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EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations amounted to HK\$55,814,000, representing an increase of 100.3% as compared to the same period in 2014.
- Loss for the period amounted to HK\$66,598,000, representing a decrease of 32.1% as compared to the same period in 2014.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).
- At 30 September 2015, total equity amounted to HK\$4,388,164,000, representing a decrease of 11.9% as compared to HK\$4,980,734,000 as at 31 March 2015.
- At 30 September 2015, net assets per share was HK\$0.72, representing a decrease of 12.2% as compared to HK\$0.82 as at 31 March 2015.

The board (the “Board”) of directors (the “Directors”) of EverChina Int’l Holdings Company Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		For the six months ended	
		30 September	
	<i>Notes</i>	2015	2014
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	2	55,814	27,864
Cost of sales		(3,221)	(944)
Other income and gain, net	3	36,426	17,889
Staff costs		(15,995)	(8,013)
Amortisation and depreciation		(8,294)	(1,612)
Administrative costs		(22,551)	(16,653)
Other operating expenses		(9,924)	–
Gain arising on change in fair value of investment properties		11,508	25,528
Loss arising on change in fair value of financial assets at fair value through profit or loss	11	(973,505)	(5,080)
(Loss)/profit from operations	4	(929,742)	38,979
Finance costs		(22,376)	(15,829)
Share of results of an associate		(1,138)	13,096
Gain on loss of significant influence of an associate	8	882,107	–
Loss on partial disposal of an associate		–	(61,026)
Loss before taxation		(71,149)	(24,780)
Taxation	5	(1,589)	(72,875)
Loss for the period from continuing operations		(72,738)	(97,655)
Discontinued operations			
Profit/(loss) for the period from discontinued operations		6,140	(409)
Loss for the period		(66,598)	(98,064)
Attributable to:			
Owners of the Company		(66,441)	(97,736)
Non-controlling interests		(157)	(328)
		(66,598)	(98,064)
(Loss)/earnings per share attributable to the owners of the Company			
	6		
From continuing and discontinued operations — Basic and diluted		HK(1.09) cents	HK(1.61) cents
From continuing operations — Basic and diluted		HK(1.19) cents	HK(1.60) cents
From discontinued operations — Basic and diluted		HK0.10 cents	HK(0.01) cents

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	For the six months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(66,598)	(98,064)
Other comprehensive income		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation during the period	(188,996)	17,790
Share of exchange reserve of an associate	–	(4)
<i>Items reclassified to profit or loss</i>		
Recognition of accumulated exchange reserve in profit or loss arising from loss of significant influence of an associate	(18,976)	–
Total comprehensive loss for the period	(274,570)	(80,278)
Total comprehensive loss attributable to:		
Owners of the Company	(274,413)	(79,950)
Non-controlling interests	(157)	(328)
	(274,570)	(80,278)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2015

		At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		616,635	634,250
Property, plant and equipment		548,989	585,083
Mining rights		870,016	870,016
Goodwill		63,807	63,807
Interests in an associate	8	–	1,467,959
Other non-current assets		42,872	44,806
		<u>2,142,319</u>	<u>3,665,921</u>
Current assets			
Inventories		16	15
Trade and other receivables and prepayments	9	622,514	1,033,891
Amount due from an associate		–	107,297
Loan receivables	10	366,281	254,618
Financial assets at fair value through profit or loss	11	1,448,386	368,193
Tax recoverable		1,338	1,338
Cash and cash equivalents		538,230	468,859
		<u>2,976,765</u>	<u>2,234,211</u>
Total assets		<u><u>5,119,084</u></u>	<u><u>5,900,132</u></u>

	<i>Notes</i>	At 30 September 2015 HK\$'000 (Unaudited)	At 31 March 2015 HK\$'000 (Audited)
Equity			
Share capital		2,490,454	2,490,454
Reserves		1,854,857	2,187,118
		<hr/>	<hr/>
Equity attributable to owners of the Company		4,345,311	4,677,572
Non-controlling interests		42,853	303,162
		<hr/>	<hr/>
Total equity		4,388,164	4,980,734
		<hr/>	<hr/>
Non-current liability			
Deferred tax liabilities		118,704	123,457
		<hr/>	<hr/>
Current liabilities			
Bank overdraft	<i>13</i>	88	212
Trade and other payables and deposits received	<i>12</i>	48,290	58,657
Tax payable		2,263	3,307
Bank borrowings	<i>13</i>	18,677	21,916
Other borrowings	<i>13</i>	542,898	711,849
		<hr/>	<hr/>
		612,216	795,941
		<hr/>	<hr/>
Total liabilities		730,920	919,398
		<hr/>	<hr/>
Total equity and liabilities		5,119,084	5,900,132
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		2,364,549	1,438,270
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		4,506,868	5,104,191
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The financial information relating to the year ended 31 March 2015 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 2015 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 2015. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The Interim Financial Statement has been prepared on historical cost basis except that the following assets and liabilities are stated at their fair value:

- investment properties; and
- financial assets at fair value through profit or loss classified as held for trading

The Interim Financial Statement has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the impact of the adoption of the new and revised HKAS, Hong Kong Financial Reporting Standards and interpretations described below.

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning from 1 April 2015. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013

The adoption of the new and revised HKFRSs has no material effect on the Interim Financial Statement for the current and prior period.

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

HKFRS 9	Financial Instruments ³
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKAS 1 (Amendments)	Disclosure Initiative ²
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statement ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018.

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

2. SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable continuing 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
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")
Environmental water treatment operation	—	Operation of water plants and sewage treatment plants in the PRC

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

For the six months ended 30 September 2015

	Continuing operations					Consolidated total HK\$'000 (Unaudited)
	Property investment operation HK\$'000 (Unaudited)	Hotel operation HK\$'000 (Unaudited)	Financing and securities investment operation HK\$'000 (Unaudited)	Natural resources operation HK\$'000 (Unaudited)	Environmental water treatment operation HK\$'000 (Unaudited)	
Segment revenue	<u>13,355</u>	<u>20,722</u>	<u>21,737</u>	<u>-</u>	<u>-</u>	55,814
Segment results	<u>22,063</u>	<u>1,286</u>	<u>(967,140)</u>	<u>(630)</u>	<u>(13,275)</u>	(957,696)
Interest income and other income						36,426
Unallocated expenses						<u>(8,472)</u>
Loss from operations						(929,742)
Finance costs	(604)	-	(17,843)	-	-	(18,447)
Unallocated finance cost						(3,929)
Gain on loss of significant influence of an associate	-	-	-	-	882,107	882,107
Share of results of an associate	-	-	-	-	(1,138)	<u>(1,138)</u>
Loss before taxation						(71,149)
Taxation						<u>(1,589)</u>
Loss for the period						<u><u>(72,738)</u></u>

For the six months ended 30 September 2014

	Continuing operations				Consolidated total <i>HK\$'000</i> (Unaudited)
	Property investment operation <i>HK\$'000</i> (Unaudited)	Financing and securities investment operation <i>HK\$'000</i> (Unaudited)	Natural resources operation <i>HK\$'000</i> (Unaudited)	Environmental water treatment operation <i>HK\$'000</i> (Unaudited)	
Segment revenue	12,830	15,034	–	–	27,864
Segment results	35,571	9,864	(1,028)	(6,277)	38,130
Interest income and other income					17,889
Unallocated expenses					(17,040)
Profit from operations					38,979
Finance costs	(891)	–	–	(14,696)	(15,587)
Unallocated finance cost					(242)
Loss on partial disposal of associates	–	–	–	(61,026)	(61,026)
Share of results of associates				13,096	13,096
Loss before taxation					(24,780)
Taxation					(72,875)
Loss for the period					(97,655)

3. OTHER INCOME AND GAIN, NET

	For the six months ended 30 September	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Bank interest income	1,744	8,954
Reversal of provision for bad debt	25,734	–
Net foreign exchange gain	2,416	4,441
Sundry income	6,532	4,494
	36,426	17,889

4. (LOSS)/PROFIT FROM OPERATIONS

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

	For the six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	8,284	1,612
Loss on disposal of financial assets at fair value through profit or loss	9,924	–
Operating lease rentals in respect of premises	3,873	4,383
Gross rental income from investment properties	(13,356)	(12,830)
Less: direct operating expenses from investment properties that generated rental income during the period	168	551

5. TAXATION

	For the six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	–	–
The PRC Enterprise Income Tax	428	65,868
	428	65,868
Deferred tax	1,161	7,007
	1,589	72,875

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

The PRC Enterprise Income Tax

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

The Indonesia Corporate Tax

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

6. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

	For the six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>66,441</u>	<u>97,736</u>

	For the six months ended 30 September	
	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>6,078,669</u>	<u>6,078,669</u>

The diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as the Company has no dilutive potential shares outstanding for the six months ended 30 September 2015 and 2014.

From continuing operations

	For the six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(66,441)</u>	<u>(97,736)</u>
Profit/(loss) for the period from discontinued operations	<u>(6,140)</u>	<u>409</u>
	<u>(72,581)</u>	<u>(97,327)</u>

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

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK0.10 cents (30 September 2014: loss per share HK0.01 cents), based on the profit for the period from the discontinued operations of approximately HK\$6,140,000 (30 September 2014: loss HK\$409,000).

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

7. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 September 2015 and 30 September 2014, nor any dividend been proposed by the board of directors subsequent to the end of the reporting period.

8. INTERESTS IN AN ASSOCIATE

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Cost of investment		
— Listed (<i>note</i>)	–	1,385,005
Share of result of associates	–	82,784
Share of other comprehensive income of associates	–	170
	<u>–</u>	<u>1,467,959</u>
Market value of listed associates	<u>–</u>	<u>2,376,059</u>

Note:

On 16 May 2014, the Group disposed of an aggregate of 72,000,000 Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) shares through the block trading system of the Shanghai Stock Exchange at a cash consideration of RMB311,250,000 (equivalent to HK\$391,510,000), net of transaction costs, representing RMB4.33 per Heilongjiang Interchina share.

Upon completion of the partial disposal of interest in Heilongjiang Interchina, the aggregate number of Heilongjiang Interchina shares held by the Group decreased from 299,312,500 Heilongjiang Interchina shares, representing approximately 20.56% of the issued share capital of Heilongjiang Interchina, to 227,312,500 Heilongjiang Interchina shares, representing approximately 15.62% of the issued share capital of Heilongjiang Interchina. A loss on partial disposal of approximately HK\$61,026,000 was recognised in consolidated statement of profit or loss during the six months ended 30 September 2014.

The Group is entitled to 15.62% equity interest in Heilongjiang Interchina. The directors of the Company consider that the Group has retained significant influence over Heilongjiang Interchina by the representation of the Group on the Board of Directors of Heilongjiang Interchina despite that the interest held by the Group is below 20% and therefore the Group has continuously accounted for Heilongjiang Interchina as its associate as at 31 March 2015.

In May 2015, the representative of the Group was retired by rotation from the board of directors of Heilongjiang Interchina.

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

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Trade receivables:		
0–30 days	24,105	79,047
Margin clients' accounts receivables	99,762	99,761
Prepayments, deposits and other receivables	587,035	975,991
	<u>710,902</u>	<u>1,154,799</u>
Less: Impairment of trade and other receivables and prepayments	(88,388)	(120,908)
	<u><u>622,514</u></u>	<u><u>1,033,891</u></u>

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

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	120,908	92,234
Reversal of impairment loss recognised	(32,520)	–
Impairment loss recognised	–	28,674
	<u>88,388</u>	<u>120,908</u>

The average credit period granted to customers is 60 days (31 March 2015: 60 days).

Loans to margin clients are secured by client's pledged securities, repayable on demand and interest free. No aged analysis is disclosed, as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in the allowance for doubtful debts are individually impaired trade and other receivables and prepayments with an aggregate balance of approximately HK\$88,388,000 (31 March 2015: 120,908,000) which are past due at the end of the reporting period. The allowance for doubtful debts recognised because there has been a significant change in credit quality and the amounts are considered irrecoverable.

Included in the prepayments and other receivables of approximately HK\$173,054,000 (31 March 2015: HK\$336,643,000) paid for acquisition of certain investment properties and several potential water plant project in the PRC.

10. LOAN RECEIVABLES

The loan was unsecured, carrying at the prevailing interest rate ranging from 5.25% to 7.2% per annum (31 March 2015: from 2% to 7.2% per annum).

During the six months ended 30 September 2015, no impairment loss (six months ended 30 September 2014: nil) was recognised in the condensed consolidated statement of profit or loss.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Held for trading:		
Listed equity securities — Hong Kong, at fair value	95,400	368,193
Listed equity securities — the PRC, at fair value	1,352,986	—
	<u>1,448,386</u>	<u>368,193</u>

The Group lost its significant influence over Heilongjiang Interchina during the period and its investment in Heilongjiang Interchina was recognised as financial asset at FVTPL. Included in the loss arising on change in fair value of financial asset of FVTPL for the six months ended 30 September 2015 of approximately HK\$973,505,000, HK\$879,305,000 is derived from investment in Heilongjiang Interchina.

12. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Trade payables	1,813	1,318
Other payables and deposits received	46,477	57,339
	<u>48,290</u>	<u>58,657</u>

Included in other payables was an amount of interest expenses payable amounted to approximately HK\$862,000 (31 March 2015: HK\$980,000).

13. BANK AND OTHER BORROWINGS

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Bank borrowings, secured	18,677	21,916
Bank overdraft, unsecured	88	212
Other borrowings, secured	<u>542,898</u>	<u>711,849</u>
Total bank and other borrowings	<u><u>561,663</u></u>	<u><u>733,977</u></u>
Carrying amounts repayable:		
Within one year:		
— Bank borrowings and overdraft	6,116	5,348
— Other borrowings	542,898	711,849
Carrying amount of bank and other borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>12,649</u>	<u>16,780</u>
Total borrowings	<u><u>561,663</u></u>	<u><u>733,977</u></u>

Notes:

- (a) The bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is 2.45% (31 March 2015: 2.45%) per annum. The effective interest rates on bank borrowings denominated in Renminbi is 6.83% (31 March 2015: 6.83%) per annum.

The other borrowings bear interest at rates of 7.3% to 8% per annum for the six months ended 30 September 2015 (31 March 2015: 8% to 8.2% per annum).

- (b) Asset with the following carrying amount have been pledged to secured general banking facilities granted to the Group, set out as follow:

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Investment properties	<u><u>276,168</u></u>	<u><u>284,539</u></u>

Included in the secured other borrowings of approximately HK\$479,042,000 are secured by certain shares of Heilongjiang Interchina, which its shares are listed on the Shanghai Stock Exchange.

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

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Hong Kong dollars	68,256	238,471
Renminbi	493,319	495,294
Indonesia Rupiah	88	212
	<u>561,663</u>	<u>733,977</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

The Group engaged principally in (i) property investment operation, (ii) hotel operation, (iii) financing and securities investment operation, (iv) natural resources operation and (v) environmental water treatment operation.

Investment in Heilongjiang Interchina

During the period, the Group's environmental water treatment operation was mainly conducted by Heilongjiang Interchina. As at 31 March and 30 September 2015, the Group holds 227,312,500 shares of Heilongjiang Interchina, representing 15.62% of the issued share capital of Heilongjiang Interchina. As at 31 March 2015, the Group was able to exercise significant influence over Heilongjiang Interchina because Mr. Zhu Yongjun ("Mr. Zhu"), the former executive director and the chairman of Heilongjiang Interchina was the Group's representative in the board of Heilongjiang Interchina. The investment in Heilongjiang Interchina was accounted for as an associate of the Group for the year ended 31 March 2015. However, as disclosed in the 2014 annual report of Heilongjiang Interchina, Mr. Zhu decided not to participate in nomination as member of the board of Heilongjiang Interchina in the first meeting of the sixth session of the board of directors of Heilongjiang Interchina held on 9 May 2015. Therefore, Mr. Zhu ceased to be an executive director and the chairman of Heilongjiang Interchina since 9 May 2015. As the Group's significant influence over Heilongjiang Interchina is lost, it is according to the relevant Hong Kong Financial Reporting Standards to re-classify the investment in Heilongjiang Interchina from an associate company to financial assets at fair value through profit or loss thereafter. As a result, a gain on loss of significant influence of an associate of HK\$882,107,000 was recognised for the period. The gain was the difference between the fair value of the 15.62% equity interest of Heilongjiang Interchina and the carrying amount of Heilongjiang Interchina at the date when significant influence was lost. At 30 September 2015, the market value of the investment in Heilongjiang Interchina's amounted to approximately RMB1,129,743,000 (equivalent to approximately HK\$1,352,986,000) and unrealised loss on change in the fair value of this investment of HK\$879,305,000 was recognised for the period.

The Group's share of loss of an associate up to the date of reclassifying Heilongjiang Interchina as financial assets at fair value through profit or loss amounted to HK\$1,138,000 for the period (six months ended 30 September 2014: HK\$13,096,000).

Property Investment Operation

The Group currently owns approximately total gross floor area of 19,620 sq.m. in Beijing Interchina Commercial Building, located in the CBD of Beijing, the PRC. At 30 September 2015, the carrying value of the Group's investment properties amounted to approximately HK\$616,635,000 (31 March 2015: HK\$634,250,000) and all of them have been fully let during the period.

Rental income slightly increased by 4.1% to approximately HK\$13,355,000 (six months ended 30 September 2014: HK\$12,830,000). The segment profit amounted to approximately HK\$22,063,000 (six months ended 30 September 2014: HK\$35,571,000). The decrease in profit was mainly attributable to the decrease in the unrealized fair value gain on investment properties from HK\$25,528,000 for the same period in 2014 to HK\$11,508,000 for the Period.

Looking forward, the Group will continue to seek opportunity of acquisition of high quality property to further enhance the assets base of the Group and strengthen the profitability of this segment.

Hotel Operation

The Group completed the acquisition of the Express by Holiday Inn Wujiaochang Shanghai (“Holiday Inn Wujiaochang”) by the end of December 2014. It is a 20-storey hotel with total gross floor area of approximately 15,900 square feet, and 296 guest rooms, located in Yangpu District, Shanghai, the PRC. Hence it was the first time the Group reported on the operations of the hotel on a full 6-month basis. During the period, the Holiday Inn Wujiaochang contributed revenue of HK\$20,722,000 to the Group, achieved an average daily rate of approximately HK\$422 and an occupancy rate of around 80%. During the period, the Group shared the profit of HK\$1,286,000 from the hotel operation segment (six months ended 30 September 2014: Nil).

The Group holds positive view towards investing in hotels, as this segment would bring solid revenue base and capital gain potentials. The Group will continue to seek opportunity of acquisition of high quality hotel property from time to time.

Financing and Securities Investment Operation

As at 30 September 2015, total loan receivable under financing operation amounted to HK\$366,281,000 (31 March 2015: HK\$254,618,000) and total securities investment/financial assets at fair value through profit and loss stood at HK\$1,448,386,000 (31 March 2015: HK\$368,193,000). The increase in total securities investment/financial assets at fair value through profit and loss was mainly attributable to the reclassification of the investment in Heilongjiang Interchina from an associate to financial assets at fair value through profit and loss during the period. At 30 September 2015, the Group held listed securities, being 227,312,500 shares or approximately 15.62% interest in Heilongjiang Interchina (stock code: 600187) listed on Shanghai Stock Exchange and 60,000,000 shares or approximately 1.06% interest in KuangChi Science Limited (stock code: 439).

In April 2015, the Company entered into a bought and sold note with Ms. Pauline Po (“Ms. Po”), an independent third party, pursuant to which the Company disposed to Ms. Po 119,500,000 shares of Honbridge Holdings Limited (the “Disposal Shares”) at a total consideration of HK\$167,300,000 (the “Disposal”). Honbridge is a company incorporated in the Cayman Islands with limited liabilities and the shares of which are listed on The GEM board of the Stock Exchange (Stock Code: 8137). The Disposal Shares were classified as financial assets at fair value through profit or loss in the accounts of the Group. Detail of the transaction was set out in the Company’s announcement dated 28 April 2015. The Disposal completed on 4 May 2015 and recognised a loss of HK\$9,924,000 for the period.

Segment revenue represents interest income from financing operation, increased by 44.6% to HK\$21,737,000 as compared to HK\$15,034,000 for the same period in 2014 as more loans were granted to customers during the period. The segment loss amounted to HK\$967,140,000 as compared with the profit of HK\$9,864,000 for the same period in 2014. The turnaround to loss was mainly attributable to the significant increase in unrealised fair value loss of the securities investment from HK\$5,080,000 for the same period in 2014 to HK\$973,505,000 for the period as a result of the stock market fluctuation in the PRC and Hong Kong during the period.

Going forward, the Group will continue to adopt a conservative approach to this segment for minimising the business risk.

Natural Resources Operation

The Group operates the natural resources operation through a non-wholly owned subsidiary of the Company, P.T. Satwa Lestari Permai (“SLP”) which is a licensed mining company under the Laws of the Republic of Indonesia. SLP owns mining licenses (IUP Manganese Production Operation) 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 Right”), with estimate resources of approximately 18,800,000 tonnes. The estimate resource has no significant change during the Period. The carrying value of the Mining Right at 30 September 2015 amounted to HK\$870,016,000 (31 March 2015: HK\$870,016,000). Production has not been commenced since the Group acquired the Mining Right in 2011. Therefore, this segment did not contribute any revenue to the Group for the Period. The segment loss amounted to HK\$630,000, representing a decrease of 38.7% as compared with HK\$1,028,000 for the same period in 2014. The loss was mainly represented administrative expenses for the period.

In March 2014, the Group entered into a sale and purchase agreement with one of the minority shareholder of the SLP to further acquire the 30% equity interest in SLP at the consideration of HK\$318,000,000 (the “Further Acquisition”). Upon the completion of the Further Acquisition, the Group’s interest in SLP will increased from 65% to 95%. Detail of the transaction was set out in the Company’s circular dated 7 July 2014. The Further Acquisition was completed on 11 September 2015 and resulted in an increase in equity interests of 30% in the SLP, which constituted a change in the Group’s ownership interest in a subsidiary that does not result in a change of control.

Given the softening of the global commodity market and prolonged period of depressed prices, it is expected that more time will be required to improve/fine tune the operating performance of this segment in order to achieve satisfactory results in the long run.

Environmental Water Treatment Operation

This segment recorded no revenue for the period (six months ended 30 September 2014: Nil) and recorded segment loss of HK\$13,275,000 (six months ended 30 September 2014: HK\$6,277,000).

Discontinued Operations

Securities dealing and brokerage operation is presented as discontinued operation for the Period.

The cessation of securities dealing and brokerage operation became effective on 31 July 2012 but has been pending the final approval by the Securities and Futures Commission. No revenue was recognised for the past two years. This segment recorded profit of HK\$6,140,000 (six months ended 30 September 2014: loss of HK\$409,000). The turnaround to profit was mainly attributed by the reversal of impairment loss of HK\$6,459,000 on trade receivables during the period.

OUTLOOK

Looking forward, the Group will continue to adopt a positive but prudent approach in managing its financial resources and will strive for developing recurrent income streams so as to provide long term sustainable growth for the benefit of the Group and its shareholders as a whole.

FINANCIAL REVIEW

Results of Operations

During the period, the Group recorded a revenue of approximately HK\$55,814,000, representing an increase of 100.3% over the same period in 2014. Increase in revenue was mainly contributed by the growth of the financing operation as well as the hotel operation started to contribute revenue to the Group since January 2015.

Despite the improvement in revenue, the Group still recorded loss of approximately HK\$66,598,000, representing a decrease of 32.1% over the same period in 2014. The loss was principally attributable to the net effect of: (i) a gain on loss of significant influence of associate of HK\$882,107,000; and (ii) unrealised losses on financial assets at fair value through profit and loss of approximately HK\$973,505,000 (six months ended 30 September 2014: HK\$5,080,000) during the period.

During the period, net loss attributable to shareholders of the Company amounted to HK\$66,441,000, representing a decrease of 32% over the same period in 2014. The basic and diluted loss per share of the Company for the period was HK\$1.09 cent, representing a decrease of 32.3% over the same period in 2014.

Liquidity, Financial Resources and Financial Ratios

At 30 September 2015, the Group's total assets were HK\$5,119,084,000 (31 March 2015: HK\$5,900,132,000) and the total liabilities were HK\$730,920,000 (31 March 2015: HK\$919,398,000). There has been no change in the share capital of the Company during the Period. As at 1 April 2015 and 30 September 2015, the number of issued shares of the Company was 6,078,669,363. At 30 September 2015, the equity reached HK\$4,388,164,000 (31 March 2015: HK\$4,980,734,000) and the current ratio of the Group was 4.9 (31 March 2015: 2.8) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 11% (31 March 2015: 12.4%).

At 30 September 2015, the Group's cash on hand and deposits in bank was HK\$538,230,000 (31 March 2015: HK\$468,859,000). Around 95% of the Group's cash on hand and deposits in bank was denominated in Renminbi with the rest mainly in Hong Kong dollars.

At 30 September 2015, the Group had total borrowings comprising bank borrowings and overdraft of HK\$18,765,000 (31 March 2015: HK\$22,128,000) and other borrowings of HK\$542,898,000 (31 March 2015: HK\$711,849,000). The maturity profile of the outstanding bank borrowings and overdraft and other borrowings was spread over a period of more than five years with HK\$548,051,000 repayable within one year and HK\$11,444,000 repayable after one year but within five years, and HK\$2,168,000 repayable after five years. Around 87.8% of the Group's total borrowings were denominated in Renminbi with the rest mainly in Hong Kong dollars.

The Group has maintained sufficient financial resources for daily operation, if there are appropriate merger and acquisition opportunities, additional financing may be funded for financing part of the merger and acquisitions.

Pledged of Assets

At 30 September 2015, the Group's assets were pledged as security for its liabilities and loan facilities, comprising investment properties with carrying amounts of HK\$276,168,000 (31 March 2015: HK\$284,539,000) and financial assets at fair value through profit or loss with carrying amounts of HK\$1,113,042,000.

Foreign Exchange Exposure

The Group's operation is mainly in Hong Kong and China but the Group reports its operating result in Hong Kong dollar. The Group is, thus, exposed to the fluctuation in exchange rates between Renminbi, Hong Kong dollar and other currencies. At present, the Group has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Material Acquisition and Disposal

Save as the acquisition and disposal have been described in the “Business Review & Prospect” section, there was no material acquisition or disposal of subsidiaries or associates during the Period.

Human Resources

As at 30 September 2015, the Group had approximately 120 employees in Hong Kong and China. To maintain the Group’s competitiveness, salary adjustments and award of bonus for staff are subject to the performance of individual staff members. Apart from offering retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect of the six months ended 30 September 2015.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 September 2015.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Throughout the Period under review, the Company had complied with all the code provisions of the CG Code except for the deviations as stated below:

- (i) Pursuant to the Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently all directors (including non-executive directors) are not appointed for a fixed term. However, according to Article 101 of the Articles of Association of the Company, one-third of the directors (including executive and non-executive Directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The retiring director shall be eligible for re-election. The Board believes that the current arrangement will give the Company sufficient flexibility to organise the composition of the Board to serve the needs of the Group.
- (ii) Pursuant to the Code Provision E.2.1 of the CG Code, the chairman of the Board should attend the annual general meeting (“AGM”) to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2015 AGM due to other business engagements. Mr. Lam Cheung Shing Richard, being the executive director of the Company, attended the AGM on 2 September 2015 and was delegated to make himself available to answer questions if raised at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company and had reviewed with management of the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters including review of the interim results of the Group for the six months ended 30 September 2015.

PUBLICATION OF THE INTERIM REPORT

This interim results announcement is published on the Company's website (<http://www.everchina202.com.hk>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>). The interim report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

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

Hong Kong, 27 November 2015

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