



EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國國際控股有限公司

Stock Code : 202



**Interim
Report**

2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Lau Chi Lok, Freeman

LISTING INFORMATION

Stock Code: 202
Board Lot: 5,000 shares

REGISTERED OFFICE

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

WEBSITE

www.everchina202.com.hk

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



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

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

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 32, which comprise the condensed consolidated statement of financial position of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2017 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

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

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hon Koon Fai, Alex

Practising Certificate Number: P05029

Hong Kong, 29 November 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations			
Revenue	3	63,283	46,497
Cost of sales		(1,939)	(1,956)
Other income and gain, net	4	12,005	4,578
Staff costs		(17,490)	(17,498)
Depreciation		(7,704)	(7,784)
Administrative costs		(30,166)	(22,352)
Other operating expenses		(63,798)	(19,507)
(Loss)/gain arising on change in fair value of investment properties		(31,636)	80,223
(Loss)/gain arising on change in fair value of financial assets at fair value through profit or loss	17	(360,219)	285,673
Loss on disposal of financial assets at fair value through profit or loss		(328)	–
(Loss)/profit from operations	5	(437,992)	347,784
Finance costs	6	(36,678)	(26,617)
Gain on disposal of a subsidiary		2,032	–
(Loss)/profit before taxation		(472,638)	321,167
Taxation	7	(95,837)	(18,487)
(Loss)/profit for the period from continuing operations		(568,475)	302,680
Discontinued operations	8	–	(1,381)
Loss for the period from discontinued operation		–	(1,381)
(Loss)/profit for the period		(568,475)	301,299
Attributable to:			
Owners of the Company		(568,439)	301,334
Non-controlling interests		(36)	(35)
		(568,475)	301,299
(Loss)/earnings per share attributable to the owners of the Company			
	9		
From continuing and discontinued operations			
— Basic and diluted		HK(9.35) cents	HK4.96 cents
From continuing operations			
— Basic and diluted		HK(9.35) cents	HK4.98 cents
From discontinued operations			
— Basic and diluted		–	HK(0.02) cents

The accompanying notes form an integral part of these condensed consolidated financial statements. Details of dividend distribution are set out in note 10 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(568,475)	301,299
Other comprehensive income/(loss)		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation during the period	144,038	(47,803)
Release of exchange reserve upon deregistration of subsidiaries	–	(31,319)
Release of exchange reserve upon disposal of a subsidiary	9,176	–
Total comprehensive (loss)/income for the period	(415,261)	222,177
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(415,225)	222,212
Non-controlling interests	(36)	(35)
	(415,261)	222,177

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Non-current assets			
Investment properties	11	1,295,922	1,261,679
Property, plant and equipment	12	554,054	536,053
Mining rights	13	271,880	271,880
Goodwill		91,454	91,454
		2,213,310	2,161,066
Current assets			
Inventories		8	5
Biological assets	14	2,789	2,883
Trade and other receivables and prepayments	15	658,053	446,231
Loan receivables	16	93,266	97,328
Financial assets at fair value through profit or loss	17	1,390,898	1,673,308
Tax recoverable		252	252
Cash and cash equivalents		281,809	492,651
		2,427,075	2,712,658
Assets classified as held for sale		–	88
		2,427,075	2,712,746
Total assets			
		4,640,385	4,873,812
Capital and reserves			
Share capital	18	2,490,454	2,490,454
Reserves		694,966	1,110,191
Equity attributable to owners of the Company		3,185,420	3,600,645
Non-controlling interests		42,717	42,753
Total equity			
		3,228,137	3,643,398
Non-current liability			
Deferred tax liabilities	19	101,104	105,801
Current liabilities			
Trade and other payables and deposits received	20	136,478	71,025
Tax payable		107,033	7,694
Bank borrowings	21	3,540	3,759
Other borrowings	21	1,064,093	1,040,134
		1,311,144	1,122,612
Liabilities classified as held for sale		–	2,001
Total current liabilities			
		1,311,144	1,124,613
Total liabilities			
		1,412,248	1,230,414
Total equity and liabilities			
		4,640,385	4,873,812
Net current assets			
		1,115,931	1,588,133
Total assets less current liabilities			
		3,329,241	3,749,199

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

For the six months ended 30 September 2017

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

For the six months ended 30 September 2016

	Equity attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory surplus reserve HK\$'000	Accumulated loss HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2016 (Audited)	2,490,454	571,996	1,342,477	122,828	871	(820,978)	3,707,648	42,812	3,750,460
Exchange differences arising on translation during the period	-	-	-	(47,803)	-	-	(47,803)	-	(47,803)
Release of exchange reserve upon deregistration of subsidiaries	-	-	-	(31,319)	-	-	(31,319)	-	(31,319)
Profit/(loss) for the period	-	-	-	-	-	301,334	301,334	(35)	301,299
Total comprehensive income/(loss) for the period	-	-	-	(79,122)	-	301,334	222,212	(35)	222,177
At 30 September 2016 (Unaudited)	2,490,454	571,996	1,342,477	43,706	871	(519,644)	3,929,860	42,777	3,972,637

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

Notes:

Special reserve

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

Contributed surplus

Pursuant to a special resolution by the shareholders of the Company at a special general meeting held on 18 September 2009 and upon all conditions precedents to the capital reorganisation have been fulfilled on 9 April 2010, (i) the nominal value of each share was reduced from HK\$0.10 to HK\$0.01 by cancelling the Company’s paid up capital to the extent of HK\$0.09 on each share, (ii) part of the credit arising from capital reduction was utilised to set off accumulated losses of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the 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 dollars) are recognised directly in the consolidated statement of profit or loss and other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operations.

Statutory surplus reserve

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash generated from operating activities	4,224	306,792
Investing activities		
Deposit paid for proposed acquisition of subsidiaries	(195,000)	–
Purchase of investment properties	–	(802,334)
Purchase of property, plant and equipment	–	(22)
Proceeds of disposal of property, plant and equipment	–	117
Net cash used in investing activities	(195,000)	(802,239)
Financing activities		
Interest paid	(32,157)	(22,245)
New bank and other borrowings raised	443,787	554,833
Repayment of bank and other borrowings	(475,070)	(12,214)
Net cash (used in)/generated from financing activities	(63,440)	520,374
Net (decrease)/increase in cash and cash equivalents	(254,216)	24,927
Cash and cash equivalents at beginning of the period	492,651	305,451
Effect of foreign exchange rate changes	43,374	(4,870)
Cash and cash equivalents at end of the reporting period	281,809	325,508
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	281,809	325,508

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 Suites 601–603, 6th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

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

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial information relating to the year ended 31 March 2017 that is included in the Interim Financial Statement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on the financial statements for the year ended 31 March 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the impact of the adoption of the new and revised HKAS, Hong Kong Financial Reporting Standards and interpretations described below.

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the “new and amendments to HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning from 1 April 2017. A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle

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

HKAS 40 (Amendments)	Transfers of Investment Property ¹
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9	Financial Instruments ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after a date to be determined.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

3. SEGMENT INFORMATION

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

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

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

	Segment revenue		Segment result	
	For the six months ended 30 September		For the six months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property investment operation	39,828	15,313	6,273	91,768
Hotel operation	20,609	18,922	(1,672)	606
Financing and securities investment operation	2,375	12,262	(357,973)	297,839
Natural resources operation	—	—	(965)	(806)
Agricultural operation	471	—	(2,507)	—
Total for continuing operations	63,283	46,497	(356,844)	389,407
Interest income and other revenue			12,171	4,478
Unallocated expenses			(93,319)	(46,101)
(Loss)/profit from operations			(437,992)	347,784
Finance costs			(36,678)	(26,617)
Gain on disposal of a subsidiary			2,032	—
(Loss)/profit before taxation			(472,638)	321,167
Taxation			(95,837)	(18,487)
(Loss)/profit for the period			(568,475)	302,680

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. OTHER INCOME AND GAIN, NET

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	3,804	3,198
Net foreign exchange gain	3,167	–
Sundry income	2,407	1,280
Other loan interest income	2,627	–
	12,005	4,478

5. (LOSS)/PROFIT FROM OPERATIONS

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

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	7,704	7,784
Net foreign exchange loss	–	5
Gain on disposal of a subsidiary	(2,032)	–
Loss on disposal of financial assets at fair value through profit or loss	328	–
Operating lease rentals in respect of premises	4,118	4,026
Gross rental income from investment properties	(39,828)	(15,313)
Less: direct operating expenses from investment properties that generated rental income during the period	4,303	55

6. FINANCE COSTS

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
— Bank borrowings	45	229
— Other borrowings	36,633	26,388
	36,678	26,617

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

7. TAXATION

	For the six months ended	
	30 September	2016
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	–	–
The PRC Enterprise Income Tax	105,816	95
	105,816	95
Deferred tax	(9,979)	18,392
	95,837	18,487

Hong Kong Profits Tax

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

The PRC Enterprise Income Tax

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

During the six months ended 30 September 2017, Interchina (Tianjin) Water Treatment Company Limited ("Interchina Tianjin"), a wholly-owned subsidiary of the Company, was placed under tax examination by the Tianjin Tax Bureau for the PRC Enterprise Income Tax paid for the period from 1 January 2013 to 31 December 2015. The Group has recognised a provision of the PRC Enterprise Income Tax of approximately RMB88,530,000 (equivalent to approximately HK\$104,769,000) in taxation and a provision of overdue fine of approximately RMB53,910,000 (equivalent to approximately HK\$63,798,000) in other operating expenses according to the relevant tax law and regulations in the PRC for the period.

The Indonesia Corporate Tax

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

The Bolivia Corporate Tax

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

8. DISCONTINUED OPERATIONS

The Group ceased the operation of securities dealing and brokerage services since July 2012, and the licence of the relevant subsidiary under the operation of securities dealing and brokerage services has been revoked on 16 December 2016. Operation of environmental water treatment was also discontinued in May 2015. The results and cash flows of the discontinued operations for the current and prior periods were as follows:

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Staff costs	–	(193)
Administrative costs	–	(1,188)
Loss before taxation	–	(1,381)
Taxation	–	–
Loss for the period	–	(1,381)

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash generated from operating activities	–	10
Net cash inflow	–	10

9. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(568,439)	301,334

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

9. (LOSS)/EARNINGS PER SHARE *(Continued)* From continuing and discontinued operations *(Continued)*

	For the six months ended 30 September	
	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	6,078,669	6,078,669

The diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as the Company has no dilutive potential shares outstanding for the six months ended 30 September 2017 and 2016.

From continuing operations

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(568,439)	301,334
Loss for the period from discontinued operations	–	1,381
	(568,439)	302,715

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

From discontinued operations

For the period ended 30 September 2016, basic and diluted loss per share for the discontinued operations is HK0.02 cents, based on the loss for the period from the discontinued operations of approximately HK\$1,381,000.

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

10. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 September 2017 and 30 September 2016, nor any dividend been proposed by the board of directors subsequent to the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

11. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 September 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.

At 30 September 2017, investment properties with the carrying amount of approximately HK\$621,366,000 (31 March 2017: HK\$587,522,000) have been pledged to secure loan facilities granted to the Group.

Fair value measurements

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 September 2017 (Unaudited)				
Hong Kong	–	26,100	–	26,100
Outside Hong Kong	–	–	1,269,822	1,269,822
	–	26,100	1,269,822	1,295,922
At 31 March 2017 (Audited)				
Hong Kong	–	24,600	–	24,600
Outside Hong Kong	–	–	1,237,079	1,237,079
	–	24,600	1,237,079	1,261,679

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

12. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
Carrying amounts:	
At 1 April 2016	536,429
Additions	1,775
Acquisition of subsidiaries	42,122
Disposal	(116)
Written off	(203)
Disposal of subsidiaries	(2,842)
Exchange alignment	(26,389)
Depreciation expenses	(14,723)
At 31 March 2017 and 1 April 2017 (Audited)	536,053
Written off	(273)
Exchange alignment	25,978
Depreciation expenses	(7,704)
At 30 September 2017 (Unaudited)	554,054

At 30 September 2017, the carrying amounts of property, plant and equipment comprise the followings:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Carrying amounts:		
Freehold land	39,707	39,980
Property under development	127	127
Hotel properties	508,505	489,232
Furniture and fixtures	2,700	2,987
Equipment, motor vehicles and others	3,015	3,727
	554,054	536,053

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

At 30 September 2017, hotel properties with carrying amount of approximately HK\$508,505,000 (31 March 2017: HK\$489,232,000) have been pledged to secure other borrowings granted to the Group.

During the period ended 30 September 2017 and the year ended 31 March 2017, hotel properties of the Group included in the building above are held under long term leases in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

13. MINING RIGHTS

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
At beginning and end of the period/year	271,880	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 six months ended 30 September 2017 and 30 September 2016, the management considered that the commercial production of the mine has not yet commenced, no amortisation was provided during both periods.

14. BIOLOGICAL ASSETS

The fair value less costs to sell of biological assets at the end of the reporting period is set out below:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Cows and bulls	1,734	1,919
Heifers and calves	1,055	964
	2,789	2,883

The quantity of biological assets is shown below:

	At 30 September 2017 (Unaudited)	At 31 March 2017 (Audited)
Cows and bulls	418	404
Heifers and calves	404	319
	822	723

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

14. BIOLOGICAL ASSETS (Continued)

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'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.

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).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 September 2017 (Unaudited)				
Cows and bulls	–	1,734	–	1,734
Heifers and calves	–	1,055	–	1,055
Total biological assets	–	2,789	–	2,789

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 March 2017 (Audited)				
Cows and bulls	–	1,919	–	1,919
Heifers and calves	–	964	–	964
Total biological assets	–	2,883	–	2,883

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade receivables:		
0 to 30 days	898	673
31 to 60 days	546	6
61 to 90 days	29	1
91 to 180 days	22	21
Over 180 days	58	47
	1,553	748
Prepayments, deposits and other receivables	656,505	445,485
	658,058	446,233
Less: Impairment of trade and other receivables and prepayment	(5)	(2)
	658,053	446,231

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
At beginning of the period/year	2	82,062
Written off	–	(35,574)
Reversal of impairment loss recognised	–	(46,486)
Impairment loss recognised	3	–
At end of the period/year	5	2

The average credit period granted to customers is 60 days (31 March 2017: 60 days).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

The Group's prepayments, deposits and other receivables as at 30 September 2017 and 31 March 2017, inter alia, the followings:

- (i) deposits of HK\$195,000,000 (31 March 2017: Nil) was paid for acquisition of the entire equity interest in Pengxin Agricultural Holdings Company Limited and its subsidiaries. Details of which were set out in the Company's announcement dated 13 June 2017;
- (ii) other receivables of approximately HK\$120,710,000 (31 March 2017: HK\$114,607,000) paid for acquisition of several potential water plant projects in the PRC; and
- (iii) prepayments and other receivables of approximately HK\$230,821,000 (31 March 2017: HK\$219,150,000) paid to various contractors for construction of water treatment projects in the PRC.

16. LOAN RECEIVABLES

The loan was unsecured, carrying at the prevailing interest rate ranging from 5% to 5.25% (31 March 2017: 5.25%) per annum with fixed repayment terms.

During the six months ended 30 September 2017, no impairment loss (six months ended 30 September 2016: Nil) was recognised in the condensed consolidated statement of profit or loss.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Held for trading:		
Listed equity securities- Hong Kong, at fair value	180,358	197,054
Listed equity securities- the PRC, at fair value	1,210,540	1,476,254
	1,390,898	1,673,308

Included in the loss arising on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 September 2017 of approximately HK\$344,331,000 was derived from investment in Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (six months ended 30 September 2016: gain of approximately HK\$301,321,000).

At 30 September 2017, financial assets at fair value through profit or loss with the carrying amount of approximately HK\$1,138,938,000 (31 March 2017: HK\$1,495,930,000) have been pledged to secure loan facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

17. 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 30 September 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 30 September 2017 HK\$'000 (Note (1))	Percentage to the Group's net assets as at 30 September 2017	Unrealised loss on change in fair value for the six months ended 30 September 2017 HK\$'000 (Note (1))
600187	Heilongjiang Interchina (Note (2))	227,312,500	13.74%	283,016	1,210,540	36.77%	(344,331)
439	KuangChi Science Limited (Note (3))	57,807,000	0.79%	311,149	180,358	5.48%	(15,888)
				594,165	1,390,898	42.25%	(360,219)

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	Unrealised gain 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	0.79%	312,156	197,054	5.41%	8,693
				595,172	1,673,308	45.93%	223,176

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

Notes:

- (1) The investment costs, market value as at 30 September 2017 and 31 March 2017, and unrealised (loss)/gain 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 six months ended 30 September 2017. No dividend was received during the six months ended 30 September 2017 and year ended 31 March 2017. According to the latest published unaudited financial statements of Heilongjiang Interchina, it had net asset value of approximately RMB3,492,686,000 as at 30 June 2017 (31 December 2016: RMB2,562,173,000). Heilongjiang Interchina recorded revenue of approximately RMB205,927,000 and net profit of approximately RMB3,885,000 for the six months ended 30 June 2017. Heilongjiang Interchina recorded revenue of approximately RMB357,820,000 and net profit of approximately RMB14,696,000 for the year ended 31 December 2016.
- (3) KuangChi Science Limited ("KuangChi") is principally engaged in provision of in-depth space services, manufacturing and trading of paper packaging products and property investment and its issued shares is listed on The Stock Exchange of Hong Kong Limited. During the six months ended 30 September 2017, total 150,000 shares in KuangChi have been disposed and recognised a loss of approximately HK\$328,000 for the period. No dividend was received during the six months ended 30 September 2017 and year ended 31 March 2017. According to the latest published unaudited financial statements of KuangChi, it had net asset value of approximately HK\$2,901,243,000 as at 30 June 2017 (31 December 2016: HK\$2,729,711,000). KuangChi recorded revenue of approximately HK\$190,735,000 and net profit of approximately HK\$349,623,000 for the six months ended 30 June 2017. 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.

Future prospects of the investments:

(i) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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

Future prospects of the investments: (Continued)

(ii) 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.

18. SHARE CAPITAL

	Number of shares		Nominal value	
	At 30 September 2017 '000 (Unaudited)	At 31 March 2017 '000 (Audited)	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Issued and fully paid ordinary shares:				
At beginning and end of the reporting period/year	6,078,669	6,078,669	2,490,454	2,490,454

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

19. DEFERRED TAX LIABILITIES

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

	Revaluation of properties HK\$'000	Fair value adjustments arising on acquisition of subsidiaries HK\$'000	Total HK\$'000
At 1 April 2016	68,709	48,395	117,104
Acquisition of subsidiaries	–	6,612	6,612
Exchange alignment	(3,473)	(2,447)	(5,920)
Credit to the consolidated statement of profit or loss	(8,777)	(3,218)	(11,995)
At 31 March 2017 and 1 April 2017 (Audited)	56,459	49,342	105,801
Exchange alignment	3,006	2,276	5,282
Credit to the condensed consolidated statement of profit or loss	(8,284)	(1,695)	(9,979)
At 30 September 2017 (Unaudited)	51,181	49,923	101,104

20. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade payables:		
0 to 30 days	2,474	335
31 to 60 days	–	253
61 to 90 days	–	1,664
	2,474	2,252
Other payables and deposits received	134,004	68,773
	136,478	71,025

Included in other payables as at 30 September 2017 were (i) amounts of interest expenses payable of approximately HK\$1,642,000 (31 March 2017: HK\$1,743,000); (ii) amount due to a related company of approximately HK\$17,706,000 (31 March 2017: HK\$20,771,000) and; (iii) an overdue fine of approximately HK\$63,798,000 payable to the Tianjin Tax Bureau (31 March 2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

21. BANK AND OTHER BORROWINGS

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Bank borrowings, secured (Note (i))	3,540	3,759
Other borrowings, secured (Note (ii))	1,064,093	1,040,134
Total borrowings	1,067,633	1,043,893
Carrying amounts repayable:		
Within one year:		
— Other borrowings	1,064,093	1,040,134
Carrying amount that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	3,540	3,759
Total borrowings	1,067,633	1,043,893

Notes:

- (i) The bank borrowings with carrying amount of approximately HK\$3,540,000 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% (31 March 2017: 2.45%) per annum.

The other borrowings bear interest at rates of 6.4% to 8% per annum for the six months ended 30 September 2017 (31 March 2017: 6.4% to 8% per annum).

- (ii) Assets with the following carrying amount have been pledged to secured facilities granted to the Group, set out as follow:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Investment properties	621,366	587,522
Property, plant and equipment	508,505	489,232
Financial assets at fair value through profit or loss	1,138,938	1,495,930

Included in the secured other borrowings of approximately HK\$443,787,000 are secured by certain shares of Heilongjiang Interchina, which its shares are listed on the Shanghai Stock Exchange.

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Hong Kong dollars	98,402	95,578
Renminbi	969,231	948,315
	1,067,633	1,043,893

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

22. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) Disposal of a subsidiary

On 16 December 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\$98,103,000 in Shanghai Interchina Club, Co Ltd ("Shanghai IC Club"), a wholly-owned subsidiary of the Group, at a total consideration of RMB1. The disposal was completed on 31 May 2017, on which date control of Shanghai IC Club was passed to the acquirer.

Analysis of liabilities over which control was lost:

	HK\$'000
Other payables	(11,208)
Amount due to ultimate holding company	(98,103)
Net liabilities of Shanghai IC Club	(109,311)
Sales of shareholder's loan	98,103
Release of Exchange reserve	9,176
Gain on disposal of Shanghai IC Club	2,032
Consideration	–
Net cash outflow arising from disposal	
Cash consideration received	–

(b) Deregistration of a subsidiary

During the period ended 30 September 2017, the Group deregistered a directly wholly-owned subsidiary, Guoze Water Treatment Company Limited ("Guoze"), which was an inactive company.

The Group recognised a gain of approximately HK\$7,000 on deregistration of Guoze.

23. OPERATING LEASE COMMITMENTS

The Group as lessee

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Minimum lease payments paid under operating leases during the period:		
Premises	4,118	3,873

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

23. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessee *(Continued)*

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Within one year	2,696	8,663
In the second to the fifth year inclusive	7,318	10,668
	10,014	19,331

The Group as lessor

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Within one year	26,364	20,779
In the second to the fifth year inclusive	64,201	17,832
Over five year	58,871	–
	149,436	38,611

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 September 2017 (Unaudited)				
Recurring fair value measurement				
Financial assets at fair value through profit or loss classified as held for trading	1,390,898	–	–	1,390,898
At 31 March 2017 (Audited)				
Recurring fair value measurement				
Financial assets at fair value through profit or loss classified as held for trading	1,673,308	–	–	1,673,308

During the six months ended 30 September 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 March 2017: Nil).

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2017 and 31 March 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

25. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Compensation of key management personnel

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

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	7,278	5,425
Pension scheme contribution	276	258
	7,554	5,683

(b) Loan with a related company

The Company has entered into the following significant loan agreement with a related company:

	At	At
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Other payables		
Empresa Agropecuaria Novagro S.A. ("Novagro") (Note)	17,706	20,771

Note:

As disclosed in note 20, included in other payables were amount of approximately HK\$17,706,000 due to Novagro were unsecured, interest free and repayable on demand. Mr. Jiang Zhaobai ("Mr. Jiang"), an executive Director, the Chairman and a substantial shareholder of the Company, has beneficial interest in Novagro.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

25. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Rental income from a related company

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

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income		
Wo Hua Commercial Management (Shanghai) Co., Ltd ("Wo Hua")		
(Note)	24,007	—

Note:

Mr. Jiang has beneficial interest in Wo Hua.

26. APPROVAL AND AUTHORISATION FOR ISSUE OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 29 November 2017.

RESULTS OF OPERATIONS

During the period, the Group recorded a revenue of approximately HK\$63,283,000, an increase by 36.1% when compared with the same period of last year. The Group's loss for the period amounted to approximately HK\$568,475,000, compared with the profit of approximately HK\$301,299,000 from the same period of last year. The turnaround to a loss was mainly due to the net results of (i) a loss of approximately HK\$360,219,000 arising on change in the fair value of financial assets (six months ended 30 September 2016: gain of HK\$285,673,000); (ii) a loss of approximately HK\$31,636,000 arising on change in fair value of the Group's investment properties (six months ended 30 September 2016: gain of HK\$80,233,000); (iii) a provision of overdue fine of approximately HK\$63,798,000 charged by the Tianjin Tax Bureau was recognised for the period; and (iv) a provision of the PRC Enterprise Income Tax in the sum of approximately HK\$104,769,000 for prior years.

Loss for the period attributable to shareholders of the Company amounted to approximately HK\$568,439,000, as compared to profit attributable to shareholders of the Company of approximately HK\$301,334,000 from the same period of last year. The basic and diluted loss per share (including continuing and discontinued operations) amounted to HK\$9.35 cents, compared with the basic and diluted earning per share of HK4.96 cents from the same period of last year.

BUSINESS REVIEW

Property Investment Operation

At 30 September 2017, the Group's investment properties was valued at an aggregate value of approximately HK\$1,295,922,000 (31 March 2017: HK\$1,261,679,000) by an independent professional valuer. Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK\$31,636,000 was recorded for the period (six months ended 30 September 2016: gain of HK\$80,233,000). The loss was mainly attributable by the devaluation of the 14 retail units located at Levels 1-3 of Above the Bund Square, No. 948 Dongdaming Road, Hongkou District, Shanghai, the PRC (the "Shanghai Property") which acquired by the Group in September 2016 as resulted from the actual rental income was lower than expected.

During the period, the Group recorded rental income of approximately HK\$39,828,000 from property investment operation, an increase by 160.1% when compared with the same period of last year. The increase was primarily due to the Shanghai property contributed rental income of approximately HK\$24,300,000 for the period (six months ended 30 September 2016: Nil). The segment profit amounted to approximately HK\$6,273,000, a decrease by 93.2% when compared with the same period of last year. The decrease in profit was mainly attributable to the decrease in the gain arising on change in fair value of the Group's investment properties for the period. At 30 September 2017, the average occupancy rate of the Group's investment properties reached over 90%.

Hotel Operation

At 30 September 2017, the sole hotel property held by the Group, is the Express by Holiday Inn Wujiaochang Shanghai located in Yangpu District, Shanghai, the PRC, which is a 20-storey hotel with total gross floor area of approximately 15,900 sq. m., and 296 guest rooms. The average occupancy rate was around 78% for the period.

During the period, the Group recorded revenue of approximately HK\$20,609,000 from hotel operation, an increase by 8.9% when compared with the same period of last year. The segment loss amounted to approximately HK\$1,672,000 as compared to the profit of approximately HK\$606,000 from the same period of last year. The turnaround to loss was mainly attributable to increase in renovation costs for the facility upgrade during the period.

MANAGEMENT STATEMENT

Financing and Securities Investment Operation

As at 30 September 2017, total loan receivable under financing operation amounted to approximately HK\$93,266,000 (31 March 2017: HK\$97,328,000) and total securities investment/financial assets at fair value through profit and loss stood at approximately HK\$1,390,898,000 (31 March 2017: HK\$1,673,308,000). The decrease in total securities investment/financial assets at fair value through profit and loss was mainly attributable to the decrease in the share price of Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) (stock code: 600187) listed on Shanghai Stock Exchange during the period, which contributed an unrealised fair value loss of approximately HK\$344,331,000 to the Group. At 30 September 2017, the Group held listed securities, being 227,312,500 shares or approximately 13.74% interest in Heilongjiang Interchina and 57,807,000 shares or approximately 0.79% interest in KuangChi Science Limited (stock code: 439).

During the period, segment revenue represents interest income from financing operation, significantly decreased by 80.6% when compared to the same period of last year. The segment loss amounted to approximately HK\$357,973,000 for the period, as compared to a profit of approximately HK\$297,839,000 from the same period of last year. The turnaround to loss was mainly due to the loss of approximately HK\$360,219,000 arising on change in fair value of the financial assets at fair value through profit or loss recognised for the period, compared with the profit of approximately HK\$297,839,000 from the same period of last year.

Natural Resources Operation

The Group operates the natural resources operation through a non-wholly owned subsidiary of the Company, PT 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 estimate resource has no significant change during the period.

No production has not been commenced since the Group acquired the Mining Rights in 2011. Besides, since the implementation of the restriction on export of extracted mineral products including from manganese mines in Indonesia in January 2014, the Group’s nature resources operation was inevitably affected so that this segment did not contribute any revenue to the Group for the period (six months ended 30 September 2016: Nil). The segment loss amounted to approximately HK\$965,000, an increase by 19.7% when compared with the same period of last year. The loss was mainly represented the administrative expenses for the period.

Agricultural Operation

The Group engaged in cattle raising business through a wholly owned subsidiary of the Company, Sociedad Agropecuaria Argotanto S.A. (“Argotanto”) in Bolivia. Argotanto owns approximately 5,100 hectares of farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia and is at the initial stage to start up cattle raising business. Argotanto contributed revenue of approximately HK\$471,000 to the Group for the period (six months ended 30 September 2016: Nil). The segment loss amounted to approximately HK\$2,507,000.

It is estimated that by improving facility, training worker and introducing advanced technology, the cattle farm could raise 6,000 cattle. It is expected that it would provide another stream of income to maximise returns to shareholders of the Company in near future.

OUTLOOK

Going forward, the Group will grasp the development trend of the existing business, continue to resolve problems and difficulties in our business development, confronting challenges, deploying and implementing good business strategies in order to enhance our internal driving force and long-term competitiveness for our sustainable development, thereby providing foundation for our future development. Our strategic aim remains to achieving a long-term sustainable growth by strengthening its existing business and identify any suitable investment opportunities to strive for the best return to the shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 September 2017, the Group's total assets were approximately HK\$4,640,385,000 (31 March 2017: HK\$4,873,812,000) and the total liabilities were approximately HK\$1,412,248,000 (31 March 2017: HK\$1,230,414,000). At 30 September 2017, the equity reached approximately HK\$3,228,137,000 (31 March 2017: HK\$3,643,398,000) and the current ratio of the Group was 1.85 (31 March 2017: 2.4).

At 30 September 2017, the Group's cash on hand and deposits in bank was approximately HK\$281,809,000 (31 March 2017: HK\$492,651,000). 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 30 September 2017, the Group's total borrowings comprising bank borrowings of approximately HK\$3,540,000 (31 March 2017: HK\$3,759,000) and other borrowings of approximately HK\$1,064,093,000 (31 March 2017: HK\$1,040,134,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with approximately HK\$1,064,539,000 repayable within one year and approximately HK\$1,898,000 repayable after one year but within five years, and approximately HK\$1,196,000 repayable after five years. Around 92.7% 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 of 30 September 2017 was 23% (31 March 2017: 21.4%).

As at 30 September 2017, the average cost of financing was around 7% (31 March 2017: 8.3%) per annum. 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 period. As at 1 April 2017 and 30 September 2017, the number of issued shares of the Company was 6,078,669,363.

Pledged of Assets

At 30 September 2017, the Group's investment properties with carrying amounts of approximately HK\$621,366,000 (31 March 2017: HK\$587,522,000) and hotel property with carrying amounts of approximately HK\$508,505,000 (31 March 2017: HK\$489,232,000) were pledged as security for its liabilities. In addition, 180,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited held by the Group were also pledged to lender to secure loan facilities granted to the Group.

MANAGEMENT STATEMENT

Foreign Exchange Exposure

The majority of the Group's income and expenses are settled in Renminbi and Hong Kong dollars. During the period, the Group did not encounter any significant difficulties or come under any impact on its operations or liquidity due to fluctuations in currency exchange rates. The Group does not currently engage in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, the management will continue to monitor the relevant circumstances and will take such a measure if it is deemed prudent.

Contingent Liability

As at 30 September 2017, the Group had no material contingent liabilities (31 March 2017: Nil).

Capital Commitment

As at 30 September 2017, the Group had no material capital commitment (31 March 2017: Nil).

Material Acquisition and Disposal

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. Up to the date of this report, the acquisition has not been completed. Details of the transaction was set out in the Announcement.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associates during the period.

Financial Risks Management

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

The Group set out in its 2017 annual report and financial statements the principal risks that could impact its performance; these have remained unchanged since the annual report was published. The main risks arising from the Group's financial instruments are equity securities price risk, credit risk, liquidity risk and interest rate risk. The Group reviews and monitors each of these risks closely at all times.

HUMAN RESOURCES

As at 30 September 2017, the Group employed approximately 120 employees (31 March 2017: 120). The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

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

As at 30 September 2017, the relevant interests or short positions of the Directors and chief executive of the Company in the ordinary shares and underlying shares of the Company or its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares

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

Note: As at 30 September 2017, of the 1,742,300,000 shares, 1,033,300,000 shares are held by Rich Monitor Limited and 709,000,000 shares are held by Pengxin Holdings Company Limited, all of which are wholly and beneficially owned by Mr. Jiang Zhaobai ("Mr. Jiang"). Therefore, Mr. Jiang is deemed to be interested in 1,742,300,000 shares of the Company under the SFO.

Save as disclosed above, none of the Directors or chief executive had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2017.

DISCLOSEABLE INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares

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

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

Save as disclosed above, as at 30 September 2017, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders of the Company and became effective on 12 August 2011. Detailed terms of the Scheme were disclosed in the 2017 annual report.

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

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information since the date of the 2017 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Ko Ming Tung, Edward, Independent Non-executive Director of the Company, retired as an independent non-executive director of Chinese Energy Holdings Limited on 14 August 2017.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance CODE (THE “CG CODE”)

The Board puts emphasis on maintaining a quality Board with the balance of skill set of directors, high transparency and effective accountability system in order to enhance shareholders’ value. Throughout the period under review, the Company had complied with the applicable provisions of the Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) except for the deviations as stated below:

- (i) Pursuant to the Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently all directors (including independent non-executive directors) are not appointed for a fixed term. However, according to Article 101 of the Articles of Association of the Company, one-third of the directors (including executive and non-executive Directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The retiring director shall be eligible for re-election. The Board believes that the current arrangement will give the Company sufficient flexibility to organise the composition of the Board to serve the needs of the Group.
- (ii) Pursuant to the Code Provision E.2.1 of the CG Code, the chairman of the Board should attend the annual general meeting (“AGM”) to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2017 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company, attended the AGM on 1 September 2017 and was delegated to make himself available to answer questions if raised at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive directors of the Company, namely Mr. Ho Yiu Yue, Louis (the chairman of the Audit Committee), Mr. Ko Ming Tung, Edward and Professor Shan Zhemin. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure, risk management and internal controls of the Company. The unaudited interim results for the six months ended 30 September 2017 have been reviewed and approved by the Audit Committee.

OTHER INFORMATION

BOARD OF DIRECTORS

As at the date of this report, the Board consists of Mr. Jiang Zhaobai (the chairman of the Board), Mr. Lam Cheung Shing, Richard, Mr. Chen Yi, Ethan and Mr. Shen Angang (all being executive Directors), Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin (all being independent non-executive Directors).

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

Hong Kong, 29 November 2017