended 30 September 2022: 2.4 ton per hectare) with a grain production of approximately 9,200 tons (six months ended 30 September 2022: 10,100 tons). The average selling price of soybean was US\$380/MT, representing a decrease of 17.4% as compared to the same period of last year. This segment recorded a loss of approximately HK\$11,242,000 (six months ended 30 September 2022: profit of HK\$4,842,000). The loss was driven by lower average selling price and lower selling volume of soybean for the period.

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.

Property Investment Operation

The Group's property investment operation mainly comprise two investment properties located in the centre of Beijing and Shanghai (collectively referred to as the "**Beijing Property**" and "**Shanghai Property**") respectively. At 30 September 2023, the Beijing Property was valued at approximately HK\$466,957,000 (31 March 2023: HK\$545,455,000) and the Shanghai Property was valued at approximately HK\$316,304,000 (31 March 2023: HK\$354,545,000). Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK\$78,462,000 was recorded for the six months ended 30 September 2023 (six months ended 30 September 2022: HK\$70,588,000).

During the period, rental income generated from property investment operation increased by 6.5% to approximately HK\$14,454,000 (six months ended 30 September 2022: HK\$13,573,000), which accounted for 32.4% of total revenue of the Group. As at 30 September 2023, the average occupancy rate of the Beijing Property and the Shanghai Property reached 86% and 83% respectively. The segment loss amounted to approximately HK\$71,031,000 (six months ended 30 September 2022: HK\$59,850,000). Such increase was mainly attributable to the increase in the loss on changes in fair value of the Group's investment properties as compared to the same period of last year.

The Group will make every endeavour to increase its rental income. The Group will also closely monitor the market condition and will not eliminate the possibility of realising part of the Shanghai Properties in order to enhance the Group's working capital if necessary and when timing is appropriate.

Hotel Operation

At 30 September 2023, the sole hotel property held by the Group, is the Holiday Inn Express Shanghai Wujiaochang (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. The Hotel is currently closed, awaiting for refurbishment or disposal. Based on the independent valuation performed, an impairment loss of approximately HK\$20,545,000 was recognised on the hotel property for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil). At 30 September 2023, the carrying value of the hotel property amounted to approximately HK\$363,746,000 (31 March 2023: HK\$408,276,000).

During the period, none of revenue generated from hotel operation (six months ended 30 September 2022: HK\$17,992,000). This segment recorded a loss of approximately HK\$31,330,000 (six months ended 30 September 2022: HK\$566,000), representing an increase by approximately 54.4 times when compared with the same period of last year. The loss mainly represented the impairment loss of approximately HK\$20,545,000 recognised on the hotel property and the depreciation and administrative expenses for the period.

The construction of the hotel properties was completed in 2007 and the Hotel has been in operation since December 2007. Except for minor facilities upgrade/improvement carried out regularly, a material renovation of the Hotel has not been conducted. It is expected the Hotel has a strong need to upgrade its facilities to tailor for the demand and expectation of its guests.

On 24 May 2023, the Group entered into a non-legal binding memorandum of understanding with an intended purchaser in relation to the proposed disposal of the Hotel at the proposed consideration of RMB360,000,000 (equivalent to approximately HK\$391,304,000). However, no sale and purchase agreement has been entered. The Group is planning to realise the value of the Hotel in order to enhance the Group's working capital if necessary and when timing is appropriate.

Securities Investment and Financing Operation

On 9 August 2022, Interchina (Tianjin) Water Treatment Company Limited (“**Interchina (Tianjin)**”), a wholly-owned subsidiary of the Company entered into disposal agreements (the “**Disposal Agreements**”) with Shanghai Pengxin (Group) Company Limited (“**Shanghai Pengxin**”), a company owned as to 99% by Mr. Jiang Zhaobai (“**Mr. Jiang**”), an executive Director, the Chairman and a substantial shareholder of the Company and Mr. Jiang, pursuant to which Interchina (Tianjin) has conditionally agreed to sell and Shanghai Pengxin and Mr. Jiang have conditionally agreed to purchase total 227,312,500 shares in Heilongjiang Interchina Water Treatment Company Limited (“**Heilongjiang Interchina**”, whose shares are listed on Shanghai Stock Exchange, stock code: 600187) at an aggregate consideration of RMB577,373,750 (equivalent to approximately HK\$656,107,000). The transaction constitutes a major and connected transaction of the Company under the Listing Rules. Details of the transaction were set out in the Company's circular dated 23 September 2022. The transaction was completed on 14 April 2023.

This segment did not contribute any revenue to the Group for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil). The segment loss amounted to approximately HK\$28,000 (six months ended 30 September 2022: profit of approximately HK\$42,767,000). The loss was mainly due to in absence of any gain of arising on change in fair value of the financial asset at fair value through profit or loss for the period (six months ended 30 September 2022: gain of HK\$42,788,000) as a result of the disposal of the shares in Heilongjiang Interchina was completed during the period.

As at 30 September 2023, the Group did not hold any securities investment, which was booked under financial asset at fair value through profit and loss (31 March 2023: HK\$656,107,000, representing 25.6% of the Group's total assets of HK\$2,558,371,000). As at 31 March 2023, the Group's securities investment solely represented 227,312,500 shares of Heilongjiang Interchina, representing 14.09% Heilongjiang Interchina's total issued shares. The cost of investment in Heilongjiang Interchina's share was approximately RMB1.1059 at 31 March 2023. 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 Group is considering to cease the operation of this segment in order to allocate more resources in other segment of the Group.

Resources Operation

Resources operation represents mainly the Group's resources operation in Indonesia. The Group holds a mining licence to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in the district of Kupang City Nusantara Timor Tenggara, Indonesia for a period of 20 years which should expire on 4 November 2031, with estimated resources of approximately 18,800,000 tonnes (the “**Mining Right**”). Production has not been commenced since the Group acquired the Mining Right in November 2011.

This segment did not contribute any revenue to the Group for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil). The segment loss amounted to approximately HK\$314,000 (six months ended 30 September 2022: HK\$376,000). The loss mainly represented the administrative cost for the period.

The Group will keep a conservative attitude in the operation and closely monitor the market conditions as well as consider other options such as cooperation with other party which has experience in the development and investment in resource operation and/or realisation of the investment should the opportunities arise.

OUTLOOK

Amid the political and economic instability, the business outlook will remain difficult and challenging. To cope with the challenging environments, the Group will continue to adopt a prudent approach in managing its existing businesses and investment strategies, as well as strengthen risk control to ensure the steady development of the Group.

The Group is undergoing the transaction of disposal of the Group's hotel properties which could enhance the financial positions of the Group. Besides, the Group has accumulated many years of experience in investment properties operation, and is looking for relevant investment opportunities to develop asset-light business for the Group which is formulated to further progress the Group towards achievement of its long term growth trajectory.

It is expected that with the successful implementation of aforesaid business plans, the Company may be able to generate positive cash flows from operations and significantly improve its operating performance.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 September 2023, the equity reached approximately HK\$1,278,661,000 (31 March 2023: approximately HK\$1,521,716,000). At 30 September 2023, the Group's cash on hand and deposits in bank was approximately HK\$72,288,000 (31 March 2023: approximately HK\$60,746,000). The proportions of Renminbi ("RMB"), US dollar ("USD") and Hong Kong dollars were 79.6%, 15% and 5.4% (31 March 2023: 49%, 46% and 5%) respectively. At 30 September 2023, the Group's net current liabilities were approximately HK\$265,891,000 (31 March 2023: approximately HK\$175,202,000). The current ratio of the Group as at 30 September 2023 was 0.32 (31 March 2023: 0.82). The gearing ratio (total outstanding borrowings over total assets) of the Group as of 30 September 2023 was 14.7% (31 March 2023: 34.2%). At 30 September 2023, the Group's total bank and other borrowings of approximately HK\$254,859,000 (31 March 2023: approximately HK\$285,660,000), which mainly comprised secured bank borrowings of approximately HK\$13,859,000 (31 March 2023: approximately HK\$11,660,000), secured other borrowings of approximately HK\$240,000,000 (31 March 2023: approximately HK\$258,000,000) and unsecured other borrowings of approximately HK\$1,000,000 (31 March 2023: approximately HK\$16,000,000). As at 30 September 2023, the Group's borrowings were denominated in RMB, HKD and USD, amounting to approximately RMB10,000,000 (31 March 2023: approximately RMB529,342,000) and approximately HK\$241,000,000 (31 March 2023: approximately HK\$274,000,000) and approximately USD383,000 (31 March 2023: USD38,000) respectively.

The Group recorded loss of approximately HK\$186,896,000 for the six months ended 30 September 2023 and it had net current liabilities of approximately HK\$265,891,000 as at 30 September 2023. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

- (1) The Group is in active negotiations with certain intended purchasers for disposal of the hotel property and/or certain investment properties of the Group to enhance its liquidity position;
- (2) At 30 September 2023, the bank and other borrowings to the extent of approximately HK\$254,859,000 will be due for repayment within twelve months. The Company is actively negotiating with the lenders of the Group on the renewal of other borrowings;

- (3) A substantial shareholder of the Company has agreed to continuously provide financial support for the operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the next twelve months from date of approval for issue of these consolidated financial statements;
- (4) Soliciting for further financing arrangements which include funding from related companies of the Group; and
- (5) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

Based on the Group's cash flow projections, taking into account of the above measures covering a period of twelve months from the date of issue of these consolidated financial statements, the directors of the Company consider that the Group would be able to finance its operations and to meet its financial obligations as and when they fall due.

Capital Structure

There has been no change in the share capital of the Company during the period. As at 1 April 2023 and 30 September 2023, the number of issued shares of the Company was 7,294,369,363.

Pledged of Assets

At 30 September 2023, the Group's freehold land with carrying amounts of approximately HK\$152,084,000 (31 March 2023: approximately HK\$152,084,000) were secured for bank facilities. At 30 September 2023, the Group's borrowings were secured by charges on (i) the Group's property, plant and equipment with carrying amounts of approximately HK\$Nil (31 March 2023: HK\$23,844,000); (ii) the Group's investment properties with carrying amounts of approximately HK\$17,673,000 (31 March 2023: HK\$19,619,000); and (iii) certain subsidiaries of the Group with carrying amounts of approximately HK\$187,376,000 (31 March 2023: HK\$238,987,000).

Material Acquisition and Disposal

Save for the information disclosed in other parts of this section, the Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 September 2023.

Contingent Liability

As at 30 September 2023, the Group had no material contingent liabilities (31 March 2023: Nil).

Capital Commitment

As at 30 September 2023, the Group had approximately HK\$4,891,000 (31 March 2023: HK\$5,114,000) capital commitment in respect of capital contribution to an associate.

Foreign Exchange Exposure

The majority of the Group's assets and liabilities are denominated in Renminbi, Hong Kong dollars and US dollars which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

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 2023 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 2023, the Group employed approximately 108 employees (31 March 2023: approximately 138). The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

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

During the six months ended 30 September 2023, 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 Code Provision C.3.3 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 C.3.3 of the CG Code and therefore does not intend to take any steps in this regard at the moment.

- (ii) The Code Provision F.2.2 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 AGM held on 28 September 2023 due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

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 for the six months ended 30 September 2023.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2023 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 Mr. Ng Ge Bun.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Group for the six months ended 30 September 2023 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
Chen Yi, Ethan
Executive Director and Chief Executive Officer

Hong Kong, 29 November 2023

As of the date of this announcement, the board of directors of the Company comprises Mr. Jiang Zhaobai (Chairman) as non-executive Directors, Mr. Chen Yi, Ethan (Chief Executive Officer) and Mr. Jiang Xiao Heng Jason as executive Directors; Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Ng Ge Bun as independent non-executive Directors.