EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤中國際控股有限公司

Stock Code: 202

2017
Annual Report

CONTENTS

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

15/F., CCB Tower
3 Connaught Road Central
Hong Kong

WEBSITE

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

MANAGEMENT STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present to you the annual results of the Group for the year ended 31 March 2017.

RESULTS OF OPERATION

The Group reported a profit attributable to owners of the Company for the year ended 31 March 2017 of approximately HK$82,403,000 (2016: loss of HK$685,672,000). The Group's revenue for the year amounted to approximately HK$67,951,000 (2016: HK$86,811,000), which represented a decrease of approximately HK$18,860,000 compared with the last year. The decrease in revenue was mainly attributable to decrease in revenue contributed from the hotel operation as well as from financing and securities investment operations. Other net income and gain for the year decreased by 76.0% to HK$13,067,000 (2016: HK$54,382,000) due to in absence of reversal of provision of bad debt for the year (2016: HK$25,734,000) and decrease in other loan interest income as compared with last year. The overall operating expenses (including staff costs, depreciation and administrative costs) for the year decreased by 26.1% to HK$94,730,000 (2016: HK$128,104,000) due to strict control of expenses imposed by the management.

The turnaround to a profit for the year was mainly due to the net results of (i) a gain of HK$223,176,000, arising on changes in the fair value of financial assets held for trading as the result of the improvement in the market sentiment (2016: loss of HK$896,143,000); (ii) a loss of HK$33,703,000 arising on change in fair value of the Group's investment properties (2016: gain of HK$14,300,000); (iii) in absence of the one-off gain on loss of significant influence of an associate for the year (2016: HK$882,107,000) and impairment loss recognised in respect of mining rights for the year (2016: HK$598,136,000); and (iv) other operating expenses of HK$695,000 was recorded for the year (2016: HK$48,484,000).

The basic and diluted earnings per share (including continuing and discontinued operations) for the year ended 31 March 2017 amounted to HK1.356 cents, as compared with the basic and diluted loss per share of HK11.280 cents for the year ended 31 March 2016.

BUSINESS REVIEW

Property Investment Operation

During the year, rental income slightly decreased by 6.6% to HK$25,211,000 (2016: HK$26,998,000). The segment loss amounted to HK$20,695,000 (2016: profit of HK$31,957,000). The turnaround to loss was mainly attributable to the loss arising on change in fair value of the Group's investment properties of HK$33,703,000 for the year (2016: gain of HK$14,300,000).

During the year, the Group continued to expand the investment in this segment. In August 2016, the Group completed the acquisition of 14 retail units located at Levels 1–3 of Above the Bund Square, Shanghai, the PRC with total area of 8,585.79 sq.m. (the "Shanghai Property") at the aggregate consideration of RMB616,000,000. Detail of the transaction was set out in the Company's announcement dated 24 December 2015 and circular dated 19 February 2016.

At 31 March 2017, the Group's investment properties, which mainly comprise the Shanghai Property and Beijing Interchina Commercial Building, located in the CBD of Beijing, the PRC with total gross floor area of 19,620 sq.m. (the "Beijing Property"), respectively. At 31 March 2017, the Beijing Property had occupancy rate of 99% and the Shanghai Property was still vacant. In June 2017, the occupancy rate of the Shanghai Property reach 90%. It is expected that the Shanghai Property can contribute stable revenue and profit to the Group in the coming year.

MANAGEMENT STATEMENT

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 Express by Holiday Inn Wujiaochang Shanghai (the "Hotel"), the sole hotel property held by the Group, is located in Yangpu District, Shanghai, the PRC, which is a 20-storey hotel with total gross floor area of approximately 15,900 sq.m., and 296 guest rooms. During the year, the Hotel recorded revenue of HK$28,279,000 (2016: HK$37,124,000) and operating loss of HK$3,151,000 (2016: HK$680,000). The average occupancy rate was around 77%. The decrease in revenue and increase in loss was mainly attributable to the Hotel was closed in December 2016 and January 2017 for renovation and facilities upgrading and was re-opened in February 2017.

It expects that the Hotel will continue providing the Group with a solid revenue stream as well as capital gain potentials.

Financing and Securities Investment Operations

During the year, segment revenue represents interest income from financing operation. In order to release financial resources to finance acquisition of the Shanghai Property during the year, the Group has scaled down its financing operation since the third quarter of 2016. Segment revenue decreased by 36.3% to HK$14,461,000 when compared to the last year. The segment profit amounted to HK$237,449,000 for the year, as compared to a loss of HK$847,900,000 of the last year. The turnaround to profit was mainly due to the gain of HK$223,176,000 arising on changes in fair value of the financial assets at fair value through profit or loss recognised for the year, compared with the loss of HK$882,862,000 of the last year as a result of the improvement in the stock market sentiment during the year.

As at 31 March 2017, total loan receivables under financing operation amounted to HK$97,328,000 (31 March 2016: HK$273,173,000) and total securities investment/financial assets at fair value through profit or loss stood at HK$1,673,308,000 (31 March 2016: HK$1,528,024,000). The table below sets out a breakdown of financial assets at fair value through profit or loss as at 31 March 2017:

Stock code	Name of security	Number of shares held	Percentage shareholding held by the Group	Carrying value as at 31 March 2017 HK$'000	Fair value gain during the year HK$'000
600187	Heilongjiang Interchina Water Treatment Co., Ltd	227,312,500	13.74%	1,476,254	214,483
439	KuangChi Science Ltd	57,957,000	0.95%	197,054	8,693
				1,673,308	223,176

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

MANAGEMENT STATEMENT

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 Indonesia. SLP owns mining licenses to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in areas totaling approximately 2,000 hectares 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 estimated resources have no significant change during the year. Production has not been commenced since the Group acquired the Mining Rights in 2011.

During the year, the manganese ore benchmark price slightly increased by approximately 1.4% as compared to the last year. The recoverable amount of the Mining Rights was assessed again as at 31 March 2017, and concluded there were no indications of impairment present, noting that key assumptions adopted in determining the recoverable value of the Mining Rights remain consistent with those adopted during the previous assessment. Hence, the Company is not considering any impairment loss on the Mining Rights (2016: HK$598,136,000). There are no significant changes in the valuation method during the two years. Both valuations adopted income based approach. The carrying amount of the Mining Rights as at 31 March 2017 amounted to HK$271,880,000 (31 March 2016: HK$271,880,000).

Since the implementation of the restriction on export of extracted mineral products including from manganese mines in Indonesia in January 2014, the Group's natural resources operation was inevitably affected so that no revenue was recorded for the year (2016: Nil). The segment loss amounted to HK$2,010,000, decreased by 99.7% when compared with the last year. The loss was mainly represented the administrative expenses for the year.

Other Investments

During the year, the Group made its first foray into the promising market of Bolivia to tap into the livestock raising business. In October 2016, the Company entered into agreements to acquire three companies aggregately own the entire equity interests in Sociedad Agropecuaria Argotanto S.A. ("Argotanto"), a company incorporated in Bolivia with limited liability at the aggregate consideration of US$5,800,000 (equivalent to approximately HK$45,240,000) (the "Acquisition"). The Acquisition does not constitute notifiable transaction under the Listing Rules. 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. The Group plans to establish the cattle raising business through Argotanto in South America. It is estimated that by improving facility, training worker and introducing advanced technology, the cattle farm could raise 6,000 cattle. The Acquisition was completed in December 2016. Argotanto did not contribute any revenue to the Group but recognised a loss of HK$3,253,000 for the year. It is expected that it would provide another stream of income to maximise returns to shareholders of the Company in near future.

DISCONTINUED OPERATIONS

Securities dealing and brokerage operation

This segment recorded no revenue for the past two years and recorded profit of HK$19,478,000 (2016: loss of HK$1,177,000) for the year. The turnaround to a profit was mainly attributed by the reversal of impairment loss of HK$46,486,000 on trade receivables during the year. The Group had obtained official approval to revoke the securities dealing and brokerage license from the Securities and Futures Commission in December 2016. Therefore, the Group has formally ceased all operation in this segment.

MANAGEMENT STATEMENT

Water Treatment Operation

This segment recorded no revenue for the past two years and recorded segment loss of HK$37,900,000 for the year (2016: HK$143,000).

The Group had decided to discontinue this segment in 2016. During the year, the Group had disposed of its entire interests in Interchina Environmental Protection Company Limited ("IEP") to a third party at a consideration of HK$20,000,000 (the "Disposal") for the purpose of realising the remaining investment in this segment. IEP holds the entire share capital of a wholly-owned foreign enterprise which engaged in providing consultancy services in area of water treatment management and investment in the PRC. The Disposal was completed in November 2016, the Group recorded the loss of approximately HK$17,328,000. After the Disposal, the Group has formally ceased all operation in this segment.

OUTLOOK

Looking forward, the global economic outlook will remain to be volatile and subject to a lot of uncertainties. The Group would maintain a professional and prudent financial management of the financial resources and closely monitor the impacts from the economic environment to the business operations. Meanwhile, we will adopt appropriate measures and strategies to identify any suitable investment opportunity to strive for the best return to the shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 March 2017, the Group's total assets were HK$4,873,812,000 (31 March 2016: HK$4,477,067,000) and the total liabilities were HK$1,230,414,000 (31 March 2016: HK$726,607,000). At 31 March 2017, the equity reached HK$3,643,398,000 (31 March 2016: HK$3,750,460,000) and the current ratio of the Group was 2.4 (31 March 2016: 4.9).

At 31 March 2017, the Group's cash on hand and deposits in bank was HK$492,651,000 (31 March 2016: HK$305,451,000). Around 99% of the Group's cash on hand and deposits in bank was denominated in Renminbi with the rest mainly in Hong Kong dollars. At 31 March 2017, the Group's total borrowings comprising bank borrowings of HK$3,759,000 (31 March 2016: HK$16,004,000) and other borrowings of HK$1,040,134,000 (31 March 2016: HK$537,408,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$541,698,000 repayable within one year and HK$500,751,000 repayable after one year but within five years, and HK$1,444,000 repayable after five years. Around 90.8% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars. The gearing ratio (total outstanding borrowings over total assets) of the Group as at 31 March 2017 was 21.4% (31 March 2016: 12.4%).

As at 31 March 2017, the average cost of financing was around 8.3% (2016: 6.7%) per annum in 2017. 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.

There has been no change in the share capital of the Company during the year. As at 1 April 2016 and 31 March 2017, the number of issued shares of the Company was 6,078,669,363.

MANAGEMENT STATEMENT

Pledged of Assets

At 31 March 2017, the Group's investment properties with carrying amounts of HK$587,522,000 (31 March 2016: HK$270,111,000) and hotel properties with carrying amounts of HK$489,232,000 (31 March 2016: Nil) were pledged as security for its liabilities. In addition, 200,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Foreign Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. Fluctuations of exchanges rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidation financial statement. During the year, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities.

Contingent Liability

The Group had no material contingent liabilities as at 31 March 2017 (2016: Nil).

Capital Commitment

As at 31 March 2017, the Group had no material capital commitment (2016: HK$510,296,000). Details of the capital commitment of the Group are set out in note 36 of the consolidated financial statement.

Material Acquisition and Disposal

Save for the information disclosed in other parts of this section, the Group did not have any significant investments, other material acquisition or disposal during the year ended 31 March 2017.

Future plans for material investments or capital assets

Save for the information disclosed in other parts of this section, there was no plan authorised by the Board for other material investments or additions of capital assets as at 31 March 2017.

Human Resources

During the year, the Company has established an investment department and is responsible to evaluate any potential investment projects for the future expansion of the Group.

As at 31 March 2017, the Group employed approximately a total of 120 employees (31 March 2016: 124). The Group's emoluments policies are formulated on the performance of individual employee and are competitive in the market. During the year ended 31 March 2017, total staff costs (including Directors' emoluments) amounted to HK$32,899,000 for the year (2016: HK$34,906,000).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

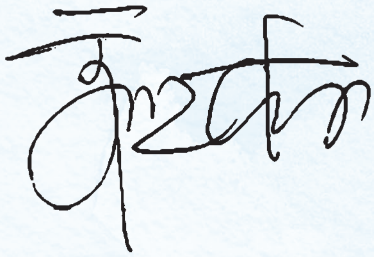
On 13 June 2017, the Company entered into a sale and purchase agreement with Mr. Jiang Zhaobai ("Mr. Jiang"), an executive Director, the Chairman and a substantial shareholder of the Company, pursuant to which the Company will purchase and Mr. Jiang will sell the entire equity interest in Pengxin Agricultural 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 "Announcement"). The transaction constitutes major and connected transaction for the Company under the Listing Rules. Details of the transaction was set out in the Announcement.

MANAGEMENT STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers, employees and partners for their continuous support and encouragement.

On behalf of the Board



Jiang Zhaobai
Chairman

Hong Kong, 29 June 2017

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. JIANG Zhaobai, Executive Director and Chairman

Mr. JIANG Zhaobai, aged 54, has been appointed as an executive Director of the Company and Chairman of the Board in September 2012. He has over 26 years experience in real estate development and investment in the PRC and extensive experience in international investment including minerals, dairy and agricultural industries and property investment etc. He is also the chairman of the board of Shanghai Pengxin Group Co., Ltd. ("Pengxin Group"). Mr. Jiang is the founder of Pengxin Group and Shanghai Pengxin Real Estate Development Co., Ltd. ("Pengxin Real Estate"). He was the chairman of Pengxin Group during the period from April 1997 to May 2000 and the chairman of Pengxin Real Estate during the period from January 1995 to March 1997. Mr. Jiang was appointed as vice presidents of China Enterprise Directors Association from July 2010 to July 2015 and is currently a rotating chairman of New Shanghai Businessman Federation (上海新滬商聯合會). He graduated in Nanjing Institute of Architecture and Civil Engineering and was admitted to an Executive Master of Business Administration degree at China Europe International Business School in June 2005.

Mr. LAM Cheung Shing, Richard, Executive Director, Deputy Chairman and Chief Executive Officer

Mr. LAM Cheung Shing, Richard, aged 59, is the deputy chairman and chief executive officer of the Company since June 2009. In August 2001, Mr. Lam was appointed as an executive Director and deputy chief executive officer of the Company and was designated as the chairman of the Company during the period from May 2009 to June 2009. Mr. Lam is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Lam was admitted to the Master Degree of Business Administration in the Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PriceWaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the Group, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited.

Other than the directorship in the Company, currently, Mr. Lam is also an independent non-executive director of Lajin Entertainment Network Group Limited, the issued shares of which are listed on the GEM Board of the Stock Exchange. Besides, Mr. Lam was appointed as an independent non-executive director of Eagle Legend Asia Limited during the period from May 2013 to December 2014 and an executive director of Kai Yuan Holdings Limited during the period from December 2001 to July 2008 and re-designated as a non-executive director during the period from July 2008 to November 2008, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Lam was appointed as an executive director of China Pipe Group Limited, the issued shares of which are listed on the Stock Exchange, during the period from June 2007 to February 2009.

Mr. CHEN Yi, Ethan, Executive Director

Mr. CHEN Yi, Ethan, aged 34, joined the Company as an independent non-executive Director of the Company in February 2012 and re-designated to an executive Director of the Company since October 2014. He holds a bachelor's degree in Applied Science on Professional Electric Engineering from University of British Columbia, Vancouver, Canada and Mr. Chen has profound knowledge in financial instruments and rich experience in the international capital market. Prior to this re-designation, Mr. Chen had been worked as the assistant vice president in investment of Wellbo Holdings Limited, an engineering analyst of Kobex Minerals Inc. and International Barytex Resources Ltd in Canada, and an analyst and assistant vice president of Rongying Investments Limited respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SHEN Angang, Executive Director

Mr. SHEN Angang, aged 61, has been appointed as an executive Director of the Company in February 2012. He has been the president and chairman of the board of directors of Shanghai AnShung Group Ltd. since 1995. He has rich experience in areas ranging from finance, investment, real estate and mining resources. Mr. Shen served as the cadre of the Science Committee of Shanghai. He also held the position as the general manager of Shanghai Industry and Trade Department of Shanghai Ocean Helicopter Professional Co., Ltd., and as the general manager of Shanghai Securities Department of Guizhou International Trust & Investment Corporation.

Mr. HO Yiu Yue, Louis, Independent Non-executive Director and the Chairman of the Audit Committee and the Remuneration Committee

Mr. HO Yiu Yue, Louis, aged 69 was appointed as an independent non-executive Director in April 2009. He is also the Chairman of the Audit Committee and the Remuneration Committee of the Company and a member of the Nomination Committee. He obtained a master degree of business administration in finance & operations research from Concordia University in Canada and is an associate member of both Hong Kong Institute of Certified Public Accountants and Australia Society of Certificate Practising Accountants. Mr. Ho had over 30 years working experience with international accounting professional firms and had been admitted as partner in Ernst & Young, PricewaterhouseCoopers and Arthur Andersen, focusing on technology risk, system and process assurance and risk consulting practices. During that period, Mr. Ho provided services and advices to numerous blue chip corporations in both Hong Kong and the PRC. Mr. Ho was an independent non-executive director of China Pipe Group Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. KO Ming Tung, Edward, Independent Non-executive Director and the Chairman of the Nomination Committee

Mr. KO Ming Tung, Edward, aged 56, was appointed as an Independent Non-executive Director of the Company in April 2009. Mr. Ko obtained an external Bachelor of Laws Degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 25 years.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of Sinofert Holdings Limited, Wai Chun Group Holdings Limited and Chia Tai Enterprises International Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange, and is an independent non-executive director of Chinese Energy Holdings Limited, whose shares are listed on the GEM Board of the Stock Exchange. Mr. Ko was previously a non-executive director of Harmonic Strait Financial Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor SHAN Zhemin, Independent Non-executive Director

Professor SHAN Zhemin, aged 45, was appointed as an independent non-executive Director in October 2014. She is also a member of the Audit Committee. She is a doctoral degree holder in Management from Shanghai University of Finance and Economics, a certified public accountant in China and a financial analyst in America. She is currently an associate professor, Director of the Institute of Finance（金融研究所）of Shanghai National Accounting Institute. She also acts as EMBA visiting professor of a number of reputable institutions including PBC School of Finance of Tsinghua University and Shanghai Advanced Institute of Finance (SAIF). Professor Shan possesses rich experience in the fields of accounting, financial management, corporate finance, investment and financing. She previously served as researcher of Department of Accountancy of City University of Hong Kong, associate professor of School of Accountancy of Shanghai University of Finance and Economics, senior investment manager of Securities Investment Head Office and internal audit expert of Investment Banking Head Office of Shenyin & Wanguo Securities Co., Ltd.

Other than the directorship in the Company, currently, Professor Shan is an independent director of each of Shanghai Metersbonwe Fashion and Accessories Co., Ltd (listed on Shenzhen Stock Exchange, stock code: 002269), Guangzheng Group Company Ltd (listed on Shenzhen Stock Exchange, stock code: 002524), Shanghai Lansheng Corporation (listed on Shanghai Stock Exchange, stock code: 600826) and ORG Packaging Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002701). She is also an independent director of Shanghai Baosteel Gases Limited, a wholly-owned subsidiary of Baoshan Iron & Steel Co., Limited (listed on Shanghai Stock Exchange, stock code: 600019).

SENIOR MANAGEMENT

Mr. MO Wei, Wayne, aged 44, is the chief investment officer of the Company. He holds a Bachelor degree in economics (major international trade) from the Shanghai University of Finance & Economics and a Master of Business Administration degree from the Webster University, USA. He has 20 years of experience in banking sector in China and Australia. Prior to joining the Company in February 2017, he had held a senior position in Australia & New Zealand Banking Group Limited in Melbourne, Australia.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the maintenance of good corporate governance practices and procedures. The Board and the management believe that a good corporate governance practices is essential to the success of the Company and enhancement of shareholders' value. The Company has adopted the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance practices.

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

(i) Pursuant to the Code Provision A.2.7 of the CG Code, the chairman of the Board shall at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive director present. Although due to other business engagements at that relevant time, the Chairman did not hold any formal meeting with the independent non-executive Directors without the presence of executive Directors during the year, he had frequent communications with the independent non-executive Directors. In addition, he delegated the Chief Executive Officer to gather any opinions/questions that the independent non-executive Directors might have and report to him for follow up. As such, the independent non-executive Directors of the Company were given opportunities to voice their concerns to the Chairman directly.

(ii) 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.

(iii) Pursuant to the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements at that relevant time, Professor Shan Zhemin, was unable to attend the general meeting of the Company held on 31 August 2016. However, both Mr. Ho Yiu Yue, Louis, who is the chairman of the Audit Committee and the Remuneration Committee and Mr. Ko Ming Tung, Edward, who is the chairman of the Nomination Committee attended the general meeting to communicate the views of the shareholders of the Company with the other Directors who are unable to attend in person whenever necessary. Views of the shareholders of the Company is communicated to the Board as a whole.

(iv) 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 2016 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company, attended the AGM on 31 August 2016 and was delegated to make himself available to answer questions if raised at the meeting.

The Company will continue to review and improve the corporate governance practices and procedures and make necessary changes when it considers appropriate.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors and relevant employees of the Company. Having made specific enquiry to all directors, the Company confirms that all directors have complied with the Model Code throughout the year ended 31 March 2017.

THE BOARD

(I) Composition of the Board

The Board currently comprises seven Directors, including four executive Directors and three independent non-executive Directors. The details of the composition of the Board are as follows:

Name of Director	Year of service in the Group
Executive Directors	
Mr. Jiang Zhaobai (Chairman)	4.5 years
Mr. Lam Cheung Shing, Richard (CEO)	16.4 years
Mr. Chen Yi, Ethan	5.1 years
Mr. Shen Angang	5.1 years
Independent Non-executive Directors	
Mr. Ho Yiu Yue, Louis	8 years
Mr. Ko Ming Tung, Edward	8 years
Professor Shan Zhemin	2.4 years

To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationships) among the members of the Board.

(II) Board Diversity

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board adopted the board diversity policy (the "Board Diversity Policy") in August 2013 and aimed to set out the approach to achieve diversity on the Board. All Board appointment will be based on merit and selection of candidates will be based on a range of diversity factors.

(III) Board meetings

During the year ended 31 March 2017, seven board meetings were held. Prior notice convening the board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with relevant documents to be discussed and approved. The company secretary is responsible for keeping minutes for the board meetings.

CORPORATE GOVERNANCE REPORT

(IV) Responsibilities of the Board and management

The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan of the Company and its subsidiaries (collectively the "Group") and the senior management personnel are responsible for supervising and executing the plans of the Group. The Board is also responsible for evaluating and determining the nature and significance of identified risks and determine how these risks can be properly alleviated so as to achieve the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. In addition, the Board, with the assistance from audit committee, oversees management in the design, implementation and monitoring of the risk management and internal control systems

(V) Independence of independent non-executive Directors

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient diversity, finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Ho Yiu Yue, Louis has over 30 years of experience in and accounting and risk consulting. He is a member of both Hong Kong Institute of Certified Public Accountants and CPA Australia.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

(VI) Continuous professional development

During the year ended 31 March 2017, the Directors regularly updated and refreshed their knowledge and skills through various means including but not limited to attending management briefings, trainings, seminars or other professional development like reading articles, researches, journals and legal and regulatory updates provided by the Company. The Company has received confirmation from all Directors in respect of their training records for the year ended 31 March 2017, is detailed as follows:

Name of Directors	Type of trainings
Mr. Jiang Zhaobai	B
Mr. Lam Cheung Shing, Richard	A, B
Mr. Chen Yi, Ethan	B
Mr. Shen Angang	B
Mr. Ho Yiu Yue, Louis	A, B
Mr. Ko Ming Tung, Edward	A, B
Professor Shan Zhemin	B

Note:

(A) Attending seminar(s)/programme(s)/conference(s)

(B) Reading materials relevant to the business or directors' duties

CORPORATE GOVERNANCE REPORT

(VII) Functions of Corporate Governance

The Board is responsible for performing corporate governance duties to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuing professional development of Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year and up to the date of this report, the Board has performed the corporate governance duties as set out in the Code Provision D.3.1 of the CG Code.

(VIII) Insurance on Directors' and officers' liabilities

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company during the year ended 31 March 2017.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer of the Company are held by two different Executive Directors, namely Mr. Jiang Zhaobai and Mr. Lam Cheung Shing, Richard respectively. Their roles and duties are segregated, with a clear division of responsibilities. Mr. Jiang Zhaobai, the Chairman, is to provide leadership and management of the Board while Mr. Lam Cheung Shing, Richard, the Chief Executive Officer, is responsible for the implementation of strategies and objectives set by the Board and answerable to the Board for the operations of the Group.

BOARD COMMITTEES

The Board has three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the committees has been established with written terms of reference that state its powers, duties and functions, which are available on the website of the Company and the Hong Kong Stock Exchange.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Audit Committee), Mr. Ko Ming Tung, Edward and Professor Shan Zhemin. It is to oversee the financial reporting system, risk management and internal control systems of the Company, to review and monitor the external auditors' independence and objectivity, and to review the adequacy of resources, qualification and experience of staff of the accounting and financial reporting functions and their training programmes, and the effectiveness of the audit process in accordance with applicable standard.

During the year ended 31 March 2017, the Audit Committee held two meetings, at which the members of audit committee principally reviewed and discussed with the external auditor of the Company about the Group's annual results and audited consolidated financial statements for the year ended 31 March 2017, the interim results for the six months ended 30 September 2016 and discussed with the management about the effectiveness of the risk management and assessment, financial reporting process and internal control system, respectively.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Remuneration Committee) and Mr. Ko Ming Tung, Edward and one executive Director namely, Mr. Lam Cheung Shing, Richard and is mainly responsible for reviewing the remuneration policy and structure of Directors and senior management of the Company.

During the year ended 31 March 2017, the Remuneration Committee held one meeting. At the meeting, the Remuneration Committee has reviewed and made recommendation to the Board on the remuneration package of all executive Directors for the year ended 31 March 2017.

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely Mr. Ko Ming Tung, Edward (chairman of the Nomination Committee) and Mr. Ho Yiu Yue, Louis and one executive Director namely, Mr. Lam Cheung Shing, Richard. It is responsible for review the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify suitable individuals qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors. The Nomination Committee is responsible for the monitoring and review of the Board Diversity Policy.

During the year ended 31 March 2017, the Nomination Committee held one meeting. At the meeting, the Nomination Committee has reviewed the structure, size and diversity of the Board and discussed the re-election of retiring Directors at the annual general meeting.

ATTENDANCE RECORD OF THE MEETINGS

The number of meetings held by the Board, the Board Committees and the Company during the year ended 31 March 2017 and the attendance of each director are set out in the table below:

	Meetings attended/held during the terms of office				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting*
Executive Directors					
Mr. Jiang Zhaobai	6/7	N/A	N/A	N/A	0/1
Mr. Lam Cheung Shing, Richard	7/7	N/A	1/1	1/1	1/1
Mr. Chen Yi, Ethan	7/7	N/A	N/A	N/A	1/1
Mr. Shen Angang	6/7	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ho Yiu Yue, Louis	7/7	2/2	1/1	1/1	1/1
Mr. Ko Ming Tung, Edward	7/7	2/2	1/1	1/1	1/1
Professor Shan Zhemin	6/7	2/2	N/A	N/A	0/1

* *The general meeting was annual general meetings held on 31 August 2016.*

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 March 2017, the total fees paid/payable to Messrs. HLB Hodgson Impey Cheng Limited ("HLB"), the external auditors of the Company, for the provision of audit services and non-audit services are as follows:

Services Rendered	HK$
Audit services	1,800,000
Non-audit services:	
— Interim review	180,000
	1,980,000

ACCOUNTABILITY AND AUDIT

The Board acknowledged responsibility for reviewing the accounts of the Company prepared by the executive board for the year ended 31 March 2017 and ensuring the accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are fair and reasonable; and that the accounts are prepared on a going concern basis.

A statement by the auditors about their reporting responsibilities is contained in the Independent Auditors' Report on pages 38 to 44 of this annual report.

COMPANY SECRETARY

The Company Secretary reports to the Chief Executive Officer and is responsible for advising the Board on corporate governance matters. During the year ended 31 March 2017, Mr. Lau Chi Lok, Freeman is the Company Secretary of the Company, he has received no less than fifteen hours of relevant professional training to refresh his skills and knowledge.

SHAREHOLDERS' RIGHTS

(i) Convening EGM and putting forward proposal at general meetings

In accordance with Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO"), the directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may sent be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. In accordance with Section 567 of the CO, the directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Besides, Section 615 of the CO provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the CO provides that the Company that is required under Section 615 of the CO to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

(ii) Procedure for Shareholders to propose a person for election as Director

In accordance with Article 105 of the Articles of Association of the Company, no person other than a retiring Director shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election and notice in writing by that person of his willingness to be elected shall have been lodged at the Company at least seven days before the date of the general meeting and that the period for lodgment of both of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

(iii) Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 15/F, CCB Tower, 3 Connaught Road Central, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

INVESTORS RELATIONS

Communication with Shareholders

To promote effective communication with the public at large, the Company maintains a website (www.everchina202.com.hk) on which comprehensive information about the Company's major businesses, financial information and announcements, annual and interim reports and circulars are being made available.

The Company also has engaged a professional public relations consultancy company to organise various investor relations programs aiming at increasing the transparency of the Company, enhancing communication with shareholders and investors, increasing their understanding of and confidence in the Group's businesses and promoting market recognition of and support to the Company.

The Company recognises the importance of maintaining on-going communications with its shareholders and encourages them to attend shareholders' meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The chairman of the Board and members of the Board Committee will attend the annual general meeting to answer questions. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company.

Constitutional Documents

During the year ended 31 March 2017, there has not been any change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the Company's website and the Stock Exchange website.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control of the Group and constantly reviewing its effectiveness while the Audit Committee is assisting the Board in fulfilling its supervision responsibility through annual review and evaluation. The system of risk management and internal control is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established a clear risk management framework with defined levels of responsibility and reporting lines to identify, evaluate and manage significant risks. Operating units of the Group identify potential risks during their day-to-day operations and initiate actions to mitigate. In addition, management of the operating units perform risk assessment, significant findings and associated action plans are reported to the Company for monitoring and to ensure appropriate controls and mitigation actions are in place.

The Group does not have an internal audit function due to the size of the Group and for cost effectiveness consideration. Nonetheless, the Company has engaged an external consultant to perform internal audit function. External consultant conducts independent review on the adequacy and effectiveness of the Group's risk management and internal control systems and submits internal audit report to the Audit Committee with findings and recommendations. The Audit Committee, will by taking into consideration the control issues identified by the external auditor in the course of statutory audit, formulate their opinion and report to the Board at the regular meetings. The Group conducts its affairs with regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

During the year, the Board has engaged Infinity Assurance Limited ("Infinity") to perform internal audit reviews to assess on the effectiveness of the Group's risk management and internal control systems. The assessments cover all material controls, including financial, operational and compliance controls of the Company and its major subsidiaries on a rotation basis. The internal audit report prepared by Infinity has been approved by the Audit Committee. The Board together with the senior management have reviewed, considered and discussed the material findings in relation to the internal control system and recommendations thereto, and have concluded that the overall internal control system of the Group has effectively exercised and no material control failure or significant areas of concern which might affect shareholders' interest were identified during the reviews.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the first ESG report by the Group, highlighting its Environmental, Social, and Governance (the "ESG") performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the hotel operation of Holiday Inn Wujiaochang Shanghai ("the Hotel"), a 20-storey hotel located in Yangpu District, Shanghai, the People's Republic of China ("PRC") and property investment involved in the office located in Interchina Commercial Building, 33 Dengshikou Street, Dong Cheng District, Beijing, the PRC. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in the Hotel in Shanghai and the office in Beijing of the PRC, from 1 April 2016 to 31 March 2017, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions through various communication channels such as meetings, liaison groups, telephone conference, email and phone call to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at enquiry@everchina202.com.hk.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

Mission

The Group commits to providing the highest quality of services to customers by minimising the environmental impacts. In the future, sustainability will be given more consideration when we make investment decisions. We endeavour to work hand-in-hand with all stakeholders to strive for a continual improvement in sustainability.

Vision on Environment, Social, and Governance

Climate change directly affects our living standards and hinders social development. We operate our business with responsible business practices without compromising future development opportunities. We are committed to developing our business with minimum adverse impact to the environment, taking social and environmental impact as central issues to create shared sustainable values with our stakeholders and community. We uphold a high standard of corporate governance and believe that we can altogether contribute to building our sustainable future.

A. ENVIRONMENTAL

Types of emission sources the Group involved in the reporting period were mainly refrigerant, natural gas, electricity, paper, fresh water and business air travel. The Group generated domestic waste (including food waste), paper waste and wastewater in its business operation. It does not involve in consumption of packaging materials and production-related land pollutions which are regulated under laws and regulations in Hong Kong and the PRC.

The Group is aware that its business operation consumes natural resources and poses certain impact on the environment. Therefore, the Group's hotel operation complies with Level 1 certification of the InterContinental Hotels Group ("IHG") Green Engage system which is a standard combining environmental responsibility with business sense for all IHG managed hotels. The system guides responsible operation by staying on top of the impact and resources the operation has on the environment. It tracks energy, waste, water and carbon and provides green solutions to help hotels reduce their environmental impact and save money.

Total floor area coverage for the report was approximately 16,023.91 sq.m of which 15,949 sq.m occupied by the Hotel and 74.91 sq.m occupied by the Beijing office.

1. Being Environmentally Responsible

(i) IHG Green Engage System

As a standard for all IGH hotels across the world, the system sets 10 actions to be completed to achieve Level 1 Certification:

- Assemble a Green Team to ensure momentum and engagement across the hotel with green initiatives
- Develop preventative maintenance routine to ensure faults and poor system performance are spotted before causing bigger problems or wastage
- Develop a plan for communication and implementation of practices in office areas to ensure simple changes in behaviour can create instant savings on energy and waste cost
- Control lighting such as utilizing natural daylight and turning off unnecessary lightings
- Control lighting in guest corridors to take advantage of natural light
- Implement and ensure best practices in housekeeping and laundry through trainings and supervision
- Track energy data to understand energy consumption and determine annual reduction goals
- Stop using incandescent lamps or bulbs and use compact fluorescent lamps or LED lights in guest rooms
- Track monthly water consumption to understand water consumption and determine annual reduction goals
- Ensure water fixtures do not exceed the International Plumbing Code 2006 maximum flow rate recommendations

(ii) Other Green Initiatives

Energy and Water Saving

The Group understands that electricity consumption contributes to significant environmental impact in its hotel operation. Apart from setting air conditioners in constant temperature mode, the Group invested RMB254,400 to change 1400 lightings to LED lightings in 144 guest rooms and 72 TVs to LED-backlit TVs in the reporting period. Urinal flushing sensors and water-saving shower heads were also installed to avoid water wastage.

Environmental Green Cards

The Group encourages its guests to conserve and make a difference in environmental protection by inviting guests to consider reusing clean bed linen through its environmental reminder cards. Traditionally bed linens are changed every day. Since the implementation of the environmental program, bed linens are now changed every three days unless guests have placed the environmental reminder cards on beds to request linen change.

Waste Reduction and Recycling

In respect of waste management, the Group strongly encourages waste segregation and recycling. It established guidelines for procedural recycling, provided ample waste recycling facilities in the Hotel public area and collected food waste separately for recycling.

Provision of breakfast contributes to a major part of the Hotel's F&B service. To avoid food waste at source, the Hotel estimates serving size of breakfast in accordance to daily guest rooms' occupancy before purchasing food ingredients for breakfast. The Hotel exercises efficient distribution of meals to guests and employees in order to control unnecessary food waste. In addition, by linking the F&B Department's performance ratings with the Hotel cost on food, staff is motivated to control and reduce food waste.

Green Office

Staff in office performs paper saving practices (such as printing and copying on single-side used paper and default printers in double-sided printing). The Group purchases remanufactured cartridges for cartridges refill. The Hotel administrative office also reduces electricity consumption by switching the air conditioners on an hour after on-duty time and switching them off an hour before dismissal time.

2. Greenhouse Gas Emission

Scope of Greenhouse Gas Emissions	Emission Sources	Emission[1] (in tonnes of CO_2e)	Total Emission (in percentage)
Scope 1			
Direct Emission	Refrigerants	220.50	29%
	Natural Gas Consumption[2]	242.00	
Scope 2			
Indirect Emission	Purchased Electricity[3]	1,122.48	70%
Scope 3			
Other Indirect Emission	Paper Consumption	0.36	1%
	Water Consumption	14.88	
	Business Air Travel	2.23	
Total		1,602.45	

Note1: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factors were made reference to Emission Factors for Greenhouse Gas Inventories (2014) by United States Environmental Protection Agency.

Note3: Combined margin emission factor (average) of 0.88 t-CO2/MWh was used for purchased electricity in Mainland China.

There were 1,602.45 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.10 tCO_2e/m^2.

Emissions from the hotel operation (including cooking fume) comply with all applicable statutory standards concerning air pollutants emissions. Cooking fume emission control equipment (such as mechanical exhaust ventilation and grease filters) are also in place to ensure emissions meet required standards.

3. Emission Sources and Use of Resources

(i) Refrigerants

68 kg of HCFC-22 and HFC-134a were used in air conditioning system in the hotel operation during the reporting period, contributing to 220.50 tonnes of carbon dioxide equivalent emissions.

(ii) Natural Gas

The Group consumed 125,827m^3 of natural gas for cooking, in boilers for water heating and heat generation during winter, contributing to 242 tonnes of carbon dioxide equivalent emission.

(iii) Electricity and Water

The Group tracks monthly energy and water consumption data in order to understand how resources are used in the Hotel, identify savings and set reduction goals. It also compiles a list of plumbing fixture flow rates from guest rooms and heart of house to compare flow rates and evaluate the system. This avoids high flow rates of water fixtures (such as guestrooms showers) while maintaining a quality guest experience. In addition, the Group ensures flow rates meet the International Plumbing Code (IPC) standards, which helps creating substantial water savings with consistent guest experience provided.

Resources	Consumption	Intensity (Hotel operation)	Intensity (Office Operation)
Electricity	1,275,541 kWh	79.66 kWh/m^2	67.88 kWh/m^2
Water	25,299 m^3	1.59 m^3/m^2	NA

Only water consumption of the Group's hotel operation is included in the data above as water consumption of its office operation is managed by the Building Management Office and respective data is not available, but it is noteworthy that water consumption of its office operation is insignificant.

(iv) Waste

The Group generates no hazardous waste in its operation. Non-hazardous waste from the Group's operation are mainly domestic waste including food waste, office paper and wastewater.

Domestic waste is regularly collected by licensed collectors to ensure a high level of hygiene in its Hotel and offices. A total of 359.28 kg of paper has been used for daily office operations such as documents printing and deliverables packaging. The Group practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit.

The Hotel's catering operation complies with all relevant statutory requirements regarding wastewater and waste cooking oil discharge from restaurants. Grease traps are in place and wastewater containing cooking oil must pass through grease traps before discharge.

(v) Business Air Travel

During the reporting period, employees from the office operation travelled by air between Beijing and Hong Kong for meetings and collaboration, contributing to a total of 2.23 tonnes of equivalent carbon dioxide emission.

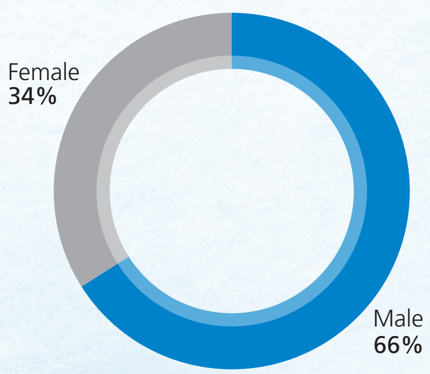
B. SOCIAL

1. Employment and Labour Practices

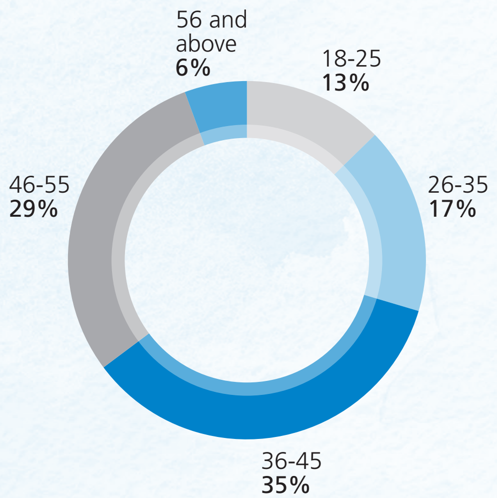
(i) Employment

The Group had a total number of 71 employees as of 31 March 2017, in which 97% is full time employees and 3% is part time employees.

BY GENDER



BY AGE GROUP



Compensation and Benefits

The Group places great value in employees, providing employees with competitive compensation and benefits to attract and retain talents. It has a systematic benefit matrix for employees in different positions, with more generous benefits offered to higher positions. Employees are entitled to statutory paid leave, Housing Provident Fund and basic social insurance (including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance). The Group provides free duty meals in canteens in its hotel operation and lunch allowances in its office operation. The work hours are not more than 8 hours per day and 40 hours per week. The Group abides by all applicable employment and labour related laws of Hong Kong and the PRC.

Promotion and Dismissal

Employees are offered with promotion opportunities mainly based on their performances through annual performance appraisals and other factors such as personalities and capabilities. During the appraisal process, managers and team members set their objectives, which are then self-evaluated and reviewed by eligible supervisors. For termination of contract, either party may terminate the contract by one month advance written notice or salary in lieu of notice.

Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws.

Human Rights

The hotel operation of the Group abides by the IHG's policy on human rights which:

- Supports protection of human rights, particularly those of the employees, business partners and communities the Hotel operates;
- Respects employees' right to voluntary freedom of association, under the law;
- Provides a safe and healthy working environment;
- Does not support forced and compulsory labour or the exploitation of children;
- Supports elimination of employment discrimination and promotion diversity in the workplace;
- Provides our employees with remuneration and tools for growing their careers, and takes their wellbeing into consideration;
- Promotes fair competition and does not support corruption;
- Conducts business with honestly and integrity in compliance with applicable laws; and
- Develops and implements Company procedures and processes to ensure the Hotel complies with the policy.

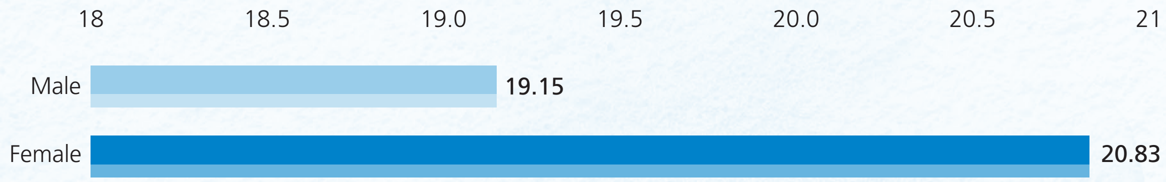
Employee Communication

All employees are welcome to use various communication channels for horizontal or vertical communication (such as email, social media platform, staff welfare meeting and employer-employee meeting). The Group also organises annual dinner, festival-related celebration regularly to nourish a greater sense of belonging and to provide enhanced communication channels between senior management and general staff.

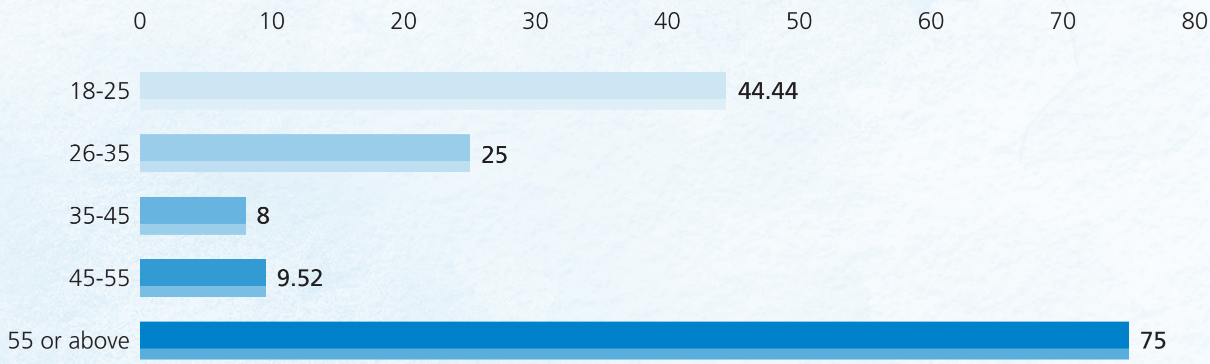
Turnover

A total number of 14 employees left the Group in 2016/17, contributing to overall turnover rate of 20%. The annual turnover rates (categorized by gender and age groups) in the reporting period are:

ANNUAL TURNOVER RATE BY GENDER (%)



ANNUAL TURNOVER RATE BY AGE GROUP (%)



(ii) Occupational Health and Safety

The Group's policy on occupational health and safety ensures frontline employees work in a healthy and safe environment. The Group provides necessary personal protective equipment to employees including:

- Provision of slip resistant work shoes to kitchen staff;
- Provision of hand cream and protective gloves to housekeeping staff to avoid dry skin due to frequent contact with cleaning agent; and
- Provision of insulating and safety shoes to electricians and engineering staff.

Apart from supplying adequate first aid supplies in the first aid kits, basic first aid training courses are also provided to employees to ensure employees acquire basic first aid knowledge and skills.

Occupational Health and Safety Data	2016/17
Work related fatality	0
Work injury cases >3 days	0
Work injury cases <3 days	0
Lost days due to work injury	0

(iii) Development and Training

Various trainings are provided to staff in its hotel operation to ensure delivery of high quality service to customers. Training topics include but is not limited to food safety, bomb threats, first aid, customer service recovery, customer privacy and sexual harassment.

With the Group's emphasis on food safety, there must be at least one food safety trainer who plans for or directly conducts training on food safety. Apart from compulsory food safety training, new employees must be trained on food safety knowledge and practices based on the IHG's Food Safety Management System ("FSMS") and local regulations. Staff of key departments (such as kitchen and F&B, etc.) must attend refresher training at least twice a year while other departments once a year.

The Group keeps traceable training details and participants' attendance records which are signed by departmental head. During the reporting period, 57 employees participated in a total of 421 hours of trainings.

(iv) Labour Standard

In pursuant to the Employment Ordinance, Chapter 57 of the Laws of Hong Kong and the Labour Law of the PRC, there was no child nor forced labour in the Group's operation. The Human Resources Department ensures accuracy of the candidates' provided information by checking their identity cards and relevant certificates.

2. Operating Practices

(i) Supply Chain Management

The Group established a procurement policy for its hotel operation, which controls over all purchases made by the Hotel. All purchases must be made through purchasing department which require approval from the user department head, the director (for finance and business support) and the general manager. The Hotel's suppliers must fulfil pre-qualifications including but not limited to consistency of supply, ability to meet delivery schedule, conformance to quality requirements, administration and technical competence of personnel, reasonableness in pricing compared to market prices and good references. Standards procedures are also established for setting up new suppliers and emergency purchasing.

When purchasing food and food-related products (including equipment), the purchasing manager performs screening for new suppliers, supplier evaluation and selection under technical guidance of related experienced chef and hygienist. Supplier list is frequently updated to ensure names of suppliers, license and certificates are in place and valid. When purchasing office equipment, the Group gives higher priority to energy efficient equipment and installations.

(ii) Outsourcing Management

Outsourced services of the Hotel include restaurant, laundry, public area cleaning, stewarding, equipment maintenance, pest control and garbage room management etc. All outsourcing service providers must have relevant qualifications granted by the authority. When dealing with services related to food safety, the Hotel and all outsourced restaurants establish contracts with terms regarding food safety responsibilities. Initial food safety trainings are also organized to employees of outsourced restaurants to ensure that they meet the required standards.

(iii) Product Responsibility

Food Safety Management

The Group's hotel operation follows guidelines on food safety laid down in the IHG FSMS Manual. The Manual covers procedures on procurement of food and food-related products, food preparation and handling, cleaning and pest management, inspections, investigations, complaints and recall, related regulation compliance and outsource management etc.

The Group selects reliable and reputable suppliers of food and food-related products which comply with the food hygiene and safety standards established by regulatory authorities. General requirements for preparing and handling food are stated in the Manual to ensure prevention of foodborne diseases and contamination. Inspections are conducted by the FSMS committee at least on a monthly basis, with cross checking by members that do not belong to the department being inspected. Relevant corrective actions are taken after inspection with records kept. Microbial test is undertaken semi-annually by an independent and accredited laboratory on samples including food, ice, hands of ready-to-eat ("RTE") food handlers, utensils/knife/cutting board for RTW food and the tableware those are ready to use. If the test result shows unqualified, investigation and corrective actions shall be taken and filed, until retest results meet the standards. Drill of foodborne illness ("FBI") response (including report, investigation, traceability and recall) is carried out once or twice in a year to improve staff's emergency response.

Customer Services

When receiving general complaints from customers or guests, complaint cases will be recorded in the Hotel's computer system with details of complaints and follow-up actions and status recorded. All FBI, foreign materials or food-related complaints must also be recorded and reported to the Hotel's management and the food safety committee.

Consumer Data Protection

The Group is committed to protecting consumer data with its data management system which permits access to consumer data for authorised staff only.

(iv) Anti-corruption

Upholding the highest level of integrity, the Group signs anti-corruption agreement with suppliers in its hotel operation, which prohibits any corruption, bribery, extortion, money laundering and misconduct in any operation processes including procurement, subcontract, leasing, marketing, planning and promotions. Suppliers shall also report to their direct supervisors or the management if any infringement to the agreement was noticed. No retaliation against persons reporting infringement is allowed. To ensure terms in the agreement are effectively implemented, the Group also possesses a policy for receival of gifts/entertainment.

Apart from internal anti-corruption management, officials from government and regulatory agency conduct unannounced visit (namely dawn raids) to investigate potential violation of administrative or criminal laws in the aspects of anti-monopoly (eg. Price-fixing), commercial bribery, false advertising, consumer rights protection and criminal offence (eg. Bribery, serious food safety accident, serious pollution accident). The Group established guidelines for dawn raids reporting to ensure staff's cooperation with officials.

The Group complies with all applicable laws on prohibiting corruption and bribery in Hong Kong and the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

3. Community Investment

The Group is dedicated to helping the underprivileged and uniting different communities through various means. It sells charity products in which Holiday Inn Express Brand will donate RMB$10 to the IHG Foundation for each charity product sold. The IHG Foundation aims to create employment opportunities to the local community, provide assistance to the underprivileged and contribute to environmental sustainability. The Group also donates 50% of the income from the Hotel's coin operated washing machines to Project HOPE, which provides educational opportunities for the less fortunate children in China's rural area.

In January 2017, a total of RMB6,290.01 was donated to China Soong Ching Ling Foundation which aims to promote harmonious international relations and safeguard world peace.

FUTURE DIRECTIONS FROM THE GROUP

The Group will regularly review the operation and management policies, systems and standards with the Hotel with a view to enhancing our operation efficiency and service qualities. Looking forward, the Group will continue to act responsibly in our endeavour to attain business growth while carefully managing our ecological footprints in pursuit of a better and sustainable future.

REPORT OF DIRECTORS

The Directors of the Company present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of the principal subsidiaries is set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group during the year and a discussion on the Group's future business development is shown in the "Management Statement" on pages 3 to 8 of this annual report. The Management Statement also forms part of this report of the directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss on page 45 of the annual report.

The directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 133 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 48 and note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company did not have any distributable reserves.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

Particulars of the major properties of the Group held for investment purposes at 31 March 2017 are set out on page 134 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements respectively.

REPORT OF DIRECTORS

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 March 2017 are set out in note 29 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. Jiang Zhaobai
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

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Chen Yi, Ethan, Mr. Shen Angang and Professor Shan Zhemin shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF SUBSIDIARIES

A list of the names of the directors of the Group's principal subsidiaries during the year and up to the date of this report can be found in the Company's website at www.everchina202.com.hk under "Company Info".

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in Section 469 of the Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year. The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential liabilities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares and underlying shares

Name of Director	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation	1,742,300,000	28.66%
Shen Angang	Beneficial owner	187,865,000	3.09%
Lam Cheung Shing, Richard	Beneficial owner	7,700,000	0.13%

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. During the year and up to the date of this report, the Company has not granted any share options under the Share Option Scheme. Particulars of the Share Option Scheme are set out in note 32 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in shares and underlying shares

Name of Substantial Shareholders	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation (Note)	1,742,300,000	28.66%
Rich Monitor Limited	Beneficial owner	1,033,300,000	17.00%
Pengxin Holdings Company Limited	Beneficial owner	709,000,000	11.66%

Note: The entire issued share capital of Rich Monitor Limited and Pengxin Holdings Company Limited is held by Jiang Zhaobai. Therefore, Jiang Zhaobai is deemed to be interested in 1,742,300,000 shares of the Company under the SFO.

Save as disclosed above, as at 31 March 2017, the Company has not been notified by any other person or corporation having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

CONNECTED TRANSACTIONS

Details of connected transaction is set out in note 39 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 39 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 32%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 9%.

Due to the nature of the activities of the Group, there is no major supplier contributed significantly in the Group's purchases for the year.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers and suppliers.

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 year ended 31 March 2017.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 38 to the consolidated financial statements.

REPORT OF DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

Details of significant subsequent events of the Group are set out in note 43 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 12 to 19.

KEY RISKS FACTORS AND UNCERTAINTIES

The Group's businesses, operating results, financial position and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The Group's risk management and internal control systems are in place to ensure principal risks as well as significant emerging risks are identified, monitored and managed on a continuous basis. The principal risks and uncertainties set out below may have material impacts on the Group's businesses, operating results, financial position or business prospects, but they are by no means exhaustive or comprehensive.

Regulatory and Compliance Risk

As a listed company with diversify business in different countries, the Group is exposed to and subject to extensive government policies and regulations of mainland China, Hong Kong and Indonesia. These include the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hong Kong Companies Ordinance as well as legal, tax, environmental and any other statutory requirements for our various kinds of businesses in different jurisdictions. The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations by experienced and professional staff as well as by consultancy with external experts.

Market and Investment Risk

The Group's operations including property investment operation, hotel operation and natural resources operation are susceptible to different factors such as government policies and regulations, economic growth, social environment, customer demands, etc. The Group is kept abreast with the changes in business environment and timely assesses the impacts on the operations in order to formulate the best strategy for persisted growth. Besides. the Group sticks firmly to its prudent investment approach and expands its operating scale in an organized manner. The Group would perform comprehensive due diligence review on new business opportunities and selected cautiously the appropriate projects for investment.

Financial Risk

The Group is exposed to interest rate, credit, liquidity, currency and other price risks which arise in the normal course of the Group's businesses. The analysis of these risks is illustrated in the note 40 to the financial statements in detail.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and the efficient use of resources. The Group encouraged the employees to develop good habits, conserve resources and energy to build a green and comfortable office environment. The Group has adopted various environmental policies which include minimising consumption of electricity and paper, waste reduction and promoting the use of electronic communication and storage. They are regularly reviewed and results are closely monitored. Information on the environmental policies and performance of the Group is set out in the "Environmental, Social and Governance Report" on pages 20 to 30 of this Annual Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC. Our establishment and operations accordingly shall comply with all the applicable laws and regulations in the jurisdictions where we have operations. Meanwhile, the Company is a company listed in Hong Kong. The Group also has to comply with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong").

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, save for disclosed in the Corporate Governance Report on pages 12 to 19, there was no material breach of or noncompliance with the applicable laws and regulations by the Group.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Human resources are regarded as the most important and valuable assets of the Group. Competitive remuneration packages are provided to attract and motivate employees. In addition, to conform to the market standard, the Group regularly reviews the remuneration package of employees and makes necessary adjustments. Moreover, the Group understands the importance of maintaining good relationship with business partners is vital to achieve its long-term goals. Thus, management of the Group have kept good communication, promptly exchanged ideas and shared business update with them as and when appropriate. During the year, there was no material and significant dispute between the Group and its business partners.

AUDITORS

The consolidated financial statements for the year ended 31 March 2017 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Jiang Zhaobai
Chairman

Hong Kong, 29 June 2017

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

TO THE SHAREHOLDERS OF
EVERCHINA INT'L HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of EverChina International Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 132, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Group's consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on goodwill	
Refer to Note 20 and the accounting policies in Note 4 to the consolidated financial statements.	
As at 31 March 2017, the Group had goodwill of approximately HK$91,454,000. For the purpose of assessing impairment, goodwill was allocated to cash generating units ("CGUs"), hotel operation of approximately HK$45,738,000, property investment operation of approximately HK$18,069,000 and agriculture operation of approximately HK$27,647,000 and the recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessment, significant management judgment was used to appropriately identify of CGUs and to determine the key assumptions, including operating margins, terminal growth rates and discount rates, underlying the value-in-use calculations. Management has concluded that there is no impairment in respect of the goodwill.	Our procedures in relation to management's impairment assessment of the Group's key business included: • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's hotel business, property investment business and agriculture business; • Assessing the value-in-use calculations methodology adopted by management and the reasonableness of key assumptions (including operating margins, terminal growth rates and discount rates) based on our knowledge of the business and industry; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matter *(Continued)*	**How our audit addressed the key audit matter** *(Continued)*
Valuation on the Group's investment properties	
Refer to Note 17 and the accounting policies in Note 4 to the consolidated financial statements.	
As at 31 March 2017, management has estimated the fair value of the Group's investment properties of approximately HK$1,261,679,000 with a net loss on fair value changes of approximately HK$33,703,000 was recognised in the consolidated statements of profit or loss for the year ended 31 March 2017. Independent external valuations in respect of all of the portfolio of the Group's investment properties were performed in order to support the management's estimation. The valuations are dependent on certain key assumptions that require significant management judgment including reversionary yield and rental income from future reversion leases in light of current market condition.	Our procedures in relation to management's valuation of the Group's investment properties included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions and parameters based on our knowledge of the property industry and using our auditors' valuation expert; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matter *(Continued)*	**How our audit addressed the key audit matter** *(Continued)*
Impairment assessment on the Group's trade and other receivables and prepayments and loan receivables *Refer to Notes 24 and 25 and the accounting policies in Note 4 to the consolidated financial statements.*	
As at 31 March 2017, the Group had (i) trade and other receivables and prepayments with net carrying amount of approximately HK$446,231,000 and (ii) loan receivables with net carrying amount of approximately HK$97,328,000. The determination as to whether the trade and other receivables and prepayments and loan receivables are collectable involved high level of management's judgment. Management should consider specific factors include the age of the balances, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management used this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.	Our procedures in relation to management's impairment assessment on the Group's trade and other receivables, prepayments and loan receivables included: • Evaluating management's impairment assessment including testing, on a sample basis, the underlying data used by management to assess the collectability of the trade and other receivables, prepayments and loan receivables; • Assessing, validating and discussing with management of the Group and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade and other receivables and prepayments and loan receivables aging analysis, collection subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses; and • Checking, on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade and other receivables and prepayments and loan receivables. We considered the management conclusion to be consistent with the available information.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Yu Chi Fat.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 29 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	7	**67,951**	86,811
Cost of sales		**(2,905)**	(5,667)
Other income and gain, net	8	**13,067**	54,382
Staff costs	9	**(32,899)**	(34,906)
Depreciation		**(14,723)**	(16,527)
Administrative costs		**(47,108)**	(76,671)
Other operating expenses		**(695)**	(48,484)
Impairment loss recognised in respect of mining rights	19	**–**	(598,136)
Gain/(loss) arising from changes in financial assets at fair value through profit or loss	15	**223,176**	(896,143)
Fair value change in investment properties	17	**(33,703)**	14,300
Profit/(loss) from operations	10	**172,161**	(1,521,041)
Finance costs	11	**(66,009)**	(42,887)
Share of result of an associate		**–**	(1,138)
Gain on loss of significant influence of an associate		**–**	882,107
Profit/(loss) before taxation		**106,152**	(682,959)
Taxation	12	**(5,386)**	(1,591)
Profit/(loss) for the year from continuing operations		**100,766**	(684,550)
Discontinued operations			
Loss for the year from discontinued operations	13	**(18,422)**	(1,320)
Profit/(loss) for the year		**82,344**	(685,870)
Profit/(loss) for year attributable to:			
Owners of the Company		**82,403**	(685,672)
Non-controlling interests		**(59)**	(198)
		82,344	(685,870)
Profit/(loss) per share attributable to the owners of the Company	14	**HK cents**	HK cents
From continuing and discontinued operations — Basic and diluted		**1.356**	(11.280)
From continuing operations — Basic and diluted		**1.659**	(11.258)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Profit/(loss) for the year	**82,344**	(685,870)
Other comprehensive (loss)/income for the year		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of overseas subsidiaries	**(146,939)**	(207,479)
Release of reserve upon loss of significant influence of an associate	**–**	(18,976)
Release of exchange reserve upon disposal of subsidiaries	**(11,148)**	–
Release of exchange reserve upon deregistration of subsidiaries	**(31,319)**	–
Share of other comprehensive income of an associate	**–**	51
Total comprehensive loss for the year	**(107,062)**	(912,274)
Total comprehensive loss attributable to:		
Owners of the Company	**(107,003)**	(912,076)
Non-controlling interests	**(59)**	(198)
	(107,062)	(912,274)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties	17	**1,261,679**	612,549
Property, plant and equipment	18	**536,053**	536,429
Mining rights	19	**271,880**	271,880
Goodwill	20	**91,454**	63,807
Other non-current assets	21	**–**	26,254
		2,161,066	1,510,919
Current assets			
Inventories	22	**5**	9
Biological assets	23	**2,883**	–
Trade and other receivables and prepayments	24	**446,231**	858,084
Loan receivables	25	**97,328**	273,173
Financial assets at fair value through profit or loss	26	**1,673,308**	1,528,024
Tax recoverable		**252**	1,407
Cash and cash equivalents	27	**492,651**	305,451
		2,712,658	2,966,148
Assets classified as held for sale	13	**88**	–
		2,712,746	2,966,148
Total assets		**4,873,812**	4,477,067
Capital and reserves			
Share capital	31	**2,490,454**	2,490,454
Reserves		**1,110,191**	1,217,194
Equity attributable to owners of the Company		**3,600,645**	3,707,648
Non-controlling interests		**42,753**	42,812
Total equity		**3,643,398**	3,750,460
Non-current liability			
Deferred tax liabilities	30	**105,801**	117,104
Current liabilities			
Trade and other payables and deposits received	28	**71,025**	53,828
Tax payable		**7,694**	2,263
Bank borrowings	29	**3,759**	16,004
Other borrowings	29	**1,040,134**	537,408
		1,122,612	609,503
Liabilities classified as held for sale	13	**2,001**	–
		1,124,613	609,503
Total liabilities		**1,230,414**	726,607
Total equity and liabilities		**4,873,812**	4,477,067
Net current assets		**1,588,133**	2,356,645
Total assets less current liabilities		**3,749,199**	3,867,564

Approved by the Board of Directors on 29 June 2017 and signed on its behalf by:

Jiang Zhaobai
Director

Lam Cheung Shing, Richard
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Equity attributable to owners of the Company								
	Share capital HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory surplus reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Sub-total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 April 2015	2,490,454	571,996	1,342,477	347,704	871	(75,930)	4,677,572	303,162	4,980,734
Exchange differences on translation of overseas subsidiaries	–	–	–	(207,479)	–	–	(207,479)	–	(207,479)
Share of other comprehensive income of an associate	–	–	–	51	–	–	51	–	51
Release of reserve upon loss of significant influence of an associate	–	–	–	(18,976)	–	–	(18,976)	–	(18,976)
Loss for the year	–	–	–	–	–	(685,672)	(685,672)	(198)	(685,870)
Total comprehensive loss for the year	–	–	–	(226,404)	–	(685,672)	(912,076)	(198)	(912,274)
Acquisition of additional interest in subsidiaries	–	–	–	1,528	–	(59,376)	(57,848)	(260,152)	(318,000)
At 31 March 2016 and 1 April 2016	2,490,454	571,996	1,342,477	122,828	871	(820,978)	3,707,648	42,812	3,750,460
Release of exchange reserve upon disposal of subsidiaries	–	–	–	(11,148)	–	–	(11,148)	–	(11,148)
Release of exchange reserve upon deregistration of subsidiaries	–	–	–	(31,319)	–	–	(31,319)	–	(31,319)
Exchange differences on translation of overseas subsidiaries	–	–	–	(146,939)	–	–	(146,939)	–	(146,939)
Profit/(loss) for the year	–	–	–	–	–	82,403	82,403	(59)	82,344
Total comprehensive (loss) /income for the year	–	–	–	(189,406)	–	82,403	(107,003)	(59)	(107,062)
At 31 March 2017	**2,490,454**	**571,996**	**1,342,477**	**(66,578)**	**871**	**(738,575)**	**3,600,645**	**42,753**	**3,643,398**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

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 loss of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the bye-laws 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 dollar) 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

Statutory surplus reserve represents the appropriation of 10% of profit after taxation, calculated in accordance with the accounting standards and regulations applicable to subsidiaries of the Company established in the People's Republic of China ("PRC"). When the balance of such reserve reaches 50% of the Group's registered capital, any further appropriation is optional.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation — continuing operations		**106,152**	(682,959)
Loss before taxation — discontinued operations		**(18,422)**	(1,320)
Adjustments for:			
Depreciation of property, plant and equipment	18	**14,723**	16,527
Fair value change in investment properties	17	**33,703**	(14,300)
Fair value change of biological assets	23	**695**	–
Reversal of impairment loss recognised on trade and other receivables and prepayments	24	**(46,486)**	–
Impairment loss recognised in respect of trade and other receivables and prepayments	24	**19,507**	41,977
Impairment loss recognised in respect of other non-current assets	21	**–**	10,674
Impairment loss in respect of mining rights	19	**–**	598,136
Written off of other non-current assets		**–**	5,488
Written off of trade and other receivables and prepayments		**–**	1,659
Loss on written off of property, plant and equipment	18	**203**	–
Gain on disposal of property, plant and equipment	18	**(124)**	(63)
Gain on loss of significant influence of an associate		**–**	(882,107)
Share of results of an associate		**–**	1,138
Net (gain)/loss on financial assets at fair value through profit or loss		**(223,176)**	882,862
Interest income		**(5,156)**	(2,734)
Interest expenses	11	**66,009**	42,887
Operating cash flows before movements in working capital		**(52,372)**	17,865
Decrease in inventories		**4**	6
Decrease/(increase) in loan receivables		**175,845**	(23,737)
Decrease in trade and other receivables and prepayments		**221,679**	197,051
Increase in financial assets at fair value through profit or loss		**–**	287,260
Decrease in amount due from an associate		**–**	107,297
Decrease in trade and other payables and deposits received		**(21)**	(4,829)
Cash generated from operating activities		**345,135**	580,913
Profits tax paid		**(16,714)**	(9,057)
Interest received		**5,156**	2,734
Net cash generated from operating activities		**333,577**	574,590

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	**(1,775)**	(2,258)
Purchase of investment properties	17	**(493,907)**	–
Acquisition of addition interest in a subsidiary		**–**	(159,000)
Proceeds on disposal of property, plant and equipment		**240**	110
Net cash outflow arising from acquisition of subsidiaries	35	**(44,033)**	–
Proceeds on disposal of subsidiaries	34	**19,917**	–
Deposit paid for acquisition of investment property		**–**	(218,698)
Net cash used in investing activities		**(519,558)**	(379,846)
FINANCING ACTIVITIES			
Interest paid		**(55,684)**	(42,887)
New bank and other borrowings raised		**976,098**	–
Repayment of bank and other borrowings		**(485,617)**	(180,353)
Net cash generated from/(used in) financing activities		**434,797**	(223,240)
Net increase/(decrease) in cash and cash equivalents		**248,816**	(28,496)
Cash and cash equivalents at beginning of the year		**305,451**	468,647
Effect of change in foreign exchange rate		**(61,616)**	(134,700)
Cash and cash equivalents at end of the year		**492,651**	305,451
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**492,651**	305,451

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 15th Floor, CCB Tower, 3 Connaught Road Central, 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 and (iv) natural resources operation. Details of the principal activities of its subsidiaries are set out in note 42.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are set out in note 5.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

2. BASIS OF PREPARATION *(Continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and amendments to standards 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 2016. A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKAS 40 (Amendments)	Transfers of Investment Property[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 2018, with earlier application permitted.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading investments) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Key requirement of HKFRS 9 are described below: *(Continued)*

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies at 31 March 2017, the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale financial assets, including those currently stated at cost less any identified impairment losses, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the 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.

Under HKAS 17 the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 *Leases* *(Continued)*

In contrast to lease accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$19,331,000 as disclosed in note 37 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, 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.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have a material impact on the Group's financial performance and financial positions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Interests in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Interests in subsidiaries *(Continued)*

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Non-controlling interests that are presenting ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in an associate *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment or a portion thereof is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets (or subsidiary) held-for-sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate.

After the disposal takes place, the Group accounts for any retained interest in the in accordance with HKAS 39 unless the retained interest continues to be an associate, in which case the Group uses the equity method.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business net of discounts and sales related taxes and includes the following items:

(a) Rental income

Rental income, including rentals invoiced in advance, from properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(b) Sales of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered and title has passed.

(c) Finance income

Finance income is recognised as it accrues using effective interest method.

(d) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(e) Hotel income

Revenue from room rental, food and beverage sales and other ancillary services in the hotel recognised when the relevant services have been rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than properties under development and construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties under development are stated at cost, less any impairment loss. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Except for mining structures, depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method at the following principal annual rates. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Buildings — Hotel properties	Over the shorter of the estimated useful lives of 50 years and the terms of the leases
Leasehold improvements	Over the terms of the leases
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

Freehold land is stated at cost less accumulated impairment losses, if any.

Mining structures (including the main and auxiliary mine shafts) are depreciated on a unit-of production basis over the economically recoverable reserves of the mine concerned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Costs to sell are incremental costs directly attributable to the disposal of an asset excluding financial cost, income tax and costs necessary to get the assets to market. The fair value of livestock is determined based on the current market price of livestock of similar age, breed and genetic merit.

The feeding costs and other related costs including the depreciation charge, utilities cost and consumables incurred for the raising of heifers and calves are capitalised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the unit of production method.

Exploration and evaluation expenditure

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing manganese mine and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL) and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling it in the near term; or

— on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 26.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loan receivables, bank balances and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as a default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowings and other borrowings) are subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the subsidies will be received.

Government subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate. Specifically, government subsidies whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related manganese. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

Other non-current assets

Other non-current assets are stated at cost, less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Art works and jade

Art works and jade are stated at cost less accumulated impairment loss.

Art works and jade are derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised in the respective functional currency at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

— exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group entity in the PRC participates in defined contribution retirement benefit plans (including Housing Provident Fund) organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-employment benefits beyond the contributions made. The Group's contributions to these plans are charged to the consolidated statement of profit or loss as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the consolidated statement of profit or loss.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At the end of each reporting period, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss, and a corresponding adjustment to equity in the consolidated statement of financial position will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts where the share options are exercised and when the restricted are exercised and when the restricted share award are vested.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is apart, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the most senior executive management that makes strategic decisions.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group performs annual test on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 4. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), with adjustments to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Fair value of investment properties *(Continued)*

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group's management estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

In considering the impairment losses that may be required for the Group's property, plant and equipment, the Group has to exercise judgments in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of the asset can be supported by the net present value of the future cash flows which are estimated based upon the continuing use of the asset or disposal; (iii) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions applied by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could material affect the net present value result in the impairment test.

Trade and other receivables

The aged debt profile of receivables are reviewed on a regular basis to ensure that the receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of receivables are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the receivables and past collection history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the statement of profit or loss. Changes in the collectibility of receivables for which provisions are not made could affect the results of operations.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and overseas. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgment is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

Fair value of other financial assets and liabilities

The fair value of loan and receivables, financial assets and financial liabilities are accounted for or disclosed in the consolidated financial statements, the calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

Production start date

The Group assesses the stage of mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from"Properties under development to"Mining structures". Some of the criteria will include, but are not limited, to the following:

— the level of capital expenditure compared to the construction cost estimates

— completion of a reasonable period of testing of the mining plant and equipment

— ability to produce manganese in saleable form (within specifications)

— ability to sustain ongoing production of manganese

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with HKAS 16 Property, Plant and Equipment. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the profit or loss. As at 31 March 2017, no such provision is recognised as the production of the mine has not yet commenced (31 March 2016: Nil).

Manganese reserve and resource estimates

Manganese reserves are estimates of the amount of manganese that can economically and legally extracted from the Group's mining properties. The Group estimates its manganese reserves and mineral resources based on reserve reports compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the manganese body, and this requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the manganese body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. As the management considered that it is not commercially viable to commence the commercial production of the mine. Therefore, no such depreciation/amortisation has been made for the year ended 31 March 2017.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Withholding tax arising from the distribution of dividend

The Group's determination as to whether to accrue for withholding tax arising from the distribution of dividend from certain subsidiaries according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend or on whether certain companies of the Group is determined to be a Chinese resident enterprise by the PRC governing tax authorities in the future.

Fair value of cows

The Group's cows are valued at fair value less costs to sell. The fair value of cows is determined based on either the market-determined prices as at the end of the reporting period adjusted with reference to the species, age, growing condition and costs incurred in characteristics and/or stages of growth of the cows; or the present value of expected net cash flows from the cows discounted at a current market-determined rate, when market-determined prices are unavailable; or the cost when appropriate. Any change in the estimates may affect the fair value of the cows significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of cows. Details of assumptions used are disclosed in note 23.

6. 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:

Continuing operations

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 Republic of Indonesia ("Indonesia")

The Group's securities dealing and brokerage operation and environmental water treatment operation were classified as discontinued operations. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 13.

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and result

The following is an analysis of the Group's revenue and result from continuing operations by reportable and operating segment:

For the year ended 31 March 2017

	Segment revenue		Segment result	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property investment operation	**25,211**	26,998	**(20,695)**	31,957
Hotel operation	**28,279**	37,124	**(3,151)**	(680)
Financing and securities investment operation	**14,461**	22,689	**237,449**	(847,900)
Natural resources operation	**–**	–	**(2,010)**	(599,536)
Total for continuing operations	**67,951**	86,811	**211,593**	(1,416,159)
Interest income and other revenue			**12,771**	27,768
Unallocated expenses			**(52,203)**	(132,650)
Profit/(loss) from operations			**172,161**	(1,521,041)
Finance costs			**(66,009)**	(42,887)
Share of result of an associate			**–**	(1,138)
Gain on loss of significant influence of an associate			**–**	882,107
Profit/(loss) before taxation			**106,152**	(682,959)
Taxation			**(5,386)**	(1,591)
Profit/(loss) for the year from continuing operations			**100,766**	(684,550)

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year (2016: Nil).

Segment result represents the result generated from each segment without allocation of central administration costs including directors' salaries, finance costs, share of result of an associate, gain on loss of significant influence of an associate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2017 HK$'000	2016 HK$'000
Segment assets		
Property investment operation	**1,322,743**	891,808
Hotel operation	**557,195**	600,377
Financing and securities investment operation	**1,770,666**	1,795,632
Natural resources operation	**272,786**	272,698
Total segment assets	**3,923,390**	3,560,515
Assets relating to discontinued operations	**–**	239,062
Unallocated assets	**950,422**	677,490
Consolidated total assets	**4,873,812**	4,477,067

	2017 HK$'000	2016 HK$'000
Segment liabilities		
Property investment operation	**7,610**	36,590
Hotel operation	**11,004**	8,432
Financing and securities investment operation	**176**	162
Natural resources operation	**5,753**	5,632
Total segment liabilities	**24,543**	50,816
Liabilities relating to discontinued operations	**–**	223
Unallocated bank and other borrowings	**1,043,893**	553,412
Unallocated liabilities	**154,284**	119,893
Tax payable	**7,694**	2,263
Consolidated total liabilities	**1,230,414**	726,607

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

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 March 2017

	Continuing operations				
	Property investment operation HKD'000	**Hotel operation HKD'000**	**Financing and securities investment operation HKD'000**	**Natural resources operation HKD'000**	**Consolidated total HKD'000**
Other segment information					
Depreciation	**22**	**13,529**	**–**	**–**	**13,551**
Unallocated amounts					**1,172**
					14,723
Capital expenditure	**527**	**1,240**	**–**	**–**	**1,767**
Unallocated amounts					**8**
					1,775
Written off of property, plant and equipment	**–**	**203**	**–**	**–**	**203**
Fair value change in investment properties	**33,703**	**–**	**–**	**–**	**33,703**
Fair value change in financial assets at fair value through profit or loss	**–**	**–**	**(223,176)**	**–**	**(223,176)**

For the year ended 31 March 2016

	Continuing operations				
	Property investment operation HKD'000	Hotel operation HKD'000	Financing and securities investment operation HKD'000	Natural resources operation HKD'000	Consolidated total HKD'000
Other segment information					
Depreciation	1,792	13,676	–	–	15,468
Unallocated amounts					1,059
					16,527
Capital expenditure	–	350	–	–	350
Unallocated amounts					1,908
					2,258
Fair value change in investment properties	(14,300)	–	–	–	(14,300)
Fair value change in financial assets at fair value through profit or loss	–	–	896,143	–	896,143
Impairment loss recognised in respect of mining rights	–	–	–	598,136	598,136
Impairment loss recognised in respect of trade and other receivables and prepayment	–	–	34,998	–	34,998

6. SEGMENT INFORMATION *(Continued)*

(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, interest in an associate 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 customers		Specified non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**14,461**	22,689	**26,982**	26,848
The PRC	**53,490**	64,122	**1,791,986**	1,211,749
Indonesia	**–**	–	**272,322**	272,322
Bolivia	**–**	–	**69,776**	–
	67,951	86,811	**2,161,066**	1,510,919

(e) Information from major customers

Revenue from continuing operations of approximately HK$6,171,000 was derived from financing and securities investment operation to one single customer (2016: HK$12,274,000). No other single customer contributed 10% or more to the Group's revenue for the years ended 31 March 2017 and 2016.

7. REVENUE

Revenue are analysed as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Property rental and management fee	**25,211**	26,998
Hotel income	**28,279**	37,124
Interest income from loan receivables	**14,461**	22,689
	67,951	86,811

8. OTHER INCOME AND GAIN, NET

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Bank interest income	**5,156**	2,734
Reversal of provision for bad debt	**–**	25,734
Gain on disposal of property, plant and equipment	**124**	63
Net foreign exchange (loss)/gain	**(215)**	2,346
Sundry income	**3,669**	6,472
Other loan interest income	**4,333**	17,033
	13,067	54,382

9. STAFF COSTS

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Salaries and allowances (including directors' emoluments)	**30,107**	32,216
Retirement benefit scheme contributions	**2,792**	2,690
	32,899	34,906

9. STAFF COSTS *(Continued)*

(a) Directors' emoluments and chief executive remuneration

The emoluments paid or payable to each director were as follows:

Name of directors	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Share option granted		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors										
Jiang Zhaobai	180	180	3,600	3,600	18	18	–	–	3,798	3,798
Lam Cheung Shing, Richard	180	180	4,443	3,937	480	480	–	–	5,103	4,597
Chen Yi, Ethan	180	180	1,501	1,447	18	18	–	–	1,699	1,645
Shen Angang	180	180	–	–	–	–	–	–	180	180
	720	720	9,544	8,984	516	516	–	–	10,780	10,220
Independent non-executive directors										
Ho Yiu Yue, Louis	180	180	–	–	–	–	–	–	180	180
Ko Ming Tung, Edward	180	180	–	–	–	–	–	–	180	180
Shan Zhemin	180	180	–	–	–	–	–	–	180	180
	540	540	–	–	–	–	–	–	540	540
	1,260	1,260	9,544	8,984	516	516	–	–	11,320	10,760

Mr. Lam Cheung Shing, Richard is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has agreed to waived any emoluments during the year.

9. STAFF COSTS *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2016: two) individuals, who are not individuals of senior management of the Company, are detailed as follows:

	2017	2016
	HK$'000	HK$'000
Salaries and allowances	**4,020**	2,738
Retirement benefit scheme contributions	**36**	21
	4,056	2,759

10. PROFIT/(LOSS) FROM OPERATIONS

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Depreciation (note 18)	**14,723**	16,527
Auditors' remuneration	**1,980**	2,103
Cost of inventories for hotel operation provided	**1,129**	1,409
Gain on disposal of property, plant and equipment (note 18)	**(124)**	(63)
Loss on written off of property, plant and equipment (note 18)	**203**	–
Loss on written off of other non-current assets	**–**	5,488
Impairment loss recognised in respect of other non-current assets*	**–**	10,674
Impairment loss recognised in respect of mining rights (note 19)	**–**	598,136
Impairment loss recognised in respect of trade and other receivables and prepayments*	**–**	34,998
Operating lease rentals in respect of premises	**8,255**	8,036
Net foreign exchange loss/(gain) (note 8)	**215**	(2,346)
Fair value change in investment properties (note 17)	**33,703**	(14,300)
Gross rental income from investment properties (note 7)	**(25,211)**	(26,998)
Less: direct operating expenses from investment properties that generated rental income during the year	**2,047**	3,054
	(23,164)	(23,944)

* These expenses were recognised as other operation expenses

11. FINANCE COSTS

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Interests on:		
Bank borrowings and overdrafts	**271**	1,138
Other borrowings	**65,738**	41,749
	66,009	42,887

12. TAXATION

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**232**	182
The PRC Enterprise Income Tax	**17,149**	456
	17,381	638
Deferred tax (note 30)	**(11,995)**	953
	5,386	1,591

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the year.

At 31 March 2017, the Group had unused estimated tax losses of approximately HK$259,914,000(2016: HK$424,080,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams.

The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at 25% of the assessable income of each company during the years ended 31 March 2017 and 2016.

12. TAXATION *(Continued)*

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in Indonesia is 25% (2016: 25%) during the year. No Indonesia Corporate Tax was recognised as the subsidiary in Indonesia has no estimated assessable profits for the year.

The Bolivia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in Bolivia is 25% (2016: 25%) during the year. No Bolivia Corporate Tax was recognised as the subsidiary in Bolivia has no estimated assessable profits for the year.

Reconciliation between tax expenses and accounting profit at applicable tax rates

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Profit/(loss) before taxation	**106,152**	(682,959)
Tax calculated at the domestic rates applicable in the country concerned	**21,322**	(180,660)
Tax effect of share of results of associate	**–**	285
Tax effect of expenses not deductible for tax purpose	**11,508**	161,679
Tax effect of income not taxable for tax purpose	**(29,808)**	(16,573)
Tax effect of tax losses not recognised	**1,521**	34,669
Tax effect of unrecognised temporary difference	**843**	2,191
Tax charge for the year	**5,386**	1,591

13. DISCONTINUED OPERATIONS/SUBSIDIARY HELD FOR SALE

The Group ceased (i) securities dealing and brokerage operation and (ii) environmental water treatment operation in which the relevant subsidiaries have been deregistered/disposed of during the year.

Both securities dealing and brokerage operation and environment water treatment operation were classified as discontinued operations and details of the results and cash flows of discontinued operations for the current and prior years were set out as follows:

(a) Securities dealing and brokerage operation

	Year ended 31 March 2017 HK$'000	2016 HK$'000
Other income and gain, net	**46,486**	32,521
Staff costs	**(404)**	(413)
Administrative costs	**(26,604)**	(26,306)
Other operating expenses	**–**	(6,979)
Profit/(loss) before taxation	**19,478**	(1,177)
Taxation	**–**	–
Profit/(loss) for the year	**19,478**	(1,177)
Attributable to:		
Owners of the Company	**19,478**	(1,177)
Non-controlling interests	**–**	–
	19,478	(1,177)
Net cash outflows in operating activities	**(19)**	(60)

13. DISCONTINUED OPERATIONS/SUBSIDIARY HELD FOR SALE *(Continued)*

(b) Environmental water treatment operation

	Year ended 31 March 2017 HK$'000	2016 HK$'000
Other income and gain, net	–	–
Staff costs	–	–
Administrative costs	(1,065)	(143)
Other operating expenses	(19,507)	–
Loss before taxation	(20,572)	(143)
Taxation	–	–
Loss for the year	(20,572)	(143)
Loss on disposal of the subsidiaries (note 34(a))	(17,328)	–
	(37,900)	(143)
Attributable to:		
Owners of the Company	(37,900)	(143)
Non- controlling interests	–	–
	(37,900)	(143)
Net cash outflows in operating activities	(83)	–

(c) Loss from discontinued operations

	Year ended 31 March 2017 HK$'000	2016 HK$'000
Auditors' remuneration	150	150
Reversal of impairment loss in respect of trade and other receivables and prepayments (note 13(a))	46,486	32,521
Impairment loss recognised in respect of trade and other receivables and prepayments (note 13(b))	19,507	6,979

(d) Taxation of discontinued operations

No provision for both Hong Kong Profits Tax and the PRC Enterprise Income Tax have been made as the Group does not have profits derived from Hong Kong and the PRC from the discontinued operations during the year ended 31 March 2017 and 2016.

13. DISCONTINUED OPERATIONS/SUBSIDIARY HELD FOR SALE *(Continued)*

(e) Subsidiary held for sale

On 10 December 2016, the Group entered into a sale agreement to dispose of the entire equity interests in Shanghai Interchina Club Co. Ltd ("Shanghai IC Club"). Details of the assets and liabilities of Shanghai IC Club as at 31 March 2017 were set out as below:

Assets of the subsidiary classified as held for sale

	2017
	HK$'000
Cash and cash equivalents	**88**

Liabilities of the subsidiary classified as held for sale

	2017
	HK$'000
Other payables	**2,001**

The assets and liabilities held for sale were recognised at their fair value less to sell of approximately HK$1,913,000. this is a non-recurring fair value which has been measured using observable inputs, being the recent sales of similar business, and is therefore within level 2 of the fair value hierarchy.

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share from operations is based on the following data:

From continuing and discontinued operations

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**82,403**	(685,672)

	Year ended 31 March	
Number of shares	**2017**	2016
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**6,078,669,363**	6,078,669,363

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company has no dilutive potential shares outstanding for the year ended 31 March 2017 and 2016.

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

From continuing operations

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**82,403**	(685,672)
Loss for the year from discontinued operations	**18,422**	1,320
	100,825	(684,352)

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

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.303 cents (2016: HK0.022 cents per share), based on the loss for the year from discontinued operations of approximately HK$18,422,000 (2016: HK$1,320,000).

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

15. NET GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Net unrealised gain/(loss) on financial assets at FVTPL	**223,176**	(882,862)
Net realised loss on selling financial assets at FVTPL	**–**	(13,281)
	223,176	(896,143)

Note: Included in the gain arising on change in fair value of financial assets at FVTPL for the year ended 31 March 2017 of approximately HK$214,483,000 was derived from investment in Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (2016: loss of approximately HK$892,626,000).

16. DIVIDEND

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 March 2017 (2016: Nil).

17. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
Fair value		
At beginning of the year	**612,549**	634,250
Addition	**712,631**	–
Fair value change	**(33,703)**	14,300
Exchange alignment	**(29,798)**	(36,001)
At end of the year	**1,261,679**	612,549
Unrealised (loss)/gain on change in fair value of investment properties	**(33,703)**	14,300

Notes:

(a) The Group's property interests held under operating leases to earn rentals or for capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

(b) The fair value of the Group's investment properties at 31 March 2017 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.

(c) The fair value was determined based on the direct comparison approach and/or income approach. Direct comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. It assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Income approach relying on the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighborhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties. There were no changes to the valuation techniques during the year.

(d) The Group's investment properties at their fair values are analysed as follows:

	2017 HK$'000	2016 HK$'000
Investment properties in Hong Kong	**24,600**	23,200
Investment properties outside Hong Kong	**1,237,079**	589,349
	1,261,679	612,549

(e) Investment properties with the carrying amount of approximately HK$587,522,000 (2016: HK$270,111,000) have been pledged to secure banking facilities and other borrowings granted to the Group.

(f) The Group's investment properties, amounting to approximately HK$542,529,000 (2016: HK$509,640,000) are rented out under operating leases.

17. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(g) Fair value measurements

At the end of each reporting period, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) hold discussion with the independent valuer.

Changes in fair values are analysed at the end of each reporting period by the management of the Group.

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 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2017				
Hong Kong	**–**	**24,600**	**–**	**24,600**
Outside Hong Kong	**–**	**–**	**1,237,079**	**1,237,079**
	–	**24,600**	**1,237,079**	**1,261,679**
At 31 March 2016				
Hong Kong	–	23,200	–	23,200
Outside Hong Kong	–	–	589,349	589,349
	–	23,200	589,349	612,549

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The movements of the balance of investment properties measured at fair value based on Level 3 are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of the year	**589,349**	607,950
Addition	**712,631**	–
Fair value change	**(35,103)**	17,400
Exchange alignment	**(29,798)**	(36,001)
At end of the year	**1,237,079**	589,349

Information about fair value measurements based on Level 3 fair value hierarchy:

Description	2017 Fair value HK$'000	2016 Fair value HK$'000	Valuation techniques	Range of significant unobservable inputs Daily rental rate	 Capitalisation rate
Commercial premises outside Hong Kong	**1,237,079**	589,349	Combination of direct comparison approach and income approach	RMB6.5 to RMB7.5 (2016: RMB2.77 to RMB10.15) per square meter	4.5% to 6% (2016: 1% to 10%)

The fair value measurements are positively correlated to the daily rental rate and negatively correlated to the capitalisation rate.

In estimating the fair value of the properties, their current use equates to the highest and best use of the properties.

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18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Properties under development HK$'000	Hotel properties HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Total HK$'000
Cost							
At 1 April 2015	–	127	580,126	5,456	22,985	11,060	619,754
Additions	–	–	–	–	–	2,258	2,258
Disposal	–	–	–	–	–	(559)	(559)
Exchange alignment	–	–	(34,327)	–	–	–	(34,327)
At 31 March 2016 and 1 April 2016	–	127	545,799	5,456	22,985	12,759	587,126
Additions	–	–	–	–	1,240	535	1,775
Disposal	–	–	–	–	–	(775)	(775)
Written off	–	–	–	–	(942)	–	(942)
Acquisition of subsidiaries (note 35)	39,980	–	–	–	–	2,142	42,122
Disposal of subsidiaries	–	–	–	–	(5,918)	(5,614)	(11,532)
Exchange alignment	–	–	(27,597)	(36)	(910)	(232)	(28,775)
At 31 March 2017	39,980	127	518,202	5,420	16,455	8,815	588,999
Accumulated depreciation and impairment							
At 1 April 2015	–	–	3,604	5,456	17,542	8,069	34,671
Charge for the year	–	–	13,561	–	1,786	1,180	16,527
Elimination upon disposal	–	–	–	–	–	(512)	(512)
Exchange alignment	–	–	(213)	–	159	65	11
At 31 March 2016 and 1 April 2016	–	–	16,952	5,456	19,487	8,802	50,697
Charge for the year	–	–	13,311	–	926	486	14,723
Elimination upon disposal	–	–	–	–	–	(659)	(659)
Elimination upon written off	–	–	–	–	(739)	–	(739)
Elimination upon disposal of subsidiaries	–	–	–	–	(5,327)	(3,363)	(8,690)
Exchange alignment	–	–	(1,293)	(36)	(879)	(178)	(2,386)
At 31 March 2017	–	–	28,970	5,420	13,468	5,088	52,946
Carrying amount							
At 31 March 2017	**39,980**	**127**	**489,232**	**–**	**2,987**	**3,727**	**536,053**
At 31 March 2016	–	127	528,847	–	3,498	3,957	536,429

Notes:

(a) Hotel properties with the carrying amount of approximately HK$489,232,000 (2016: Nil) have been pledged to secure other borrowings granted to the Group.

(b) During the year ended 31 March 2017 and 2016, hotel properties of the Group included in the buildings above are held under long term leases in the PRC.

19. MINING RIGHTS

	HK$'000
Fair value	
At 1 April 2015	870,016
Impairment	(598,136)
At 31 March 2016, 1 April 2016 and 31 March 2017	271,880

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

The mining rights are 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 years ended 31 March 2017 and 2016, the management considered that commercial production of the mine has not yet commenced, no amortisation was provided during both years.

During the year ended 31 March 2016, as a result of the downturn of global economy and the negative effect of persistent weak prices for manganese and manganese products, the directors of the Company reviewed the carrying amount of the mining rights, an impairment loss of approximately HK$598,136,000 under business segment of natural resources operation was charged to the consolidated statement of profit or loss for the year ended 31 March 2016. There was no impairment provision for the mining rights in 2017.

The recoverable amount of the mining rights was estimated by an independent valuer, Roma Appraisals Limited. The valuation was performed based on the excess earning method under the income-approach. The excess earnings were the net profit after deducting all the charges for contributory assets, including fixed assets, working capital, assembled workforce, which were then discounted at an appropriate discount rate to arrive at the fair value of the mining rights. Weighted average cost of capital plus additional premium was adopted as the discount rate for the excess earnings cash flow. There were no changes to the valuation techniques during the year. Key assumptions adopted by management in the valuation are summarised as follows:

	2017	2016
Adopted manganese one benchmark price (US$/dmtu) (Note (a))	**US$2.95**	US$2.91
Discount rate	**12%**	13%

Notes:

(a) The adopted manganese ore benchmark price was estimated with reference to the manganese ore benchmark price (reference by 44% Mn grade lump published by United Nations Conference on Trade and Development). The manganese ore benchmark price for valuation as at 31 March 2017 has increased by approximately 1.5% than that as at 31 March 2016. No growth rate was assumed to the manganese ore benchmark price estimation over a period longer than five years. The treatment was consistent among valuation as at 31 March 2017 and as at 31 March 2016.

(b) The slightly decrease of 1% in discount rate (2016: 2%) was due to normal market data fluctuation.

(c) No growth rate was assumed for operating costs from 2018 onwards.

No mining rights have been pledged to secure general banking facilities granted to the Group in both 2017 and 2016.

20. GOODWILL

	HK$'000
Cost	
At 1 April 2015, 31 March 2016 and 1 April 2016	75,100
Acquisition of subsidiaries (note 35)	27,647
At 31 March 2017	102,747
Impairment	
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	(11,293)
Carrying amount	
At 31 March 2017	**91,454**
At 31 March 2016	63,807

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to business segment as follows:

	2017 HK$'000	2016 HK$'000
Hotel operation	**45,738**	45,738
Property investment operation	**18,069**	18,069
Agriculture operation	**27,647**	–
	91,454	63,807

Impairment tests for CGU containing goodwill

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors of the Company estimate discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The management considers that the recoverable amount calculated by value-in-use method based on a discounted future cash flow for each of the CGU of hotel operation, property investment operation and agriculture operation is higher than their respective carrying amount.

20. GOODWILL *(Continued)*

Impairment tests for CGU containing goodwill *(Continued)*

Hotel operation

During the year, the Group performed impairment test for the CGU of hotel operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is base on the estimated growth of hotel operation taking into account of industry growth rate, past experience and the medium or long-term growth target of hotel operation. The growth rate does not exceed the long-term average growth rate for the business of hotel operation. Discount rate of 14.0% (2016: 14.3%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to hotel operation.

Property investment operation

During the year, the Group performed impairment test for the CGU of property investment operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is base on the estimated growth of property investment operation taking into account of industry growth rate, past experience and the medium or long-term growth target of property investment operation. The growth rate does not exceed the long-term average growth rate for the business of property investment operation. Discount rate of 13.9% (2016: 6.0%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to property investment operation.

Agriculture operation

During the year, the Group performed impairment test for the CGU of agriculture operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is base on the estimated growth of agriculture operation taking into account of industry growth rate, past experience and the medium or long-term growth target of agriculture operation. The growth rate does not exceed the long-term average growth rate for the business of agriculture operation. Discount rate of 16.7% (2016: N/A) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to agriculture operation.

21. OTHER NON-CURRENT ASSETS

	2017 HK$'000	2016 HK$'000
Art works and jade (Note)	–	26,157
Contribution to the compensation fund and fidelity fund with the Stock Exchange	–	97
	–	26,254

Note: The amount represents the aggregate cost of art works and jade held by the Group. In the opinion of the directors of the Company, with reference to valuation performed by an independent professional valuer not connected to the Group. The estimated recoverable amounts are determined based on their respective fair value less costs of disposal within level 2 of the fair value hierarchy. Market comparable approach is applied that reflects recent transaction prices for similar products which are adjusted to reflect the conditions and characteristic of the related products. During the year, all of the art works and jade were disposed of through disposal of subsidiaries. During the year ended 31 March 2016, certain art works and jade were obsolete and the recoverable amount of the art works and jade was determined as lower than their carrying amount at the end of reporting period. It results an impairment loss of approximately HK$10,674,000 was recognised and with carrying amount of approximately HK$1,155,000 were written off in the consolidated statement of profit or loss for the year end 31 March 2016. The recoverable amounts have been reduced to approximately HK$26,157,000 as at 31 March 2016.

22. INVENTORIES

	2017 HK$'000	2016 HK$'000
Beverages	**5**	9

23. BIOLOGICAL ASSETS

Movements of the biological assets

	Cows and bulls HK$'000	Heifers and calves HK$'000	Total HK$'000
At 1 April 2016	–	–	–
Acquisition of subsidiaries (note 35)	2,382	1,196	3,578
Change in fair value less costs to sell	(463)	(232)	(695)
At 31 March 2017	**1,919**	**964**	**2,883**

The numbers of biological assets are as follows:

	2017
Cows and bulls	**404**
Heifers and calves	**319**
	723

The Group is exposed to fair value risks arising from changes in price of the calves. The Group does not anticipate that the price of calves will significantly decline in the foreseeable future and the directors of the Company are of the view that there is no available derivative or other contracts which the Group can enter into manage the risk of a decline in the price of the calves.

The Group is exposed to a number of risks related to biological assets and exposed to the following operation risks:

(a) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding of calves. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(b) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

23. BIOLOGICAL ASSETS *(Continued)*

The Qualification of Valuer

The Group's biological assets were independently valued by an external valuer (the "Valuer"). The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the Valuer participated in this valuation have appraisal experiences in different kinds of assets such as property assets, industrial assets and biological assets. They have previously participated in the valuation of biological assets and agricultural produce.

Physical count of biological assets

The Group currently has self-operating cows farm. Cows, bulls, heifers and calves of similar age or in the same stage of life cycle are moved into a curtain-barn. For administration purposes, the housekeeper of the cows farm would keep proper warehouse records on the number of cows moved into or out of the curtain-barns from time to time throughout the breeding period. To facilitate the breeding process, a group of cows within a curtain-barn are sub-divided into certain number of sub-groups of more or less the same size and each of these sub-groups are separated from each other by means of physical barriers.

The Valuer has conducted inspection of the farms to understand, among others, the species of pure breed cows, cross breeding program being undertaken, parameters in selection and culling of breeder cows, caring and feeding programs for breeding and fattening cows and facilities in the farms. To ascertain the quantity of calves, the Valuer has checked the inventory records compiled by the breeding department and finance department by physical count of selected sample groups of breeder cow. Sample groups (with sample size not less than 25% of total quantity) of breeder cows in different stages of life cycle have been selected and the following steps have been taken for undertaking physical counting of the selected samples by the Valuer:

- To obtain the warehouse records reflecting the quantities of cows as at the reporting date;
- To perform physical counting of cows within the curtain-barns as at the reporting date;
- To obtain the warehouse records in relation to the reduction and addition on the number of cows of the curtain-barns during the year; and
- To compare and reconcile the results with the stocktaking records prepared by the Group.

23. BIOLOGICAL ASSETS *(Continued)*

Physical count of biological assets *(Continued)*

In addition, the following principal assumptions have been adopted by an independent external valuer:

(a) there will be no major change in the existing political, legal and economic conditions in the Bolivia;

(b) save for those proposed changes on taxation policies announced by the Tax Bureau of the Bolivia, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;

(c) the biological assets are properly fed with balance diets such that they are gaining weight in accordance under normal growth rate and are receiving appropriate veterinary care;

(d) the availability of finance will not be a constraint on the breeding of the biological assets;

(e) the production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;

(f) the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the Bolivia;

(g) the biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;

(h) the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and

(i) the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the biological assets.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23. BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy *(Continued)*

As at 31 March 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Cows and bulls	–	**1, 919**	–	**1, 919**
Heifers and calves	–	**964**	–	**964**
Total biological assets	–	**2,883**	–	**2,883**

As at 31 March 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Cows and bulls	–	–	–	–
Heifers and calves	–	–	–	–
Total biological assets	–	–	–	–

Type	Fair value hierarchy	Valuation technique and key input	Significant observable input
Cows and bulls, Heifers and calves	Level 2	The fair value of the cows and bulls, heifers and calves are determined with reference to the market determined prices of items with similar age, weight and gender.	Prevailing market price of calves (US$227.48/head) (2016: Nil)
			Prevailing market price of little bulls (US$375.99/head) (2016: Nil)
			Prevailing market price of heifers (US$479.95/head) (2016: Nil)
			Prevailing market price of cows (US$539.36 to US$613.61/head) (2016: Nil)
			Prevailing market price of bulls (US$866.09/head) (2016: Nil)

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017 HK$'000	2016 HK$'000
Trade receivables	**748**	22,923
Margin clients' accounts receivables	**–**	99,761
Prepayments, deposits and other receivables	**445,485**	817,462
	446,233	940,146
Less: Impairment of trade and other receivables and prepayments	**(2)**	(82,062)
	446,231	858,084

The Group allows an average credit period of 60 days (2016: 60 days) to its trade customers.

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	**24,108**	85,632
Renminbi	**420,564**	772,274
Indonesian Rupiah	**–**	123
US dollar	**1,559**	55
	446,231	858,084

The following is an aging analysis of trade receivables, based on invoice date:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**673**	869
31 to 60 days	**6**	253
61 to 90 days	**1**	3
91 to 180 days	**21**	–
Over 180 days	**47**	21,798
	748	22,923

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

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

	2017 HK$'000	2016 HK$'000
At beginning of the year	**82,062**	120,908
Written off	**(35,574)**	(48,302)
Reversal of impairment loss recognised on trade and other receivables and prepayments	**(46,486)**	(32,521)
Impairment loss recognised	**–**	41,977
At end of the year	**2**	82,062

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

	2017 HK$'000	2016 HK$'000
Over 60 days	**69**	10,388

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

The Group's prepayments, deposits and other receivables as at 31 March 2017 and 2016, inter alia, the following:

(i) for the year ended 31 March 2016, deposits of approximately HK$218,698,000 paid for acquisition of 14 retail units located at Above the Bund Square No. 948 Dongdaming Road, Hongkou District, Shanghai, the PRC. The acquisition were completed in August 2016. The deposits paid, as part of the consideration, were used to settle and complete the acquisition. Details of which were set out in the Company's announcement dated 24 December 2015 and the circular dated 19 February 2016;

(ii) other receivables of approximately HK$114,607,000 (2016: HK$120,712,000) paid for acquisition of several potential water plant projects in the PRC; and

(iii) prepayments and other receivables of approximately HK$219,150,000 (2016: HK$235,377,000) paid to various contractors for construction of environmental protection and water treatment projects in the PRC.

25. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
Loan receivables	**97,328**	273,173
Less: Impairment loss recognised	**–**	–
	97,328	273,173

Movement on impairment of loan receivables were as follow:

	2017 HK$'000	2016 HK$'000
At the beginning of the year	**–**	109,404
Written off	**–**	(109,404)
At end of the year	**–**	–

The amount of approximately HK$10,494,000 (2016: approximately HK$273,173,000) included in loan receivables was unsecured, carrying at the prevailing interest rate of 5.25% (2016: ranging from 4.35% to 7.2%) per annum with fixed repayment terms.

The remaining balance of loan receivables are secured by collateral providing by customers, bear interest at 5% per annum and are repayable within fixed terms.

There was no impairment loss recognised during both years of 2017 and 2016.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Held for trading:		
Listed equity securities — Hong Kong, at fair value	**197,054**	188,360
Listed equity securities — the PRC, at fair value	**1,476,254**	1,339,664
	1,673,308	1,528,024

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

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

At 31 March 2017

Stock Code	Name of investee company	Number of shares held	Percentage shareholding held by the Group	Investment cost HK$'000 (Note (1))	Market value as at 31 March 2017 HK$'000 (Note (1))	Percentage to the Group's net assets as at 31 March 2017 (Note (1))	Unrealised gain/ (loss) on change in fair value for the year ended 31 March 2017 HK$'000 (Note (1))
600187	**Heilongjiang Interchina (Note (2))**	**227,312,500**	**13.74%**	**283,016**	**1,476,254**	**40.52%**	**214,483**
439	**KuangChi Science Limited (Note (3))**	**57,957,000**	**0.95%**	**312,156**	**197,054**	**5.41%**	**8,693**
				595,172	**1,673,308**	**45.93%**	**223,176**

At 31 March 2016

Stock Code	Name of investee company	Number of shares held	Percentage shareholding held by the Group	Investment cost HK$'000 (Note (1))	Market value as at 31 March 2016 HK$'000 (Note (1))	Percentage to the Group's net assets as at 31 March 2016 (Note (1))	Unrealised gain/ (loss) on change in fair value for the year ended 31 March 2016 HK$'000 (Note (1))
600187	Heilongjiang Interchina (Note (2))	227,312,500	15.62%	289,754	1,339,664	35.72%	(892,626)
439	KuangChi Science Limited (Note (3))	57,957,000	1.01%	312,156	188,360	5.02%	9,764
				601,910	1,528,024	40.74%	(882,862)

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(1) The investment costs, market value as at 31 March 2017 and 31 March 2016 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.

(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 31 March 2017. No dividend was received during each of the year ended 31 March 2017 and 2016. According to the latest published audited financial statements of Heilongjiang Interchina, it had net asset value of approximately RMB2,562,173,000 as at 31 December 2016 (31 December 2015: approximately RMB2,544,564,000). Heilongjiang Interchina recorded revenue of approximately RMB357,820,000 and net profit of approximately RMB14,696,000 for the year ended 31 December 2016 (2015: revenue of approximately RMB474,705,000 and net loss of approximately RMB119,417,000).

(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 Hong Kong Stock Exchange. There was no movement in the number of shares held by the Group during the year ended 31 March 2017. No dividend was received during each of the year ended 31 March 2017 and 2016. According to the latest published audited financial statements of KuangChi, it had net asset value of approximately HK$2,729,711,000 as at 31 December 2016 (31 December 2015: approximately HK$2,174,998,000). KuangChi recorded revenue of approximately HK$290,492,000 and net profit of approximately HK$596,544,000 for the year ended 31 December 2016 (2015: revenue of approximately HK$353,831,000 and net loss of approximately HK$4,984,000).

(4) At 31 March 2017, financial assets at fair value through profit or loss with the carrying amount of approximately HK$1,495,930,000 (31 March 2016: HK$1,102,083,000) have been pledged to secure loan facilities granted to the Group.

Future prospects of the investments

Heilongjiang Interchina

Heilongjiang Interchina was accounted for as an associate of the Group since January 2013. Due to loss of significant influence over Heilongjiang Interchina, the investment in Heilongjiang Interchina was reclassified as financial assets at fair value through profit or loss since May 2015 and recorded a gain on loss of significant influence of an associate of approximately HK$882,107,000 during the year ended 31 March 2016. Therefore, the investment in Heilongjiang Interchina has been one of the major investment of the Group. With regards to the future prospects of Heilongjiang Interchina based on published information, the directors of the Company noted the revenue of Heilongjiang Interchina for the year ended 31 December 2016 was approximately RMB357,820,000, representing a decrease of 24.6% as compared to the same period of last year and turnaround to profit of approximately RMB14,696,000 for 2016 from loss of approximately RMB119,417,000 of 2015. As disclosed in the 2016 annual report of Heilongjiang Interchina, the directors of the Company noted that Heilongjiang Interchina will accelerate the municipal water supply and drainage key upgrade project investment and construction, to promote the refinement of operation and management, in-depth investment and development potential, find ways to break through the financial difficulties, strengthen internal and external resource integration, promote the healthy and steady development of the company. In addition, the environmental renovation policies adopted by the central government will continue to generate significant growth for the environmental protection industry. Therefore, the directors of the Company are optimistic towards the future development of Heilongjiang Interchina.

KuangChi

With regards to the further prospects of KuangChi, based on published information, the directors of the Company are confident that KuangChi may improve its performance in the long run. As disclosed in the 2016 annual report of KuangChi, the future technology business, the core business of KuangChi recorded revenue of approximately HK$284,050,000, representing an increase of 9.7% from 2015 and accounted for approximately 97.8% of the total revenue of KuangChi for the year ended 31 December 2016.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

General

The directors of the Company expect that the stock market in Hong Kong and the PRC remains to be volatile which may affect the performance of the Group's securities investments. Looking forward, the directors of the Company believes that the performance of the securities investments of the Group will be dependent on the financial and operating performance of investee companies and market sentiment which are affected by factors such as interest rate movements and performance of the macro economy. In order to mitigate the associated risk, the Group will continuously remain cautious in the allocation of resources and the identification and capture of appropriate securities investment opportunities and will review its investment strategy regularly and take appropriate actions whenever necessary in response to changes in the market.

27. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**492,651**	305,451

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 March 2017, cash and cash equivalents of approximately HK$484,896,000 (2016: HK$299,540,000) are denominated in Renminbi ("RMB"). RMB is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

28. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The following is an analysis of trade payables:

	2017 HK$'000	2016 HK$'000
Trade payables	**2,252**	2,318
Other payables and deposits received	**68,773**	51,510
	71,025	53,828

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	**6,623**	5,921
Renminbi	**36,394**	42,293
Indonesian Rupiah	**5,698**	5,594
US dollar	**22,310**	20
	71,025	53,828

28. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED *(Continued)*

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

	2017 HK$'000	2016 HK$'000
0 to 30 days	**335**	354
31 to 60 days	**253**	364
Over 60 days	**1,664**	1,600
	2,252	2,318

The Group's other payables and deposits received as at 31 March 2017 and 2016, inter alia, the following:

(i) interest expenses payable of approximately HK$1,743,000 (2016: HK$852,000);

(ii) no amount was due to a director of the subsidiary for the year ended 31 March 2017 (2016: HK$524,000); and

(iii) the amount due to Empresa Agropecuaria Novagro S.A. ("Novagro") of approximately HK$20,771,000 following the acquisition as set out in note 35, which was unsecured, interest–free and repayable on demand.

29. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowings, secured (Note (i))	**3,759**	16,004
Other borrowings, secured (Note (ii))	**1,040,134**	537,408
Total borrowings	**1,043,893**	553,412
Carrying amount repayable:		
Within one year		
other borrowings	**1,040,134**	537,408
	1,040,134	537,408
Carrying amount that are not repayable within one year from the end of the reporting period but contain a payment on demand clause (shown under current liabilities)	**3,759**	16,004
	1,043,893	553,412

29. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(i) The bank borrowings with carrying amount of approximately HK$3,759,000 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% (2016: 2.45%) per annum. The effective interest rates on bank borrowings denominated in RMB is 6.37% (2016: 6.37%) per annum.

The bank borrowings is secured by the Group's investment properties with carrying values of approximately HK$24,600,000 (2016: HK$270,111,000). The term loans are repayable on agreed repayment schedule and the bank borrowings is repayable by instalments over a period of 1 to 20 years.

(ii) The other borrowings bear interest rate ranging from 6.40% to 8.0% per annum for the year ended 31 March 2017 (2016: 7.30% to 8.20% per annum).

The other borrowings with carrying amount of approximately HK$449,438,000 (2016: HK$473,373,000) are secured by the Group's investment in Heilongjiang Interchina, whose shares are listed on the Shanghai Stock Exchange and corporate guarantee executed by the Company. The other borrowings with carrying amount of approximately HK$498,877,000 (2016: Nil) are secured by the Group's investment properties and hotel property in the PRC. The remaining balance of approximately HK$91,819,000 (2016: HK$64,035,000) is a margin loan secured by securities listed in the Hong Kong Stock Exchange.

The Group's borrowings are denominated in the following currencies:

	2017 **HK$'000**	2016 HK$'000
Hong Kong Dollar	**95,578**	68,225
RMB	**948,315**	485,187
	1,043,893	553,412

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30. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon:

	Revaluation of property HK$'000	Fair value adjustments arising on acquisition of subsidiaries HK$'000	Total HK$'000
At 1 April 2015	68,414	55,043	123,457
Exchange alignment	(4,048)	(3,258)	(7,306)
Charge/(credit) to the consolidated statement of profit or loss (note 12)	4,343	(3,390)	953
At 31 March 2016 and 1 April 2016	68,709	48,395	117,104
Acquisition of subsidiaries (note 35)	–	6,612	6,612
Exchange alignment	(3,473)	(2,447)	(5,920)
Credit to the consolidated statement of profit or loss (note 12)	(8,777)	(3,218)	(11,995)
At 31 March 2017	**56,459**	**49,342**	**105,801**

Under the New Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by the PRC subsidiaries of the Group because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	Number of shares		Nominal value	
	2017	2016	**2017** HK$'000	2016 HK$'000
Issued and fully paid ordinary shares:				
At beginning and end of the 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.

32. SHARE OPTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company adopted a share option scheme pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 August 2011 (the "Share Option Scheme"). The Share Option Scheme became effective for a period of 10 years commencing on 12 August 2011. Under the Share Option Scheme, the Board is authorised, at their discretion, invite a wider category of participants as defined in the Company's circular issued on 18 July 2011 (the "Participants"), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

The subscription price for shares under the Share Option Scheme shall be a price determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue (the "Individual Limited"). Any further grant of options in excess of the Individual Limited in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participants' and his associates abstaining from voting.

No share option was granted under the Share Option Scheme during the year ended 31 March 2017 and 31 March 2016.

33. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Non-current assets		
Interests in subsidiaries	**1,130,120**	1,130,120
Current assets		
Other receivables and prepayments	**188,017**	4,087
Financial assets at fair value through profit or loss	**197,054**	188,360
Amounts due from subsidiaries	**2,363,621**	2,628,379
Cash and cash equivalents	**7,286**	2,479
	2,755,978	2,823,305
Total assets	**3,886,098**	3,953,425

33. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	At 31 March 2017 HK$'000	2016 HK$'000
Equity		
Share capital	**2,490,454**	2,490,454
Reserves (Note 33(b))	**645,433**	334,319
	3,135,887	2,824,773
Current liabilities		
Trade and other payables and deposits received	**4,421**	4,140
Amounts due to subsidiaries	**653,971**	1,060,477
Other borrowings	**91,819**	64,035
Total liabilities	**750,211**	1,128,652
Total equity and liabilities	**3,886,098**	3,953,425
Net current assets	**2,005,767**	1,694,653
Total assets less current liabilities	**3,135,887**	2,824,773

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended 31 March 2017 and 2016 are as follows:

	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	1,342,477	(1,004,880)	337,597
Net loss for the year	–	(3,278)	(3,278)
Total comprehensive loss for the year	–	(3,278)	(3,278)
At 31 March 2016 and 1 April 2016	1,342,477	(1,008,158)	334,319
Net profit for the year	–	311,114	311,114
Total comprehensive income for the year	–	311,114	311,114
At 31 March 2017	**1,342,477**	**(697,044)**	**645,433**

34. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) Disposal of subsidiaries

On 26 October 2016, the Group entered into a sale and purchase agreement with an independent third party to disposal of 100% equity interest and a shareholder's loan of approximately HK$92,446,000 in Interchina Environmental Protection Company Limited and its wholly owned subsidiary, Beijing Guoqing Environmental Technology Company Limited (collectively referred as the "IC Environmental Group.") at a total consideration of HK$20,000,000. The disposal was completed on 26 October 2016, on which date control of the IC Environmental Group passed to the acquirer.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	2,843
Other non-current asset	25,701
Trade and other receivables and prepayments	23,183
Cash and cash equivalents	83
Trade and other payables and deposits received	(3,334)
Amount due to the ultimate holding company	(92,446)
Net liabilities of the IC Environmental Group	(43,970)
Sales of shareholder's loan	92,446
Release of Exchange reserve	(11,148)
Loss on disposal of the IC Environmental Group (note 13(b))	(17,328)
Consideration	20,000
Net cash inflow arising from disposal	
Cash consideration received	20,000
Cash and cash equivalent disposal of	(83)
	19,917

The impact of the IC Environmental Group on the Group's results and cash flows in the current and prior year is disclosed in note 13(b) to the consolidated financial statements.

(b) Deregistration of subsidiaries

During the year ended 31 March 2017, the Group deregistered several indirectly wholly-owned subsidiaries, including United Star Assets Limited (BVI), Equal Smart Profits Limited (BVI) and Interchina Water Treatment Limited (BVI) (collectively referred as the "Deregistration Group."), which were inactive during the year.

The Group recognised a loss of approximately HK$726,000 on deregistration of the Deregistration Group.

35. ACQUISITION OF SUBSIDIARIES

On 26 October 2016, the Group entered into the sale and purchase agreement with three independent third parties, (the "Vendors"), regarding the acquisition of (i) the entire equity interests in Total Victor Investments Limited, Tableland Global Limited, Widely Reliable Limited and their subsidiary (the "Agrotanto Group") and (ii) the amount owing by the Agrotanto Group to the Vendors at the consideration of HK$45,240,000, (the "Acquisition"). The Acquisition was completed in December 2016.

Analysis of assets and liabilities recognised at fair value at the date of acquisition:

	HK$'000
Property, plant and equipment and land (note 18)	42,122
Biological assets (note 23)	3,578
Trade and other receivable and prepayments	1,438
Cash and cash equivalents	1,207
Trade and other payables	(24,140)
Deferred tax liabilities (note 30)	(6,612)
Net assets acquired	17,593
Goodwill (note 20)	27,647
Consideration satisfied by cash	45,240
Net cash outflow arising from acquisition	
Cash consideration paid	(45,240)
Less: Cash and cash equivalent acquired	1,207
	(44,033)

Since the acquisition, the Agrotanto Group did not contribute any revenue to the Group and recorded a loss of HK$3,253,000 to the consolidated loss for the year ended 31 March 2017.

Had the combination taken place at the beginning of the year, no effect would have been in revenue from continuing operations of the Group. However, the Group's profit for the year would have been decreased by approximately HK$3,253,000.

Acquisition-related costs amounting to approximately HK$784,000 have been excluded from the consideration transferred and have been recognised as an expense, within "administrative operating expenses" line item in the consolidated statement of profit or loss.

The fair value of trade and other receivables and prepayments at the date of Acquisition is approximately HK$1,438,000. The gross contractual amount for trade and other receivables and prepayments due is approximately HK$1,438,000 of which the best estimate at the date of the Acquisition of the contractual cash flows are expected to be fully collectable.

Included in borrowings were amount of HK$20,771,000 due to Empresa Agropecuaria Novagro S.A. ("Novagro"), a company owned as to 99% by Mr. Jiang Zhaobai, the chairman and executive director of the Company, of which HK$13,260,000 was carried at interest rate of 3% per annum while the remaining balances are interest-free. Immediately upon completion of the Acquisition, the balances were unsecured, interest-free and repayable on demand.

36. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— acquisition of subsidiaries	–	510,296

37. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2017 and 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**8,663**	8,535
In the second to fifth year inclusive	**10,668**	1,422
	19,331	9,957

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases for the office properties are negotiated for an average term of three years.

The Group as lessor

Property rental income earned during the year was approximately HK$25,211,000 (2016: HK$26,998,000). Some of the properties held have committed tenants for one to three years.

At 31 March 2017, the Group had contracted with tenants for the following future minimum lease payments:

	2017 HK$'000	2016 HK$'000
Within one year	**20,779**	15,084
In the second to fifth year inclusive	**17,832**	37,767
	38,611	52,851

38. RETIREMENT BENEFITS SCHEMES

(a) The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates, subject to relevant income levels. Contributions of the Group to the MPF Scheme are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

(b) The employees of subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

(c) Employees employed by the Group outside Hong Kong are covered by the appropriate local retirement benefits schemes pursuant to the local labour rules and regulations.

39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, during the year ended 31 March 2017 and 31 March 2016, the Company had entered into the following material transactions with related parties:

(a) During the year ended 31 March 2017, the rental income and rental deposit amounted to approximately HK$1,252,000 (2016: HK$2,450,000) and HK$6,392,000 (2016: HK$6,732,000) respectively were received and receivable from Heilongjiang Interchina.

(b) Compensation of key management personnel

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

	2017 **HK$'000**	2016 HK$'000
Salaries and other short-term benefits	**10,804**	10,244
Pension scheme contributions	**516**	516
	11,320	10,760

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Loans with related parties

The Company has entered into the following significant loan agreements with related parties , which in the opinion of the directors of the Company.

	2017 HK$'000	2016 HK$'000
Other Payables		
Empresa Agropecuaria Novagro S.A. (Note (i))	**20,771**	–
Loan interest income		
Heilongjiang Interchina (Note (ii))	**1,171**	–

Notes:

(i) As disclosed in notes 28 and 35, included in other payables were amount of approximately HK$20,771,000 due to Novagro were unsecured, interest fee and repayable on demand.

(ii) During the year, the Group granted loans to Heilongjiang Internchina carried at interest rate of 4.35%. The loans have been settled by Heilongjiang Interchina as at 31 March 2017.

40. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances, cash and cash equivalents, loan receivables, amount due from an associate, financial assets at fair value through profit or loss, trade and other payables, amounts due to an associate and bank and other borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**591,894**	827,027
Financial assets at fair value through profit or loss	**1,673,308**	1,528,024
Financial liabilities		
Amortised cost	**1,099,183**	598,136

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40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk, which result from both its operating and investing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly both in the PRC and Hong Kong and majority of transactions are denominated in RMB and Hong Kong dollars. It results the Group exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars.

Sensitivity analysis

The sensitivity at the end of the reporting period to a reasonably possible change of 5% in the exchange rate of Hong Kong dollars against the RMB, with all other variables held constant, of the Group's profit before tax and the Group's equity would be increased or decreased by approximately HK$3,189,000 (2016: HK$977,000).

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss which are measured at fair value at each of the reporting period. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments have been 5% higher/lower, profit before taxation for the Group would be increased/decreased by approximately HK$83,665,400 (2016: loss decreased/increased by approximately HK$76,401,200) as a result of the changes of fair value of financial assets at fair value through profit or loss.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2017 in relation to each class of recognised financial assets is the carrying amount of those assets. With respect to credit risk arising from loan receivables, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment. The Group's time deposits are deposited with banks of high credit quality in Hong Kong.

The Group made transactions with counterparties with acceptable credit quality in conformance to the Group treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for nonrated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transactions. The Group reviews its financial counterparties periodically in order to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty and ensure that adequate impairment losses are made for irrecoverable amounts.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

In an attempt to forestall adverse market movement, the Group also monitors potential exposures to each financial institution counterparty.

Other than concentration of credit risk on the loan receivables, the Group does not have any other significant concentration of credit risk.

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and considering of obtaining banking facilities to support the Group's short, medium and long-term funding and liquidity management requirements. In addition, the management of the Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on weighted average effective interest rates) and the earliest date the Group can be required to pay:

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2017						
Trade and other payables and deposits received	**–**	**71,025**	**–**	**–**	**71,025**	**71,025**
Bank and other borrowings	**2.19%-8.00%**	**1,127,405**	**–**	**–**	**1,127,405**	**1,043,893**
		1,198,430	**–**	**–**	**1,198,430**	**1,114,918**

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2016						
Trade and other payables and deposits received	–	47,094	–	–	47,094	47,094
Bank and other borrowings	2.45%-8.00%	597,684	–	–	597,684	553,412
		644,778	–	–	644,778	600,506

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Bank and other borrowings with a repayment on demand clause are included in the "less than 1 year" time band in the above maturity analysis. As at 31 March 2017, the aggregate undiscounted principal amounts of the Group's bank and other borrowings amounted to approximately HK$3,759,000 (2016: HK$16,094,000).

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the analysis contained above. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank and other lender will exercise their discretion to demand repayment immediately. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 March 2017	**2.19%-8.00%**	**1,127,405**	**–**	**–**	**1,127,405**	**1,043,893**
At 31 March 2016	2.45%-8.00%	597,684	–	–	597,684	553,412

(d) Cash flow and fair value interest rate risk

Bank and other borrowings at variable interest rate expose the Group to cash flow interest rate and those at fixed rates expose the Group to fair value interest risk. The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2017 would decrease/increase by approximately HK$5,219,000 (2016: HK$2,767,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value measurement

HKFRS 7 (Amendment) 'Financial Instruments — Disclosures' requires disclosure of fair value measurements for financial instruments by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2017 and 2016:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2017				
Financial assets at fair value through profit or loss	**1,673,308**	**2,883**	**–**	**1,676,191**
As at 31 March 2016				
Financial assets at fair value through profit or loss	1,528,024	–	–	1,528,024

Details of the Group's financial assets that are measured at fair value at 31 March 2017 and 2016 were set out in the note 26 to the consolidated financial statements.

There have been no significant transfers between level 1, 2 and 3 in the reporting period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Capital risk management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from prior year.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or sell assets to reduce debts.

The Group monitors its capital on the basis of the gearing ratio of borrowings over total equity. This ratio is calculated as borrowings less cash and cash equivalent divided by total equity. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios at the end of the reporting period are as follows:

	2017	2016
	HK$'000	HK$'000
Total borrowings (note 29)	**1,043,893**	553,412
Less: Cash and cash equivalents (note 27)	**(492,651)**	(305,451)
	551,242	247,961
Total equity	**3,643,398**	3,750,460
Gearing ratio	**15.13%**	6.61%

41. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had no major non-cash transactions during the years ended 31 March 2017 and 2016.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Interchina (Tianjin) Water Treatment Company Limited	PRC	RMB900,000,000	100	–	Investment
Action Investments Limited	Hong Kong	100	100	–	Property investment
Jet Source Investments Limited	Hong Kong	2	100	–	Property investment
Success Flow International Limited	The British Virgin Island (the "BVI")	US$1	100	–	Investment holding
Long Bao Property Limited	Hong Kong	100	–	100	Investment holding
External Fame Limited	BVI	US$1	–	100	Investment holding
北京龍堡物業管理有限公司	PRC	RMB45,000,000	–	100	Property investment
北京博雅宏遠物業管理有限公司	PRC	RMB20,000,000	–	100	Property investment
Omnigold Resources Limited	BVI	US$1	–	100	Property investment
Interchina Finance (H.K.) Limited	Hong Kong	10,000	–	100	Provision for financial services
Interchina Resources Holdings Limited	Hong Kong	100	100	–	Investment holding
Universe Glory Limited	BVI	US$50,000	–	100	Natural resources investment
P.T. Satwa Lestari Permai	Indonesia	RP5,000,000,000	–	95	Exploration, mining processing and sale of manganese resources
Everchina Hotel Investment Limited	BVI	US$10,000	100	–	Investment holding
Loyal Rich International Investment Limited	Hong Kong	10,000	–	100	Hotel investment
天富(上海)酒店管理有限公司	PRC	RMB2,000,000	–	100	Hotel management
Interchina Corporate Services Limited	Hong Kong	10,000	100	–	Corporate management
All Yield Investments Limited	BVI	US$50,000	–	100	Natural resources investment
上海欣竑投資有限公司	PRC	RMB484,800,000	–	100	Property investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests

The following table lists out the information relating to P.T. Satwa Lestari Permai, the only subsidiary of the Group which has material non-controlling interests. The summarised financial information of P.T. Satwa Lestari Permai is set out below:

	2017 HK$'000	2016 HK$'000
Non-controlling interests percentage	**5%**	5%
Current assets	**289**	357
Non-current assets	**272,322**	272,322
Current liabilities	**(15,811)**	(14,528)
Net assets	**256,800**	258,151
Equity attributable to owners of the Company	**214,047**	215,339
Non-controlling interests	**42,753**	42,812

	2017 HK$'000	2016 HK$'000
Turnover	**–**	–
Loss for the year	**(1,184)**	(599,386)
Loss for the year attributable to:		
Owners of the Company	**(1,125)**	(569,417)
Non-controlling interests	**(59)**	(29,969)
	(1,184)	(599,386)
Total comprehensive loss attributable to:		
Owners of the Company	**(1,125)**	(569,417)
Non-controlling interests	**(59)**	(29,969)
Total comprehensive loss for the year	**(1,184)**	(599,386)
Net cash generated from/(used in) operating activities	**67**	(303)
Net increase/(decrease) in cash and cash equivalents	**67**	(303)

The information above is the amount before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

43. EVENTS AFTER THE REPORTING PERIOD

On 13 June 2017, the Company entered into a sale and purchase agreement with Mr. Jiang Zhaobai, regarding the acquisition of the entire equity interest in Pengxin Agricultural Holdings Company Limited at the consideration of US$46,000,000, subject to adjustment set out in the paragraph headed "Consideration and the Adjustment" in the Company's announcement dated 13 June 2017 (the "Announcement"). As at the date of approval of these consolidated financial statements, the conditions precedents set out in the sale and purchase agreement has not been fulfilled. The management of the Group was in the midst of determining the financial effect of the transaction. Details of the transaction is set out in the Announcement.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2017.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2017 (in HK Dollars)

RESULTS

	For the year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**67,951**	86,811	51,544	40,785	370,612
Profit/(loss) from ordinary activities before taxation	**106,152**	(682,959)	(401,899)	121,932	1,188,543
Taxation	**(5,386)**	(1,591)	(54,009)	58,579	(160,766)
Profit/(loss) for the year from continuing operations	**100,766**	(684,550)	(455,908)	180,511	1,027,777
Loss for the year from discontinued operation	**(18,422)**	(1,320)	(29,678)	(1,696)	(79,492)
Profit/(loss) for the year	**82,344**	(685,870)	(485,586)	178,815	948,285
Owners of the Company	**82,403**	(685,672)	(403,159)	177,124	942,344
Non-controlling interests	**(59)**	(198)	(82,427)	1,691	5,941
Profit/(loss) for the year	**82,344**	(685,870)	(485,586)	178,815	948,285

ASSETS AND LIABILITIES

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
Total assets	**4,873,812**	4,477,067	5,900,132	6,033,557	6,539,062
Total liabilities	**(1,230,414)**	(726,607)	(919,398)	(574,673)	(1,304,857)
Non-controlling interests	**(42,753)**	(42,812)	(303,162)	(384,055)	(385,884)
Shareholders' fund	**3,600,645**	3,707,648	4,677,572	5,074,829	4,848,321

PARTICULARS OF MAJOR PROPERTIES

Location	Use	Lease term
Flat No. 17 on 27/F, Apartment Tower, Western Side of Convention Plaza, Wan Chai, Hong Kong	Residential premises for rental	Long-term lease
Retail portion on basement Level 1, Level 1 to Level 2 and 88 office units from Level 3 to Level 12 And 164 car parking spaces on basement, Level 2 and 3 situation at Interchina Commercial Building 33, Dengshikou Street, Dong Cheng District, Beijing, PRC	Commercial premises for rental	Medium-term lease
Level 1-20, 1729 Huangxing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, PRC	Hotel operation	Medium-term lease
B2 & B3, 1737 Huangxing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, PRC	Car parking space for rental	Medium-term lease
14 retail units at Levels 1–3 of Above the Bund Square, No. 948 Dongdaming Road, Hongkou District, Shanghai, PRC	Commercial premises for rental	Medium-term lease