



**EVERCHINA INT'L HOLDINGS COMPANY LIMITED**

**潤中國際控股有限公司**

Stock Code: 202

INTERIM REPORT

**2018**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

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

## BOARD COMMITTEES

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

## COMPANY SECRETARY

Mr. Lau Chi Lok, Freeman

## LISTING INFORMATION

Stock Code: 202  
Board Lot: 5,000 shares

## REGISTERED OFFICE

Suites 601–603, 6/F.  
Everbright Centre  
108 Gloucester Road  
Wanchai, Hong Kong

## WEBSITE

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

## AUDITORS

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

## SOLICITORS

K&L Gates  
Patrick Mak & Tse

## SHARE REGISTRAR

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

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
China Construction Bank (Asia) Corporation Limited  
Bank of China (Hong Kong) Limited

## INVESTOR RELATIONS CONSULTANT

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





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

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

*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 38, which comprise the condensed consolidated statement of financial position of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2018 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34 (revised)") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 September 2018 is not prepared, in all material respects, in accordance with HKAS 34.

#### HLB Hodgson Impey Cheng Limited

Certified Public Accountants

**Hon Koon Fai, Alex**

Practising Certificate Number: P05029

Hong Kong, 30 November 2018

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

|   | Notes | For the six months ended<br>30 September |                                 |
|---|-------|--|---------------------------------|
|   |       | 2018<br>HK\$'000<br>(Unaudited)          | 2017<br>HK\$'000<br>(Unaudited) |
| Revenue   | 4     | (1,995)                                  | 62,955                          |
| Cost of sales   |       | (5,090)                                  | (1,939)                         |
| Other income and gain, net  | 5     | 7,445                                    | 12,005                          |
| Staff costs   |       | (16,574)                                 | (17,490)                        |
| Depreciation  |       | (7,431)                                  | (7,704)                         |
| Administrative costs  |       | (16,739)                                 | (30,166)                        |
| Other operating expenses  |       | –  | (63,798)                        |
| Loss arising on change in fair value of investment properties                                 |       | (1,149)                                  | (31,636)                        |
| Loss arising on change in fair value of financial assets at fair value through profit or loss |       | (449,399)                                | (360,219)                       |
| Loss from operations  | 6     | (490,932)                                | (437,992)                       |
| Finance costs   | 7     | (32,724)                                 | (36,678)                        |
| Gain on disposal of a subsidiary  |       | –  | 2,032                           |
| Loss before taxation  |       | (523,656)                                | (472,638)                       |
| Taxation  | 8     | 27,408                                   | (95,837)                        |
| <b>Loss for the period</b>  |       | <b>(496,248)</b>                         | <b>(568,475)</b>                |
| <b>Attributable to:</b>   |       |  |                                 |
| Owners of the Company   |       | (496,217)                                | (568,439)                       |
| Non-controlling interests   |       | (31)                                     | (36)                            |
|   |       | <b>(496,248)</b>                         | <b>(568,475)</b>                |
| <b>Loss per share attributable to the owners of the Company</b>                               |       |  |                                 |
| — Basic and diluted   | 9     | HK(8.16) cents                           | HK(9.35) cents                  |



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

For the six months ended 30 September 2018

|   | For the six months ended |             |
|---|--------------------------|-------------|
|   | 30 September             |             |
|   | 2018                     | 2017        |
|   | HK\$'000                 | HK\$'000    |
|   | (Unaudited)              | (Unaudited) |
| <b>Loss for the period</b>  | <b>(496,248)</b>         | (568,475)   |
| <b>Other comprehensive income</b>                                   |                          |             |
| <i>Items that maybe reclassified subsequently to profit or loss</i> |                          |             |
| Exchange differences arising on translation during the period       | <b>(167,918)</b>         | 144,038     |
| Release of exchange reserve upon disposal of a subsidiary           | –                        | 9,176       |
| <b>Total comprehensive loss for the period</b>                      | <b>(664,166)</b>         | (415,261)   |
| <b>Total comprehensive loss attributable to:</b>                    |                          |             |
| Owners of the Company   | <b>(664,135)</b>         | (415,225)   |
| Non-controlling interests   | <b>(31)</b>              | (36)        |
|   | <b>(664,166)</b>         | (415,261)   |



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

|  | Notes | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|--|-------|---|---|
| <b>Non-current assets</b>                            |       |   |   |
| Investment properties                                | 11    | 1,255,536   | 1,347,788                                       |
| Property, plant and equipment                        | 12    | 525,803   | 569,177   |
| Mining rights  | 13    | 271,880   | 271,880   |
| Goodwill   |       | 91,454  | 91,454  |
| Deposit paid for acquisition of subsidiaries         | 14    | 195,000   | 195,000   |
|  |       | <b>2,339,673</b>                                      | <b>2,475,299</b>                                |
| <b>Current assets</b>                                |       |   |   |
| Inventories  |       | 5   | 7   |
| Biological assets                                    |       | 3,094   | 2,837   |
| Trade and other receivables and prepayments          | 15    | 346,203   | 378,544   |
| Loan receivables                                     | 16    | 93,215  | 91,084  |
| Financial asset at fair value through profit or loss | 17    | 755,095   | 1,393,232                                       |
| Cash and cash equivalents                            |       | 157,368   | 179,712   |
|  |       | <b>1,354,980</b>                                      | <b>2,045,416</b>                                |
| <b>Total assets</b>                                  |       | <b>3,694,653</b>                                      | <b>4,520,715</b>                                |
| <b>Capital and reserves</b>                          |       |   |   |
| Share capital  | 18    | 2,490,454   | 2,490,454                                       |
| Reserves   |       | (49,815)  | 614,320   |
| Equity attributable to owners of the Company         |       | <b>2,440,639</b>                                      | <b>3,104,774</b>                                |
| Non-controlling interests                            |       | 42,656  | 42,687  |
| <b>Total equity</b>                                  |       | <b>2,483,295</b>                                      | <b>3,147,461</b>                                |
| <b>Non-current liability</b>                         |       |   |   |
| Deferred tax liabilities                             | 19    | 93,946  | 102,492   |
| <b>Current liabilities</b>                           |       |   |   |
| Trade and other payables and deposits received       | 20    | 183,641   | 148,848   |
| Tax payable  |       | 2,263   | 2,263   |
| Other borrowings                                     | 21    | 931,508   | 1,119,651                                       |
| <b>Total current liabilities</b>                     |       | <b>1,117,412</b>                                      | <b>1,270,762</b>                                |
| <b>Total liabilities</b>                             |       | <b>1,211,358</b>                                      | <b>1,373,254</b>                                |
| <b>Total equity and liabilities</b>                  |       | <b>3,694,653</b>                                      | <b>4,520,715</b>                                |
| <b>Net current assets</b>                            |       | <b>237,568</b>  | <b>774,654</b>                                  |
| <b>Total assets less current liabilities</b>         |       | <b>2,577,241</b>                                      | <b>3,249,953</b>                                |

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



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

## For the six months ended 30 September 2018

|   | Attributable to owners of the Company |                             |                                 |                              |                                       |                              |                       | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|---|---------------------------------------|-----------------------------|---------------------------------|------------------------------|---------------------------------------|------------------------------|-----------------------|---------------------------------------|--------------------------|
|   | Share capital<br>HK\$'000             | Special reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Statutory surplus reserve<br>HK\$'000 | Accumulated loss<br>HK\$'000 | Sub-total<br>HK\$'000 |                                       |                          |
| At 1 April 2018 (Audited)                                     | 2,490,454                             | 571,996                     | 1,342,477                       | 213,358                      | 871                                   | (1,514,382)                  | 3,104,774             | 42,687                                | 3,147,461                |
| Exchange differences arising on translation during the period | -                                     | -                           | -                               | (167,918)                    | -                                     | -                            | (167,918)             | -                                     | (167,918)                |
| Loss for the period   | -                                     | -                           | -                               | -                            | -                                     | (496,217)                    | (496,217)             | (31)                                  | (496,248)                |
| Total comprehensive loss for the period                       | -                                     | -                           | -                               | (167,918)                    | -                                     | (496,217)                    | (664,135)             | (31)                                  | (664,166)                |
| At 30 September 2018 (Unaudited)                              | 2,490,454                             | 571,996                     | 1,342,477                       | 45,440                       | 871                                   | (2,010,599)                  | 2,440,639             | 42,656                                | 2,483,295                |

## For the six months ended 30 September 2017

|   | Attributable to owners of the Company |                             |                                 |                              |                                       |                              |                       | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|---|---------------------------------------|-----------------------------|---------------------------------|------------------------------|---------------------------------------|------------------------------|-----------------------|---------------------------------------|--------------------------|
|   | Share capital<br>HK\$'000             | Special reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Statutory surplus reserve<br>HK\$'000 | Accumulated loss<br>HK\$'000 | Sub-total<br>HK\$'000 |                                       |                          |
| At 1 April 2017 (Audited)                                       | 2,490,454                             | 571,996                     | 1,342,477                       | (66,578)                     | 871                                   | (738,575)                    | 3,600,645             | 42,753                                | 3,643,398                |
| Exchange differences arising on translation during the period   | -                                     | -                           | -                               | 144,038                      | -                                     | -                            | 144,038               | -                                     | 144,038                  |
| Release of exchange reserve upon deregistration of subsidiaries | -                                     | -                           | -                               | 9,176                        | -                                     | -                            | 9,176                 | -                                     | 9,176                    |
| Loss for the period   | -                                     | -                           | -                               | -                            | -                                     | (568,439)                    | (568,439)             | (36)                                  | (568,475)                |
| Total comprehensive income/(loss) for the period                | -                                     | -                           | -                               | 153,214                      | -                                     | (568,439)                    | (415,225)             | (36)                                  | (415,261)                |
| At 30 September 2017 (Unaudited)                                | 2,490,454                             | 571,996                     | 1,342,477                       | 86,636                       | 871                                   | (1,307,014)                  | 3,185,420             | 42,717                                | 3,228,137                |





# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

Notes:

## Special reserve

The special reserve represented the difference between the nominal value of shares of Burlingame International Company Limited (“Burlingame”) and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the scheme of arrangement as set out in the document issued by the Company and Burlingame dated 27 July 2000.

## Contributed surplus

Pursuant to a special resolution by the shareholders of the Company at a special general meeting held on 18 September 2009 and upon all conditions precedents to the capital reorganisation have been fulfilled on 9 April 2010, (i) the nominal value of each share was reduced from HK\$0.10 to HK\$0.01 by cancelling the Company’s paid up capital to the extent of HK\$0.09 on each share, (ii) part of the credit arising from capital reduction was utilised to set off accumulated losses of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the articles of association of the Company and all applicable laws.

## Exchange reserve

Exchange reserve represents exchange differences relating to the translation of the net assets of the Group’s foreign operations from their functional currencies to the Group’s presentation currency (i.e. Hong Kong dollars) are recognised directly in the consolidated statement of profit or loss and other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operations.

## Statutory surplus reserve

Pursuant to the relevant laws and regulations for business enterprises in the People’s Republic of China (the “PRC”), a portion of the profits of the Group’s entities which are registered in the PRC has been transferred to the statutory surplus reserve which is restricted as to use. When the balance of such reserve reaches 50% of the entity’s capital, any further appropriation is optional. The statutory surplus reserve can be utilised, upon approval by the relevant authority, to offset prior year’s losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at least 25% of entity’s capital after such usage.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

|   | For the six months ended |             |
|---|--------------------------|-------------|
|   | 30 September             |             |
|   | 2018                     | 2017        |
|   | HK\$'000                 | HK\$'000    |
|   | (Unaudited)              | (Unaudited) |
| <b>Net cash generated from operating activities</b>             | <b>220,734</b>           | 4,373       |
| <b>Investing activities</b>                                     |                          |             |
| Deposit paid for acquisition of subsidiaries                    | –                        | (195,000)   |
| Purchase of property, plant and equipment                       | (29)                     | –           |
| Proceeds from disposal of biological assets                     | 242                      | 749         |
| Purchase of biological assets                                   | (551)                    | (907)       |
| Decrease of biological assets                                   | 46                       | 9           |
| <b>Net cash used in investing activities</b>                    | <b>(292)</b>             | (195,149)   |
| <b>Financing activities</b>                                     |                          |             |
| Interest paid   | (33,466)                 | (32,157)    |
| New other borrowings raised                                     | 533,503                  | 443,787     |
| Repayment of other borrowings                                   | (719,434)                | (452,695)   |
| <b>Net cash used in financing activities</b>                    | <b>(219,397)</b>         | (41,065)    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     | <b>1,045</b>             | (231,841)   |
| Cash and cash equivalents at beginning of the period            | 179,712                  | 492,651     |
| Effect of foreign exchange rate changes                         | (23,389)                 | 20,999      |
| <b>Cash and cash equivalents at end of the reporting period</b> | <b>157,368</b>           | 281,809     |
| <b>Analysis of the balances of cash and cash equivalents:</b>   |                          |             |
| Cash and bank balances  | 157,368                  | 281,809     |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Suites 601–603, 6th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

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

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

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

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

The financial information relating to the year ended 31 March 2018 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 2018 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 2018. 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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the impact of the adoption of the new and revised HKAS, Hong Kong Financial Reporting Standards and interpretations described below.

In the current 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 Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning from 1 April 2018. A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

|                       |   |
|-----------------------|---|
| HKFRS 2 (Amendments)  | Classification and Measurement of Share-based Payment Transactions      |
| HKFRS 4 (Amendments)  | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HKFRS 9               | Financial Instruments   |
|                       | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle            |
| HKFRS 15              | Revenue from Contracts with Customers                                   |
| HKFRS 15 (Amendments) | Clarifications to HKFRS 15 Revenue from Contracts with Customers        |
| HKFRS 17              | Insurance Contracts   |
| HK (IFRIC) – Int 22   | Foreign Currency Translations and Advance Consideration                 |
| HKAS 19 (Amendments)  | Plan Amendment, Curtailment or Settlement                               |
| HKAS 28 (Amendments)  | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle            |
| HKAS 40 (Amendments)  | Transfers of Investment Property  |

### HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets and (iii) general hedge accounting.

#### Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

### **HKFRS 9 *Financial Instruments*** *(Continued)*

#### **Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date.

#### **Impairment under ECL model**

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group recognises lifetime ECL for trade and other receivables and loan receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward- looking information that is available without undue cost or effort.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

### **HKFRS 9 Financial Instruments** *(Continued)*

#### **Impairment under ECL model** *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

### **HKFRS 9 *Financial Instruments*** *(Continued)*

#### **Measurement and recognition of ECL**

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Based on the assessment performed, the directors of the Company are in the opinion that the adoption of above new standards, interpretation and amendments to existing standards will not result in a significant effect on its condensed consolidated financial statements.

### **HKFRS 15 *Revenue from Contracts with customers***

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

### **HKFRS 15 Revenue from Contracts with Customers** *(Continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following categories of revenue of the Group are recognised under HKFRS 15:

- (i) hotel income; and
- (ii) income from sales of livestock





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

### **HKFRS 15 Revenue from Contracts with Customers** *(Continued)*

Income from sales of livestock is recognised at a point of time when the livestock is transferred to the customer, being at the point that the customer obtains the control of the livestock and the Group has present right to payment and the collection of the consideration is probable.

Revenue from property rental would be accounted for in accordance with HKAS 17 Leases.

Revenue from hotel income and property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The application of HKFRS 15 would not result in any impact on the Group's financial position and results of operations based on the current business model as the revenue recognition method remains the same.

Except as describe above, the application of the new and amendments to HKFRSs in the current period does not result in significant effect on the Group's financial performance and financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **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:

|                                   |  |
|-----------------------------------|--|
| HKFRSs (Amendments)               | Annual Improvements to HKFRSs 2015–2017 Cycle <sup>1</sup>   |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup> |
| HKFRS 16                          | Leases <sup>1</sup>  |
| HK (IFRIC) – Int 23               | Uncertainty over Income Tax Treatment <sup>1</sup>   |
| HKAS 19 (Amendments)              | Plan Amendment, Curtailment or Settlement <sup>1</sup>   |
| HKAS 28 (Amendments)              | Long-term Interests in Associates and Joint Ventures <sup>1</sup>                                  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

### HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17, Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

At 30 September 2018, the Group has non-cancellable operating lease commitments of HK\$6,722,000 as disclosed in note to the condensed consolidated financial statements of the interim report of the Company.

A preliminary assessment indicates that these arrangements will meet the definition of a lease and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 3. SEGMENT INFORMATION

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

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

### (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 |             |
|   | 2018                                  | 2017        | 2018                                  | 2017        |
|   | HK\$'000                              | HK\$'000    | HK\$'000                              | HK\$'000    |
|   | (Unaudited)                           | (Unaudited) | (Unaudited)                           | (Unaudited) |
| Property investment operation                 | 36,501                                | 39,828      | 30,354                                | 6,273       |
| Hotel operation                               | 19,700                                | 20,609      | 88                                    | (1,672)     |
| Financing and securities investment operation | (58,594)                              | 2,047       | (446,539)                             | (357,973)   |
| Natural resources operation                   | —                                     | —           | (1,057)                               | (965)       |
| Agricultural operation                        | 398                                   | 471         | (2,475)                               | (2,507)     |
|   | (1,995)                               | 62,955      | (419,629)                             | (356,844)   |
| Interest income and other revenue             |                                       |             | 7,445                                 | 12,171      |
| Unallocated expenses                          |                                       |             | (78,748)                              | (93,319)    |
| Loss from operations                          |                                       |             | (490,932)                             | (437,992)   |
| Finance costs                                 |                                       |             | (32,724)                              | (36,678)    |
| Gain on disposal of a subsidiary              |                                       |             | —                                     | 2,032       |
| Loss before taxation                          |                                       |             | (523,656)                             | (472,638)   |
| Taxation                                      |                                       |             | 27,408                                | (95,837)    |
| Loss for the period                           |                                       |             | (496,248)                             | (568,475)   |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 3. SEGMENT INFORMATION (Continued)

### (a) Segment revenue and result (Continued)

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during the six months ended 30 September 2018 (for the six months ended 30 September 2017: 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<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | As at<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|---|--|--|
| <b>Segment assets</b>                         |  |  |
| Property investment operation                 | 1,244,294  | 1,468,964  |
| Hotel operation                               | 961,616  | 581,004  |
| Financing and securities investment operation | 854,724  | 1,484,346  |
| Natural resources operation                   | 272,771  | 272,733  |
| Agricultural operation                        | 77,680   | 48,284   |
| Total segment assets                          | 3,411,085  | 3,855,331  |
| Unallocated assets                            | 283,568  | 665,384  |
| Consolidated total assets                     | 3,694,653  | 4,520,715  |

|   | As at<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | As at<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|---|--|--|
| <b>Segment liabilities</b>                    |  |  |
| Property investment operation                 | 25,079   | 12,596   |
| Hotel operation                               | 11,750   | 11,859   |
| Financing and securities investment operation | 134  | 254  |
| Natural resources operation                   | 5,829  | 5,778  |
| Agricultural operation                        | 22,660   | 18,925   |
| Total segment liabilities                     | 65,452   | 49,412   |
| Unallocated other borrowings                  | 931,508  | 1,119,651  |
| Unallocated liabilities                       | 212,135  | 201,928  |
| Tax payable                                   | 2,263  | 2,263  |
| Consolidated total liabilities                | 1,211,358  | 1,373,254  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 3. SEGMENT INFORMATION (Continued)

### (b) Segment assets and liabilities (Continued)

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, natural resources operation and agricultural operation are allocated to reportable segments other than certain properties, plant and equipment, 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, natural resources operation and agricultural operation are allocated to reportable segments other than certain other payables, deferred tax liabilities and borrowings that are not attributable to individual segments.

### (c) Other segment information

For the six months ended 30 September 2018 (Unaudited)

|  | Property<br>investment<br>operation<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Financing and<br>securities<br>investment<br>operation<br>HK\$'000 | Natural<br>resources<br>operation<br>HK\$'000 | Agricultural<br>operation<br>HK\$'000 | Consolidated<br>total<br>HK\$'000 |
|--|---|--------------------------------|--|---|---------------------------------------|-----------------------------------|
| <b>Other segment information</b>   |   |                                |  |   |                                       |                                   |
| Depreciation   | 58  | 6,863                          | –  | 7   | 351                                   | 7,279                             |
| Unallocated amounts  |   |                                |  |   |                                       | 152                               |
|  |   |                                |  |   |                                       | 7,431                             |
| Capital expenditure  | 29  | –                              | –  | –   | –                                     | 29                                |
| Unallocated amounts  |   |                                |  |   |                                       | –                                 |
|  |   |                                |  |   |                                       | 29                                |
| 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                           |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 3. SEGMENT INFORMATION (Continued)

### (c) Other segment information (Continued)

For the six months ended 30 September 2017 (Unaudited)

|  | Property<br>investment<br>operation<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Financing and<br>securities<br>investment<br>operation<br>HK\$'000 | Natural<br>resources<br>operation<br>HK\$'000 | Agricultural<br>operation<br>HK\$'000 | Consolidated<br>total<br>HK\$'000 |
|--|---|--------------------------------|--|---|---------------------------------------|-----------------------------------|
| Other segment information  |   |                                |  |   |                                       |                                   |
| Depreciation   | 58  | 6,607                          | –  | –   | 630                                   | 7,295                             |
| Unallocated amounts  |   |                                |  |   |                                       | 409                               |
|  |   |                                |  |   |                                       | <u>7,704</u>                      |
| Fair value change in<br>investment properties                                    | 31,636  | –                              | –  | –   | –                                     | 31,636                            |
| Fair value change in financial<br>assets at fair value<br>through profit or loss | –   | –                              | 360,219  | –   | –                                     | 360,219                           |

### (d) Geographical information

The following table sets out information about the geographical location of the Group's revenue from continuing operations from external customers and the Group's investment properties, property, plant and equipment, mining rights, goodwill and other non-current assets ("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<br>customers  |                                 | Specified non-current assets                             |  |
|-----------|---|---------------------------------|--|--|
|           | For the six months ended<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | 2017<br>HK\$'000<br>(Unaudited) | As at<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | As at<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
| Hong Kong | (58,594)  | 2,047                           | 28,231   | 30,898   |
| The PRC   | 56,201  | 60,437                          | 1,775,069  | 1,935,353  |
| Indonesia | –   | –                               | 272,348  | 272,331  |
| Bolivia   | 398   | 471                             | 69,025   | 41,717   |
|           | <u>(1,995)</u>  | 62,955                          | <u>2,144,673</u>   | 2,280,299  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 3. SEGMENT INFORMATION (Continued)

### (e) Information from major customers

During the six month ended 30 September 2018, there was no revenue from sales to an external customer which accounted for 10% or more of the Group's total revenue (2017: Nil).

## 4. REVENUE

Revenue is analysed as follows:

|   | For the six months ended<br>30 September |                                 |
|---|--|---------------------------------|
|   | 2018<br>HK\$'000<br>(Unaudited)          | 2017<br>HK\$'000<br>(Unaudited) |
| Property rental                                   | 36,501                                   | 39,828                          |
| Hotel income (Note (ii))                          | 19,700                                   | 20,609                          |
| Sale of financial assets at FVTPL, net (Note (i)) | (60,725)                                 | (328)                           |
| Interest income from loan receivables             | 2,131                                    | 2,375                           |
| Income from sales of livestock (Note (ii))        | 398                                      | 471                             |
|   | <b>(1,995)</b>                           | <b>62,955</b>                   |

Notes:

- (i) Revenue from sale of financial assets at FVTPL is recorded on a net basis, details of which are as follows:

|   | For the six months ended<br>30 September |                                 |
|---|--|---------------------------------|
|   | 2018<br>HK\$'000<br>(Unaudited)          | 2017<br>HK\$'000<br>(Unaudited) |
| Proceeds from sale of financial assets at FVTPL                           | 38,790                                   | 480                             |
| Carrying amounts of financial assets at FVTPL sold plus transaction costs | (99,515)                                 | (808)                           |
|   | <b>(60,725)</b>                          | <b>(328)</b>                    |

- (ii) Disaggregated by timing of revenue recognition:

|                 | For the six months ended<br>30 September |                                 |
|-----------------|--|---------------------------------|
|                 | 2018<br>HK\$'000<br>(Unaudited)          | 2017<br>HK\$'000<br>(Unaudited) |
| Point over time | 19,700                                   | 20,609                          |
| Point in time   | 398                                      | 471                             |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 5. OTHER INCOME AND GAIN, NET

|                            | For the six months ended<br>30 September |             |
|----------------------------|--|-------------|
|                            | 2018                                     | 2017        |
|                            | HK\$'000                                 | HK\$'000    |
|                            | (Unaudited)                              | (Unaudited) |
| Bank interest income       | 1,206                                    | 3,804       |
| Net foreign exchange gain  | 314                                      | 3,167       |
| Sundry income              | 1,522                                    | 2,407       |
| Other loan interest income | 4,403                                    | 2,627       |
|                            | <b>7,445</b>                             | 12,005      |

## 6. LOSS FROM OPERATIONS

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

|   | For the six months ended<br>30 September |             |
|---|--|-------------|
|   | 2018                                     | 2017        |
|   | HK\$'000                                 | HK\$'000    |
|   | (Unaudited)                              | (Unaudited) |
| Depreciation of property, plant and equipment   | 7,431                                    | 7,704       |
| Gain on disposal of a subsidiary  | –  | (2,032)     |
| Operating lease rentals in respect of premises  | 1,578                                    | 4,118       |
| Gross rental income from investment properties  | (36,051)                                 | (39,828)    |
| Less: direct operating expenses from investment properties that generated rental income during the period | 2,542                                    | 4,303       |

## 7. FINANCE COSTS

|                    | For the six months ended<br>30 September |             |
|--------------------|--|-------------|
|                    | 2018                                     | 2017        |
|                    | HK\$'000                                 | HK\$'000    |
|                    | (Unaudited)                              | (Unaudited) |
| Interests on:      |  |             |
| — Bank borrowings  | –  | 45          |
| — Other borrowings | 32,724                                   | 36,633      |
|                    | <b>32,724</b>                            | 36,678      |





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 8. TAXATION

|                               | For the six months ended |             |
|-------------------------------|--------------------------|-------------|
|                               | 30 September             |             |
|                               | 2018                     | 2017        |
|                               | HK\$'000                 | HK\$'000    |
|                               | (Unaudited)              | (Unaudited) |
| Current tax                   |                          |             |
| Hong Kong Profits Tax         | –                        | –           |
| The PRC Enterprise Income Tax | 24                       | 105,816     |
| Over-provision in prior years | (25,498)                 | –           |
|                               | (25,474)                 | 105,816     |
| Deferred tax (Note 19)        | (1,934)                  | (9,979)     |
| Taxation (credit)/expense     | (27,408)                 | 95,837      |

### Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision of Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit derived from Hong Kong for both periods.

### The PRC Enterprise Income Tax

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

During the six months ended 30 September 2017, Interchina (Tianjin) Water Treatment Company Limited ("Interchina Tianjin"), a wholly-owned subsidiary of the Company, was placed under tax examination by the Tianjin Tax Bureau for the PRC Enterprise Income Tax paid for the period from 1 January 2013 to 31 December 2015 (the "Relevant Periods") and found that the Group underpaid the PRC Enterprise Income Tax when disposal of certain investment securities during the Relevant Periods. The Group has recognised a provision of the PRC Enterprise Income Tax of approximately RMB88,530,000 (equivalent to approximately HK\$101,759,000) in taxation and a provision of overdue fine of approximately RMB53,910,000 (equivalent to approximately HK\$61,966,000) in other operating expenses according to the relevant tax law and regulations in the PRC for the six months ended 30 September 2017.

During the six months ended 30 September 2018, the overdue fine had been settled. 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 8. TAXATION (Continued)

### The Bolivia Corporate Tax

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

## 9. LOSS PER SHARE

|   | For the six months ended<br>30 September |             |
|---|--|-------------|
|   | 2018                                     | 2017        |
|   | 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 | <b>(496,217)</b>                         | (568,439)   |

|  | For the six months ended<br>30 September |               |
|--|--|---------------|
|  | 2018                                     | 2017          |
| Number of shares   |  |               |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <b>6,078,669,363</b>                     | 6,078,669,363 |

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 2018 and 2017.

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

## 10. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 September 2018 and 30 September 2017, nor any dividend been proposed by the board of directors subsequent to the end of the reporting period.

## 11. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 September 2018 have been arrived at on the basis of a valuation carried out on that date by Messrs. DTZ Cushman & Wakefield Limited and Messrs. Savills Valuation and Professional Services Limited, independent professional valuers who are not connected with the Group and have recent experience in the valuation of similar properties in relevant locations. Both of them are members of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions.

At 30 September 2018, investment properties with the carrying amount of approximately HK\$1,255,536,000 (31 March 2018: HK\$650,257,000) have been pledged to secure loan facilities granted to the Group.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 11. INVESTMENT PROPERTIES (Continued)

### Fair value measurements

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

|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>At 30 September 2018 (Unaudited)</b> |                     |                     |                     |                   |
| Hong Kong                               | –                   | 26,800              | –                   | 26,800            |
| Outside Hong Kong                       | –                   | –                   | 1,228,736           | 1,228,736         |
|   | –                   | 26,800              | 1,228,736           | 1,255,536         |
| <b>At 31 March 2018 (Audited)</b>       |                     |                     |                     |                   |
| Hong Kong                               | –                   | 26,800              | –                   | 26,800            |
| Outside Hong Kong                       | –                   | –                   | 1,320,988           | 1,320,988         |
|   | –                   | 26,800              | 1,320,988           | 1,347,788         |

## 12. PROPERTY, PLANT AND EQUIPMENT

|   | HK\$'000 |
|---|----------|
| <b>Carrying amounts:</b>                    |          |
| At 1 April 2017                             | 536,053  |
| Additions                                   | 3,075    |
| Written off                                 | (2,700)  |
| Exchange alignment                          | 47,855   |
| Depreciation expenses                       | (15,106) |
| At 31 March 2018 and 1 April 2018 (Audited) | 569,177  |
| Additions                                   | 29       |
| Exchange alignment                          | (35,972) |
| Depreciation expenses                       | (7,431)  |
| <b>At 30 September 2018 (Unaudited)</b>     | 525,803  |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

At 30 September 2018, the carrying amounts of property, plant and equipment comprise the followings:

|                                      | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|--------------------------------------|---|---|
| <b>Carrying amounts:</b>             |   |   |
| Freehold land                        | 39,707  | 39,707  |
| Property under development           | 127   | 127   |
| Hotel properties                     | 480,720   | 523,403   |
| Furniture and fixtures               | 2,323   | 2,556   |
| Equipment, motor vehicles and others | 2,926   | 3,384   |
|                                      | <b>525,803</b>  | 569,177   |

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

At 30 September 2018, hotel properties with carrying amount of approximately HK\$480,720,000 (31 March 2018: HK\$523,403,000) have been pledged to secure other borrowings granted to the Group.

During the period ended 30 September 2018 and the year ended 31 March 2018, hotel properties of the Group included in the building above are held under medium-term leases in the PRC.

## 13. MINING RIGHTS

|   | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|---|---|---|
| At beginning and end of the period/year | <b>271,880</b>  | 271,880   |

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

The mining rights is amortised using the unit-of-production methods based on the total proven and probable mineral reserves, under the assumption that the mining rights have a finite useful lives of 20 years and would expire on 18 November 2031, till all proven and probable mineral reserves have been mined. For the six months ended 30 September 2018 and 30 September 2017, the management considered that the commercial production of the mine has not yet commenced. Hence, no amortisation was provided during both periods.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 14. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

Deposits of HK\$195,000,000 was paid for acquisition of the entire equity interest in Pengxin Agricultural Holdings Company Limited (“Pengxin Agricultural”) and its subsidiaries (collectively referred to as “Pengxin Agricultural Group”). Details of which were set out in the Company’s circular dated 28 June 2018. Subsequently, the acquisition was completed on 31 October 2018.

## 15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

### (a) Trade receivables

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

|                    | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|--------------------|---|---|
| Trade receivables: |   |   |
| 0 to 30 days       | 835   | 1,065   |
| 31 to 60 days      | 257   | 10  |
| 61 to 90 days      | 17  | –   |
| 91 to 180 days     | 234   | 2   |
| Over 180 days      | 227   | 50  |
|                    | <b>1,570</b>  | <b>1,127</b>                                    |

The average credit period granted to customers is 60 days (31 March 2018: 60 days).

### (b) Prepayments, deposits and other receivables

As of the end of the reporting period, the carrying amount of prepayments, deposits and other receivables net of allowance for doubtful debts, is as follows:

|  | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|--|---|---|
| Carrying amount of prepayments, deposits and other receivables before impairment | 413,563   | 451,276   |
| Less: Impairment of other receivables  | (68,930)  | (73,855)  |
|  | <b>344,633</b>  | <b>377,421</b>                                  |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

### (b) Prepayments, deposits and other receivables (Continued)

Movement on impairment of other receivables are as follows:

|                                 | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|---------------------------------|---|---|
| At beginning of the period/year | 73,855  | 2   |
| Exchange realignment            | (4,925)   | –   |
| Impairment loss recognised      | –   | 73,853  |
| At end of the period/year       | 68,930  | 73,855  |

The Group's prepayments, deposits and other receivables as 30 September and 31 March 2018, inter alia, the following:

- (i) other receivable of approximately HK\$117,241,000 (31 March 2018: HK\$125,926,000) paid for acquisition of several potential water plant project in the PRC; and
- (ii) prepayments and other receivable of approximately HK\$160,109,000 (31 March 2018: HK\$169,321,000) paid various contractors for construction of water treatment projects in the PRC.

## 16. LOAN RECEIVABLES

The loan was secured by collateral provided by customers, bearing interest rate at 5% per annum (31 March 2018: 5%) per annum with fixed repayment terms.

During the six months ended 30 September 2018, no impairment loss (six months ended 30 September 2017: Nil) was recognised in the condensed consolidated statement of profit or loss.

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

|   | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|---|---|---|
| Held for trading:                                   |   |   |
| Listed equity securities – Hong Kong, at fair value | –   | 99,516  |
| Listed equity securities – the PRC, at fair value   | 755,095   | 1,293,716                                       |
|   | 755,095   | 1,393,232                                       |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Included in the loss arising on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 September 2018 of approximately HK\$449,399,000 was derived from investment in Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (six months ended 30 September 2017: loss of approximately HK\$344,331,000).

At 30 September 2018, financial assets at fair value through profit or loss with the carrying amount of approximately HK\$754,057,000 (31 March 2018: HK\$1,123,960,000) have been pledged to secure loan facilities granted to the Group.

The fair value of all equity securities is based on their closing prices as at 30 September 2018 in an active market.

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

### At 30 September 2018 (Unaudited)

| Stock Code | Name of investee company              | Number of shares held | Percentage shareholding held by the Group | Investment cost<br>HK\$'000<br>(Note (1)) | Market value as at<br>30 September<br>2018<br>HK\$'000<br>(Note (1)) | Percentage to the Group's net assets as at<br>30 September<br>2018 | Unrealised loss arising from change in fair value for the six months ended<br>30 September<br>2018<br>HK\$'000<br>(Note (1)) |
|------------|---------------------------------------|-----------------------|---|---|--|--|--|
| 600187     | Heilongjiang Interchina<br>(Note (2)) | 227,312,500           | 13.74%                                    | 279,763                                   | 755,095  | 30.41%   | (449,399)  |

### At 31 March 2018 (Audited)

| Stock Code | Name of investee company              | Number of shares held | Percentage shareholding held by the Group | Investment cost<br>HK\$'000<br>(Note (1)) | Market value as at<br>31 March<br>2018<br>HK\$'000<br>(Note (1)) | Percentage to the Group's net assets as at<br>31 March<br>2018 | Unrealised loss arising from change in fair value for the year ended<br>31 March<br>2018<br>HK\$'000<br>(Note (1)) |
|------------|---------------------------------------|-----------------------|---|---|--|--|--|
| 600187     | Heilongjiang Interchina<br>(Note (2)) | 227,312,500           | 13.74%                                    | 283,016                                   | 1,293,716  | 41.10%   | (328,340)  |
| 439        | KuangChi Science Limited (Note (3))   | 54,981,000            | 0.75%                                     | 296,127                                   | 99,516   | 3.16%  | (81,510)   |
|            |                                       |                       |   | 579,143                                   | 1,393,232  | 44.26%   | (409,850)  |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

- (1) The investment costs, market value as at 30 September 2018 and 31 March 2018, and unrealised gain/(loss) of the Investments in the above table have been subject to foreign exchange adjustments and rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them. The fair value of investment for Heilongjiang Interchina is approximately RMB656,933,000 (equivalent to approximately HK\$755,095,000) as at 30 September 2018 (as at 31 March 2018: approximately RMB1,047,911,000 (equivalent to approximately HK\$1,293,716,000)).
- (2) Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services and its issued shares is listed on the Shanghai Stock Exchange. There was no movement in the number of shares held by the Group during the year ended 30 September 2018. No dividend was received during each of the six months ended 30 September 2018 and the year ended 31 March 2018. According to the latest published unaudited financial statements of Heilongjiang Interchina, it had net asset value of approximately RMB3,657,754,000 as at 30 June 2018 (31 December 2017: RMB3,656,489,000). Heilongjiang Interchina recorded revenue of approximately RMB205,948,000 and net profit of approximately RMB890,000 for the six months ended 30 June 2018 (30 June 2017: revenue of approximately RMB364,533,000 and net profit of approximately RMB3,855,000).
- (3) KuangChi Science Limited ("KuangChi") is principally engaged in provision of in-depth space services, manufacturing and trading of paper packaging products and property investment and its issued shares is listed on The Stock Exchange of Hong Kong Limited. No dividend was received during each of the six months ended 30 September 2018 and the year ended 31 March 2018. According to the latest published unaudited financial statements of KuangChi, it had net asset value of approximately HK\$1,980,327,000 as at 30 June 2018 (31 December 2017: HK\$2,534,049,000). KuangChi recorded revenue of approximately HK\$91,070,000 and net loss of approximately HK\$181,524,000 for the six months ended 30 June 2018 (30 June 2017: revenue of approximately HK\$190,735,000 and net profit of approximately HK\$349,623,000).

During the six months ended 30 September 2018, all 54,981,000 shares of KuangChi held by the Group had been disposed and a loss of approximately HK\$60,726,000 had been recognised for the period.

## 18. SHARE CAPITAL

|   | Number of shares                          |                                     | Nominal value   |   |
|---|---|-------------------------------------|---|---|
|   | At<br>30 September<br>2018<br>(Unaudited) | At<br>31 March<br>2018<br>(Audited) | At<br>30 September<br>2018<br>(Unaudited)<br>HK\$'000 | At<br>31 March<br>2018<br>(Audited)<br>HK\$'000 |
| Issued and fully paid ordinary shares:            |   |                                     |   |   |
| At beginning and end of the reporting period/year | 6,078,669,363                             | 6,078,669,363                       | 2,490,454   | 2,490,454                                       |

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





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 19. DEFERRED TAX LIABILITIES

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

|  | Revaluation<br>of properties<br>HK\$'000 | Fair value<br>adjustments<br>arising on<br>acquisition of<br>subsidiaries<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|---|-------------------|
| At 1 April 2017  | 56,459                                   | 49,342  | 105,801           |
| Exchange alignment   | 4,517                                    | 5,279   | 9,796             |
| Credit to the consolidated statement of profit or loss           | (9,568)                                  | (3,537)   | (13,105)          |
| At 31 March 2018 and 1 April 2018 (Audited)                      | 51,408                                   | 51,084  | 102,492           |
| Exchange alignment   | <b>(3,374)</b>                           | <b>(3,238)</b>  | <b>(6,612)</b>    |
| Credit to the condensed consolidated statement of profit or loss | <b>(288)</b>                             | <b>(1,646)</b>  | <b>(1,934)</b>    |
| <b>At 30 September 2018 (Unaudited)</b>                          | <b>47,746</b>                            | <b>46,200</b>   | <b>93,946</b>     |

## 20. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aging analysis of trade payables based on the invoice date is as follows:

|                                      | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|--------------------------------------|---|---|
| Trade payables:                      |   |   |
| 0 to 30 days                         | 461   | 275   |
| 31 to 60 days                        | 180   | 331   |
| 61 to 90 days                        | 2,106   | 2,109   |
|                                      | <b>2,747</b>  | 2,715   |
| Other payables and deposits received | <b>180,894</b>  | 146,133   |
|                                      | <b>183,641</b>  | 148,848   |

Included in other payables as at 30 September 2018 were (i) interest expenses payable of approximately HK\$1,285,000 (31 March 2018: approximately HK\$2,177,000); and (ii) amount due to related companies of approximately HK\$128,770,000 (31 March 2018: approximately HK\$18,355,000).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 21. OTHER BORROWINGS

|  | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|--|---|---|
| Other borrowings, unsecured (Note (i))     | 16,262  | –   |
| Other borrowings, secured (Note (i), (ii)) | 915,246   | 1,119,651                                       |
|  | <b>931,508</b>  | 1,119,651                                       |
| Carrying amounts repayable:                |   |   |
| Within one year:                           |   |   |
| — Other borrowings                         | 931,508   | 1,119,651                                       |

Notes:

- (i) The other borrowings bear interest at rates ranging from 5.25% to 12.5% per annum for the six months ended 30 September 2018 (31 March 2018: 6.60% to 9.50% per annum). All other borrowings are repayable on demand.

During the six months ended 30 September 2018, the other borrowings with carrying amount of approximately HK\$719,434,000 had been repaid and agreements had been entered to raise new other borrowings of approximately HK\$533,503,000. The other borrowings mainly consist of the followings: (i) the other borrowings with carrying amount of approximately HK\$344,828,000 (31 March 2018: HK\$449,438,000) 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; (ii) the other borrowings with carrying amount of approximately HK\$536,241,000 (31 March 2018: HK\$548,148,000) are secured by the Group's investment properties and hotel property in the PRC and shares in a wholly-owned subsidiary of the Company with principal asset of an investment property located in Hong Kong, and; (iii) the other borrowings with carrying amount of approximately HK\$16,262,000 (31 March 2018: Nil) are unsecured and are under loan agreements with independent third parties to the Group.

- (ii) Assets with the following carrying amounts have been pledged to secure other borrowings of the Group, set out as follows:

|   | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|---|---|---|
| Investment properties                                 | 1,255,536   | 650,257   |
| Property, plant and equipment                         | 480,720   | 523,403   |
| Financial assets at fair value through profit or loss | 755,095   | 1,123,960                                       |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 21. OTHER BORROWINGS (Continued)

Notes: (Continued)

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

|                   | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|-------------------|---|---|
| Hong Kong dollars | 69,439  | 108,540   |
| Renminbi          | 862,069   | 1,011,111                                       |
|                   | <b>931,508</b>  | <b>1,119,651</b>                                |

## 22. OPERATING LEASE COMMITMENTS

The Group as lessee

|   | For the six months ended<br>30 September |                                 |
|---|--|---------------------------------|
|   | 2018<br>HK\$'000<br>(Unaudited)          | 2017<br>HK\$'000<br>(Unaudited) |
| Minimum lease payments paid under operating leases during the period: |  |                                 |
| Premises  | <b>1,578</b>                             | 4,118                           |

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

|   | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|---|---|---|
| Within one year                           | <b>2,317</b>  | 2,372   |
| In the second to the fifth year inclusive | <b>4,405</b>  | 5,554   |
|   | <b>6,722</b>  | <b>7,926</b>                                    |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 22. OPERATING LEASE COMMITMENTS (Continued)

### The Group as lessor

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

|   | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|---|---|---|
| Within one year                           | 31,734  | 26,891  |
| In the second to the fifth year inclusive | 75,995  | 53,022  |
| Over five years                           | 49,913  | 54,494  |
|   | <b>157,642</b>  | <b>134,407</b>                                  |

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

|  | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| <b>At 30 September 2018 (Unaudited)</b>  |                     |                     |                     |                   |
| <b>Recurring fair value measurement</b>  |                     |                     |                     |                   |
| Financial assets at fair value through profit or loss classified as held for trading | 755,095             | –                   | –                   | 755,095           |
| <br>   |                     |                     |                     |                   |
| At 31 March 2018 (Audited)   |                     |                     |                     |                   |
| Recurring fair value measurement   |                     |                     |                     |                   |
| Financial assets at fair value through profit or loss classified as held for trading | 1,393,232           | –                   | –                   | 1,393,232         |

During the six months ended 30 September 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 March 2018: Nil).

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2018 and 31 March 2018.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be classified in the Group's condensed consolidated statement of cash flows from financing activities:

|   | <b>Other<br/>borrowings</b><br>HK\$'000<br>(Note 21) | <b>Interest<br/>payable</b><br>HK\$'000<br>(Note 20) | <b>Total</b><br>HK\$'000 |
|---|--|--|--------------------------|
| At 1 April 2018                         | 1,119,651  | 2,177  | 1,121,828                |
| Exchange alignment                      | (2,212)  | (150)  | (2,362)                  |
| New other borrowings raised             | 533,503  | –  | 533,503                  |
| Repayments of other borrowings          | (719,434)  | –  | (719,434)                |
| Interest expense                        | –  | 32,724   | 32,724                   |
| Interest paid                           | –  | (33,466)   | (33,466)                 |
| <b>At 30 September 2018 (Unaudited)</b> | <b>931,508</b>                                       | <b>1,285</b>   | <b>932,793</b>           |

## 25. MATERIAL RELATED PARTY TRANSACTIONS

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

### (a) Compensation of key management personnel

Compensation for key management personnel, including amount paid to the Company's directors and the senior executives is as follows:

|  | <b>For the six months ended<br/>30 September</b> |             |
|--|--|-------------|
|  | <b>2018</b>                                      | 2017        |
|  | <b>HK\$'000</b>                                  | HK\$'000    |
|  | <b>(Unaudited)</b>                               | (Unaudited) |
| Salaries and other short-term benefits | <b>6,370</b>                                     | 7,278       |
| Pension scheme contribution            | <b>350</b>                                       | 276         |
|  | <b>6,720</b>                                     | 7,554       |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 25. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) Other payables to related companies

The Group had the other payables with related companies:

|                                   | At<br>30 September<br>2018<br>HK\$'000<br>(Unaudited) | At<br>31 March<br>2018<br>HK\$'000<br>(Audited) |
|-----------------------------------|---|---|
| Shanghai Pengxin Group Limited    | 102,701   | –   |
| Pengxin Agricultural              | 3,900   | –   |
| Empresa Agropecuaria Novagro S.A. | 22,169  | 18,355  |
|                                   | <b>128,770</b>  | 18,355  |

Note: As disclosed in note 20, included in other payables were amounts of approximately HK\$128,770,000 due to the companies captioned above. These amounts were unsecured, interest free and repayable on demand. Mr. Jiang Zhaobai ("Mr. Jiang"), an executive Director, the Chairman and a substantial shareholder of the Company, has beneficial interests in those captioned companies.

### (c) Rental income from a related company

Rental income including amounts received and receivable from a related company is as follows:

|   | For the six months ended<br>30 September |                                 |
|---|--|---------------------------------|
|   | 2018<br>HK\$'000<br>(Unaudited)          | 2017<br>HK\$'000<br>(Unaudited) |
| <b>Rental income</b>  |  |                                 |
| Wo Hua Commercial Management (Shanghai) Co., Ltd<br>("Wo Hua") (Note) | <b>18,538</b>                            | 24,007                          |

Note: Mr. Jiang has beneficial interest in Wo Hua.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 26. EVENTS AFTER THE REPORTING PERIOD

- (i) On 4 October 2018, 1,215,700,000 placing shares have been successfully placed by Kingston Securities Limited to six placees who are not connected persons of the Company at the placing price of HK\$0.143 per placing share in accordance with the terms and conditions of the placing agreement. The net proceeds, after deducting related placing commission, professional fees and all related expenses, arising from the placing amount to approximately HK\$169,100,000 and the Company intends to utilise such net proceeds as to approximately 93% to repay the other borrowings and other payables of the Group and the remaining approximately 7% as general working capital of the Group. Details were set out in the Company's announcements dated 12 September 2018 and 4 October 2018.
  
- (ii) On 31 October 2018, the Company completed the acquisition of the entire equity interest in Pengxin Agricultural Group, pursuant to the sales and purchase agreement dated 13 June 2017. Pengxin Agricultural Group is principally engaged in agricultural farming, being the cultivation and sale of soybean, corn and rice in Bolivia. Immediately following completion, the Company owns 100% of the interest in Pengxin Agricultural Group.

## 27. APPROVAL AND AUTHORISATION FOR ISSUE OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 30 November 2018.



# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS OF OPERATIONS

The Group's revenue, excluding the net loss on the financial assets at fair value through profit or loss of approximately HK\$60,725,000, amounted to approximately HK\$58,730,000 for the six months ended 30 September 2018 (six months ended 30 September 2017: HK\$62,955,000). The Group recorded a loss of approximately HK\$496,248,000 for the six months ended 30 September 2018, representing a decrease of approximately 12.7% as compared to the loss of approximately HK\$568,475,000 for the same period of last year. The loss was mainly caused by an unrealised fair value loss on financial assets measured at fair value through profit or loss due to volatile stock market. The decrease in loss was mainly due to the net effect of (i) a decrease in administrative costs by approximately 44.5% to approximately HK\$16,739,000 as a result of decrease in legal and professional fees; (ii) none of other operating expenses was recognised for the period (six months ended 30 September 2017: HK\$63,798,000); (iii) the decrease in loss arising on change in fair value of the Group's investment properties by approximately 96.4% to approximately HK\$1,149,000 (six months ended 30 September 2017: HK\$31,636,000); (iv) an increase in unrealised fair value loss on financial assets measured at fair value through profit or loss by approximately 24.8% to HK\$449,399,000 (six months ended 30 September 2017: HK\$360,219,000); and (v) receipt of a tax refund of approximately HK\$25,498,000 for the period (six months ended 30 September 2017: Nil).

Loss for the period attributable to shareholders of the Company amounted to approximately HK\$496,217,000 (six months ended 30 September 2017: HK\$568,439,000). The basic and diluted loss per share amounted to HK8.16 cents (six months ended 30 September 2017: HK9.35 cents).

## BUSINESS REVIEW

### Property Investment Operation

At 30 September 2018, the Group's investment property was valued at an aggregate value of approximately HK\$1,255,536,000 (31 March 2018: HK\$1,347,788,000). Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK\$1,149,000 was recorded for the period (six months ended 30 September 2017: HK\$31,636,000).

During the period, the Group recorded rental income of approximately HK\$36,501,000 from property investment operation, a decrease by approximately 8.4% when compared with the same period of last year, with the overall occupancy rate for the property investment portfolio remaining high at approximately 95% as of 30 September 2018. The segment profit amounted to approximately HK\$30,354,000, (six months ended 30 September 2017: HK\$6,273,000). The increase in profit was mainly attributable to the decrease in the loss arising on change in fair value of the Group's investment properties for the period.

### Hotel Operation

At 30 September 2018, the sole hotel property held by the Group, is the Express by Holiday Inn Wujiachang Shanghai located in Yangpu District, Shanghai, the PRC.

During the period, the Group recorded revenue of approximately HK\$19,700,000 from hotel operation, a decrease by approximately 4.4% when compared with the same period of last year, with the overall occupancy rate at 78% as of 30 September 2018. The segment profit amounted to approximately HK\$88,000, (six months ended 30 September 2017: loss of HK\$1,672,000).





# MANAGEMENT DISCUSSION AND ANALYSIS

## Financing and Securities Investment Operation

As at 30 September 2018, total loan receivable under financing operation amounted to approximately HK\$93,215,000 (31 March 2018: HK\$91,084,000) and total securities investment, which was booked under financial assets at fair value through profit or loss amounted to approximately HK\$755,095,000 (31 March 2018: HK\$1,393,232,000), representing 30.41% (31 March 2018: 44.26%) of the Group's net assets of HK\$2,483,295,000 (31 March 2018: HK\$3,147,461,000). As at 30 September 2018, the Group mainly 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% of Heilongjiang Interchina's total issued shares.

In view of the downward trend of the share price of the KuangChi Science Limited ("KuangChi") (stock code: 439) and the unsatisfactory annual result of the net loss of the KuangChi of approximately HK\$66,612,000 for the year ended 31 December 2017, the Group fully disposed 54,981,000 shares of KuangChi on the open market of the Stock Exchange for an aggregate consideration of approximately HK\$38,790,000 and recognised a loss of approximately HK\$60,725,000 for the period. In addition, due to the stock price of Heilongjiang Interchina decreased by RMB1.72 per share from RMB4.61 per share at 1 April 2018 to RMB2.89 per share at 30 September 2018, the total securities investment/financial assets at fair value through profit and loss decreased by approximately HK\$638,137,000 or 45.8% as compared to the same period of last year.

The cost of investment in Heilongjiang Interchina was approximately HK\$279,763,000 at 30 September 2018. 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 recorded an unrealised loss of investment at fair value through profit or loss of HK\$449,399,000 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 2018, Heilongjiang Interchina recorded revenue of approximately RMB205,948,000 (equivalent to approximately HK\$236,722,000), profit for the period of approximately RMB890,000 (equivalent to approximately HK\$1,023,000) and net assets of approximately RMB3,657,754,000 (equivalent to approximately HK\$4,204,315,000). Heilongjiang Interchina operates seventeen sewage and water supply projects with aggregate daily processing capacity of approximately 1,500,000 tonnes. During the reporting period, 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.

During the period, this segment recorded interest income of approximately HK\$2,131,000 (six months ended 30 September 2017: HK\$2,375,000) from financing operation and the loss on disposal of securities investment/financial assets at fair value through profit or loss approximately HK\$60,725,000 (six months ended 30 September 2017: HK\$328,000) from securities investment operation. The segment loss amounted to approximately HK\$446,539,000 for the period, as compared to the loss of approximately HK\$357,973,000 from the same period of last year. The loss was mainly due to the loss of HK\$449,399,000 arising on change in fair value of the financial assets at fair value through profit or loss recognised for the period and the loss of approximately HK\$60,725,000 on disposal of the shares of KuangChi as aforementioned.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Natural Resources Operation

The Group operates the natural resources operation through a non-wholly owned subsidiary of the Company, P.T. Satwa Lestari Permai (“SLP”) which owns mining licenses to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in areas totaling approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggara, Indonesia for a period of twenty years (“Mining Rights”), with estimate resources of approximately 18,800,000 tonnes. The estimate resource has no significant change during the period. Production has not been commenced since the Group acquired the Mining Rights in 2011.

This segment did not contribute any revenue to the Group for the period (six months ended 30 September 2017: Nil). The segment loss amounted to HK\$1,057,000, (six months ended 30 September 2017: HK\$965,000). The loss was mainly represented the administrative expenses for the period.

## Agricultural operation

The Group engaged in cattle raising business through a wholly owned subsidiary of the Company, Sociedad Agropecuaria Argotanto S.A. (“Argotanto”) in Bolivia. Argotanto owns approximately 5,100 hectares of farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia and is at the initial stage to start up cattle raising business. During the period, Argotanto sold 151 cattle at average selling price of US\$338 per cattle, which contributed revenue of approximately HK\$398,000 to the Group (six months ended 30 September 2017: HK\$471,000). The segment loss amounted to approximately HK\$2,475,000 (six months ended 30 September 2017: HK\$2,507,000).

On 13 June 2017, the Company entered into a sale and purchase agreement with Mr. Jiang Zhaobai (“Mr. Jiang”), an executive Director, the Chairman and a substantial shareholder of the Company, pursuant to which the Company will purchase and Mr. Jiang will sell the entire equity interest in Pengxin Agricultural Holdings Company Limited at the consideration of US\$46,000,000 (equivalent to approximately HK\$358,800,000), subject to adjustment set out in the paragraph headed “Consideration and the Adjustment” in the Company’s announcement dated 13 June 2017. The transaction constitutes major and connected transaction for the Company under the Listing Rules. The transaction was approved by the shareholders of the Company at the general meeting held on 26 July 2018. Details of the transaction was set out in the Company’s circular dated 28 June 2018.

## INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

## OUTLOOK

Looking forward, the external economic environment is expected to be in an unstable condition. In view of this, the Group will remain dedicated to constantly review, reinforce and, in appropriate circumstances, restructure its existing business segments in order to maintain its competitiveness. Meanwhile, we will pay more attention to economic change and take every chance to identify any suitable investment opportunity including other new business operation in the market for the Group.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Liquidity and Financial Resources

At 30 September 2018, the equity reached approximately HK\$2,483,295,000 (31 March 2018: approximately HK\$3,147,461,000). At 30 September 2018, the Group's cash on hand and deposits in bank was approximately HK\$157,368,000 (31 March 2018: approximately HK\$179,712,000), mainly denominated in Renminbi ("RMB") and Hong Kong dollars. At 30 September 2018, the Group's net current assets were approximately HK\$237,568,000 (31 March 2018: approximately HK\$774,654,000). The current ratio of the Group as at 30 September 2018 was 1.2 (31 March 2018: 1.6). The gearing ratio (total outstanding borrowings over total assets) of the Group as of 30 September 2018 was 25.2% (31 March 2018: 24.8%).

The Group had no particular seasonal pattern of borrowing. At 30 September 2018, the Group's total borrowings of approximately HK\$931,508,000 were repayable within one year (31 March 2018: approximately HK\$1,119,651,000 repayable within one year). As at 30 September 2018, the Group's borrowings were denominated in RMB and HKD, amounting to approximately RMB750,000,000 (31 March 2018: approximately RMB819,000,000) and approximately HK\$69,439,000 (31 March 2018: approximately HK\$108,540,000), respectively.

There has been no change in the share capital of the Company during the period. As at 1 April 2018 and 30 September 2018, the number of issued shares of the Company was 6,078,669,363.

On 4 October 2018, the Company completed the issuance of 1,215,700,000 new shares at the price of HK\$0.143 per share to six places (the "Placing"). The net proceeds derived from the Placing amounted to approximately HK\$169,100,000. Details of the Placing are set out in the Company's announcement dated 4 October 2018.

### Pledged of Assets

At 30 September 2018, the Group's investment properties with carrying amounts of approximately HK\$1,255,536,000 (31 March 2018: approximately HK\$650,257,000) and hotel property with carrying amounts of approximately HK\$480,721,000 (31 March 2018: approximately HK\$523,403,000) 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\$754,057,000 (31 March 2018: approximately HK\$1,123,960,000) 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 2018, the Group had no material contingent liabilities (31 March 2018: Nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Commitment

As at 30 September 2018, the Group had no material capital commitment (31 March 2018: Nil).

## Material Acquisition and Disposal

Save for the information disclosed in other parts of this section, there was no material acquisition or disposal of subsidiaries or associates during the period.

## Financial Risks Management

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

The Group set out in its 2018 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 2018, the Group employed approximately 120 employees (31 March 2018: 120). The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.



## OTHER INFORMATION

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

As at 30 September 2018, the relevant interests or short positions of the Directors and chief executive of the Company in the ordinary shares and underlying shares of the Company or its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

#### Long positions in shares

| Name of Directors         | Nature of interest                        | Number of Shares held | Approximate percentage of shareholding |
|---------------------------|---|-----------------------|--|
| Jiang Zhaobai             | Interest in controlled corporation (Note) | 1,742,300,000         | 28.66%                                 |
| Shen Angang               | Beneficial owner                          | 392,995,000           | 6.47%                                  |
| Lam Cheung Shing, Richard | Beneficial owner                          | 7,700,000             | 0.13%                                  |

Note: As at 30 September 2018, of the 1,742,300,000 shares, 1,033,300,000 shares are held by Rich Monitor Limited and 709,000,000 shares are held by Pengxin Holdings Company Limited, all of which are wholly and beneficially owned by Mr. Jiang Zhaobai ("Mr. Jiang"). Therefore, Mr. Jiang is deemed to be interested in 1,742,300,000 shares of the Company under the SFO.

Save as disclosed above, none of the Directors or chief executive had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2018.



## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in shares

| Name of Shareholders                          | Capacity/Nature of interest | Number of Shares held | Approximate percentage of shareholding |
|---|-----------------------------|-----------------------|--|
| Rich Monitor Limited <sup>1</sup>             | Beneficial owner            | 1,033,300,000         | 17.00%                                 |
| Pengxin Holdings Company Limited <sup>1</sup> | Beneficial owner            | 709,000,000           | 11.66%                                 |
| Shen Angang                                   | Beneficial owner            | 392,995,000           | 6.47%                                  |

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

Save as disclosed above, as at 30 September 2018, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders of the Company and became effective on 12 August 2011. Detailed terms of the Scheme were disclosed in the 2018 annual report.

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

## CHANGE IN DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the Annual Report 2018 of the Company are set out below:

- With effect from 1 October 2018, the monthly remuneration of Mr. Chen Yi, Ethan, an executive Director of the Company has been increased from HK\$115,000 to HK\$150,000.
- Mr. Ko Ming Tung, Edward, an independent non-executive Director of the Company has been appointed as an independent non-executive director of Sterling Group Holdings Limited (stock code: 1825), with effect from 19 October 2018.

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## OTHER INFORMATION

### CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2018, the Company complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), except for the following:

- (i) Pursuant to the Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently all directors (including independent non-executive directors) are not appointed for a fixed term. However, according to the Articles of Association of the Company, one-third of the directors (including executive and non-executive Directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The retiring director shall be eligible for re-election. This effectively means that no director will remain in office for more than three years without being re-election by the Company’s shareholders at a general meeting of the Company or otherwise. The Company considers that sufficient measures have been taken to ensure the Company’s corporate governance practices are no less exacting than those in the CG Code.
- (ii) Pursuant to the Code Provision E.2.1 of the CG Code, the chairman of the Board should attend the annual general meeting (“AGM”) to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2018 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company, attended the AGM on 30 August 2018 and was delegated to make himself available to answer questions if raised at the meeting.

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

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

### AUDIT COMMITTEE

The Company’s audit committee has reviewed this interim report, including the accounting principles adopted by the Group, with the Company’s management.

### BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company comprises executive directors of Mr. Jiang Zhaobai (Chairman), Mr. Lam Cheung Shing, Richard (CEO), Mr. Chen Yi, Ethan and Mr. Shen Angang, and the independent non-executive directors of Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.

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

Hong Kong, 30 November 2018

