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EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations amounted to HK\$63,283,000, representing an increase of 36.1 % as compared to the same period in 2016.
- Loss for the period amounted to HK\$568,475,000, as compared to the profit of HK\$301,299,000 for the same period in 2016.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).
- At 30 September 2017, total equity amounted to HK\$3,228,137,000, representing a decrease of 11.4% as compared to HK\$3,643,398,000 as at 31 March 2017.
- At 30 September 2017, net assets per share was HK\$0.53, representing a decrease of 11.7% as compared to HK\$0.60 as at 31 March 2017.

The board (the “**Board**”) of directors (the “**Directors**”) of EverChina Int’l Holdings Company Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2017, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		For the six months ended	
		30 September	
		2017	2016
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	2	63,283	46,497
Cost of sales		(1,939)	(1,956)
Other income and gain, net	3	12,005	4,478
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)	80,233
(Loss)/gain arising on change in fair value of financial assets at fair value through profit or loss		(360,219)	285,673
Loss on disposal of financial assets at fair value through profit or loss		(328)	–
		<hr/>	<hr/>
(Loss)/profit from operations	4	(437,992)	347,784
Finance costs	5	(36,678)	(26,617)
Gain on disposal of a subsidiary		2,032	–
		<hr/>	<hr/>
(Loss)/profit before taxation		(472,638)	321,167
Taxation	6	(95,837)	(18,487)
		<hr/>	<hr/>
(Loss)/profit for the period from continuing operations		(568,475)	302,680
Discontinued operations			
Loss for the period from discontinued operations		–	(1,381)
		<hr/>	<hr/>
(Loss)/profit for the period		(568,475)	301,299
Attributable to:			
Owners of the Company		(568,439)	301,334
Non-controlling interests		(36)	(35)
		<hr/>	<hr/>
		(568,475)	301,299
		<hr/> <hr/>	<hr/> <hr/>

		For the six months ended	
		30 September	
		2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(Loss)/earnings per share attributable to the owners of the Company	7		
From continuing and discontinued operations			
— Basic and diluted		<u>HK(9.35)cents</u>	<u>HK4.96 cents</u>
From continuing operations			
— Basic and diluted		<u>HK(9.35)cents</u>	<u>HK4.98 cents</u>
From discontinued operations			
— Basic and diluted		<u>—</u>	<u>HK(0.02)cents</u>

**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		
<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	–
	<u>(415,261)</u>	<u>222,177</u>
Total comprehensive (loss)/income for the period		
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(415,225)	222,212
Non-controlling interests	(36)	(35)
	<u>(415,261)</u>	<u>222,177</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017

		At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Non-current assets			
Investment properties	9	1,295,922	1,261,679
Property, plant and equipment		554,054	536,053
Mining rights		271,880	271,880
Goodwill		91,454	91,454
		<u>2,213,310</u>	<u>2,161,066</u>
Current assets			
Inventories		8	5
Biological assets		2,789	2,883
Trade and other receivables and prepayments	10	658,053	446,231
Loan receivables	11	93,266	97,328
Financial assets at fair value through profit or loss	12	1,390,898	1,673,308
Tax recoverable		252	252
Cash and cash equivalents		281,809	492,651
		<u>2,427,075</u>	<u>2,712,658</u>
Assets classified as held for sale		–	88
		<u>2,427,075</u>	<u>2,712,746</u>
Total assets		<u><u>4,640,385</u></u>	<u><u>4,873,812</u></u>
Capital and reserves			
Share capital		2,490,454	2,490,454
Reserves		694,966	1,110,191
		<u>3,185,420</u>	<u>3,600,645</u>
Equity attributable to owners of the Company		3,185,420	3,600,645
Non-controlling interests		42,717	42,753
		<u>3,228,137</u>	<u>3,643,398</u>
Total equity		<u><u>3,228,137</u></u>	<u><u>3,643,398</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

		At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Non-current liability			
Deferred tax liabilities		<u>101,104</u>	<u>105,801</u>
Current liabilities			
Trade and other payables and deposits received	<i>13</i>	136,478	71,025
Tax payable		107,033	7,694
Bank borrowings	<i>14</i>	3,540	3,759
Other borrowings	<i>14</i>	1,064,093	1,040,134
		<u>1,311,144</u>	1,122,612
Liabilities classified as held for sale		<u>–</u>	<u>2,001</u>
		<u>1,311,144</u>	1,124,613
Total liabilities		<u>1,412,248</u>	<u>1,230,414</u>
Total equity and liabilities		<u>4,640,385</u>	<u>4,873,812</u>
Net current assets		<u>1,115,931</u>	<u>1,588,133</u>
Total assets less current liabilities		<u>3,329,241</u>	<u>3,749,199</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The financial information relating to the year ended 31 March 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 sale

The Interim Financial Statement has 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 period, the Group has applied, for the first time, the following new and revised standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning from 1 April 2017. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements 2014–2016 Cycle	Disclosure of Interest in Other Entities

The directors of the Company considered the application of the above new or revised HKFRSs has no material impact on the Group’s financial performance and financial position for current and prior period.

The Group has not early applied any new and revised HKFRSs that have been issued by the HKICPA but not yet effective.

2. SEGMENT INFORMATION

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

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 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	<u>63,283</u>	<u>46,497</u>	<u>(356,844)</u>	<u>389,407</u>
Interest income and other revenue			12,171	4,478
Unallocated expenses			<u>(93,319)</u>	<u>(46,101)</u>
(Loss)/profit from operations			(437,992)	347,784
Finance costs			(36,678)	(26,617)
Gain on disposal of a subsidiary			<u>2,032</u>	—
(Loss)/profit before taxation			<u>(472,638)</u>	<u>321,167</u>
Taxation			<u>(95,837)</u>	<u>(18,487)</u>
(Loss)/profit for the period			<u><u>(568,475)</u></u>	<u><u>302,680</u></u>

3. OTHER INCOME AND GAIN, NET

	For the six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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	–
	<u>12,005</u>	<u>4,478</u>

4. (LOSS)/PROFIT FROM OPERATIONS

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

	For the six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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

5. FINANCE COSTS

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

6. TAXATION

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

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 profit for the period.

7. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

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

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

From continuing operations

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

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 was 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.

8. 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.

9. 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 Institute of Valuers. 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 facilities granted to the Group.

10. TRADE RECEIVABLE 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 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (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 181 days	58	47
	<u>1,553</u>	748
Prepayments, deposits and other receivables	<u>656,505</u>	445,485
	658,058	446,233
Less: Impairment of trade and other receivables and prepayment	<u>(5)</u>	<u>(2)</u>
	<u>658,053</u>	<u>446,231</u>

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

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
At beginning of the period/year	2	82,062
Written off	–	(35,574)
Reversal of impairment loss in respect of trade and other receivables and prepayments	–	(46,486)
Impairment loss recognised	<u>3</u>	–
At end of the period/year	<u>5</u>	<u>2</u>

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

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

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

11. 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.

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (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
	<u>1,390,898</u>	<u>1,673,308</u>

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 security	Number of shares held	Percentage shareholding held by the Group	Investment cost <i>HK\$'000</i> (note (1))	Market value as at 30 September 2017 <i>HK\$'000</i> (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 <i>HK\$'000</i>
600187	Heilongjiang Interchina (note (2))	227,312,500	13.74%	283,016	1,210,540	36.77	(344,331)
439	KuangChi Science Ltd (note (3))	57,807,000	0.79%	311,149	180,358	5.48	(15,888)
				<u>594,165</u>	<u>1,390,898</u>	<u>42.25</u>	<u>(360,219)</u>

At 31 March 2017

Stock code	Name of security	Number of shares held	Percentage shareholding held by the Group	Investment cost <i>HK\$'000</i> <i>(note (1))</i>	Market value as at 31 March 2017 <i>HK\$'000</i> <i>(note (1))</i>	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 <i>HK\$'000</i>
600187	Heilongjiang Interchina <i>(note (2))</i>	227,312,500	13.74%	283,016	1,476,254	40.52	214,483
439	KuangChi Science Ltd <i>(note (3))</i>	57,957,000	0.79%	312,156	197,054	5.41	8,693
				595,172	1,673,308	45.93	223,176

Notes:

- (1) The investment cost, market value as at 30 September 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 total 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 each of 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.
- (4) At 30 September 2017, financial assets at fair value through profit or loss with the carrying amount of approximately HK\$958,780,000 (31 March 2017: HK\$1,495,930,000) have been pledged to secure loan facilities granted to the Group.

13. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

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).

14. BANK AND OTHER BORROWINGS

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Bank borrowings, secured (<i>Note (i)</i>)	3,540	3,759
Other borrowings, secured (<i>Note (ii)</i>)	<u>1,064,093</u>	<u>1,040,134</u>
Total borrowings	<u><u>1,067,633</u></u>	<u><u>1,043,893</u></u>
Carrying amounts repayable:		
Within one year:		
— Other borrowings	<u>1,064,093</u>	<u>1,040,134</u>
	<u>1,064,093</u>	<u>1,040,134</u>
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)	<u>3,540</u>	<u>3,759</u>
	<u><u>1,067,633</u></u>	<u><u>1,043,893</u></u>

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 bank borrowings is secured by the Group's investment properties with carrying value of approximately HK\$26,100,000 (31 March 2017: HK\$24,600,000). 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 6.4% to 8% per annum for the six months ended 30 September 2017 (31 March 2017: 6.4% to 8% per annum).

The other borrowings with carrying value of approximately HK\$443,787,000 (31 March 2017: HK\$449,438,000) are secured by the Group's investment in Heilongjiang Interchina, whose shares are listed on the Shanghai Stock Exchange and corporate guarantee executed by the Company. The other borrowings with carrying amount of approximately HK\$525,444,000 (31 March 2017: HK\$498,877,000) are secured by the Group's investment properties and hotel property in the PRC. The remaining balance of approximately HK\$94,862,000 (31 March 2017: HK\$91,819,000) is a margin loan secured by securities listed in the Hong Kong Stock Exchange.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 operation) 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.

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(s) to secure loan facilities granted to the Group.

Foreign Exchange Exposure

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

Contingent Liability

As at 30 September 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 announcement, 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.

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.

Compliance with the 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.

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).

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2017 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, have been reviewed by the Group’s auditor, HLB Hodgson Impey Cheng Limited, and the audit committee of the Company (the “Audit Committee”). The Audit Committee comprises Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Group for the six months ended 30 September 2017 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.everchina202.com.hk) in due course.

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

Hong Kong, 29 November 2017

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