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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations amounted to HK\$89,912,000, representing an increase of 32.3% as compared to the last year.
- Loss for the year amounted to HK\$775,873,000, as compared to the profit of HK\$82,344,000 for the last year.
- The Board does not recommend the payment of final dividend for the year ended 31 March 2018 (2017: Nil).
- At 31 March 2018, total equity amounted to HK\$3,147,461,000, representing a decrease of 13.6% as compared to HK\$3,643,398,000 as at 31 March 2017.
- At 31 March 2018, net assets per share was HK\$0.52, representing a decrease of 13.3% 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 audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2018, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2018

| | <i>Notes</i> | 2018 HK\$’000 | 2017 HK\$’000 |
|--------------------------------------------------------------------------------------------------------|--------------|--------------------------------|-------------------------|
| Continuing operations | | | |
| Revenue | 3 | 89,912 | 67,951 |
| Cost of sales | | (3,497) | (2,905) |
| Other income and gain, net | 4 | 16,520 | 13,067 |
| Staff costs | | (36,151) | (32,899) |
| Depreciation | | (15,106) | (14,723) |
| Administrative costs | | (66,699) | (47,108) |
| Other operating expenses | | (140,408) | – |
| Loss arising from change in fair value of investment properties | 10 | (36,072) | (33,703) |
| Loss arising from change in fair value less costs to sell on biological assets | | (91) | (695) |
| (Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss | 15 | (409,850) | 223,176 |
| (Loss)/profit from operations | 5 | (601,442) | 172,161 |
| Finance costs | 6 | (79,226) | (66,009) |
| Gain on disposal of a subsidiary | | 2,032 | – |
| (Loss)/profit before taxation | | (678,636) | 106,152 |
| Taxation | 7 | (97,237) | (5,386) |
| (Loss)/profit for the year from continuing operations | | (775,873) | 100,766 |
| Discontinued operations | | | |
| Loss for the year from discontinued operations | | – | (18,422) |
| (Loss)/profit for the year | | (775,873) | 82,344 |
| Attributable to: | | | |
| Owners of the Company | | (775,807) | 82,403 |
| Non-controlling interests | | (66) | (59) |
| | | (775,873) | 82,344 |
| (Loss)/earnings per share attributable to the owners of the Company | | | |
| | 8 | | |
| From continuing and discontinued operations — Basic and diluted | | HK(12.763) cents | HK1.356 cents |
| From continuing operations — Basic and diluted | | HK(12.763) cents | HK1.659 cents |

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

FOR THE YEAR ENDED 31 MARCH 2018

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---------------------------------------------------------------------|--------------------------------|-------------------------|
| (Loss)/profit for the year | (775,873) | 82,344 |
| Other comprehensive income/(loss) for the year | | |
| <i>Items that maybe reclassified subsequently to profit or loss</i> | | |
| Exchange differences on translation of overseas subsidiaries | 270,409 | (146,939) |
| Release of exchange reserve upon disposal of subsidiaries | 9,176 | (11,148) |
| Release of exchange reserve upon deregistration of subsidiaries | 351 | (31,319) |
| | <u> </u> | <u> </u> |
| Total comprehensive loss for the year | <u>(495,937)</u> | <u>(107,062)</u> |
| Total comprehensive loss attributable to: | | |
| Owners of the Company | (495,871) | (107,003) |
| Non-controlling interests | (66) | (59) |
| | <u> </u> | <u> </u> |
| | <u>(495,937)</u> | <u>(107,062)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2018

| | <i>Notes</i> | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|-------------------------------------------------------|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Investment properties | <i>10</i> | 1,347,788 | 1,261,679 |
| Property, plant and equipment | | 569,177 | 536,053 |
| Mining rights | <i>11</i> | 271,880 | 271,880 |
| Goodwill | | 91,454 | 91,454 |
| Deposit paid on acquisition of subsidiaries | <i>12</i> | 195,000 | – |
| | | <u>2,475,299</u> | <u>2,161,066</u> |
| Current assets | | | |
| Inventories | | 7 | 5 |
| Biological assets | | 2,837 | 2,883 |
| Trade and other receivables and prepayments | <i>13</i> | 378,544 | 446,231 |
| Loan receivables | <i>14</i> | 91,084 | 97,328 |
| Financial assets at fair value through profit or loss | <i>15</i> | 1,393,232 | 1,673,308 |
| Tax recoverable | | – | 252 |
| Cash and cash equivalents | | 179,712 | 492,651 |
| | | <u>2,045,416</u> | <u>2,712,658</u> |
| Assets classified as held for sale | | – | 88 |
| | | <u>2,045,416</u> | <u>2,712,746</u> |
| Total assets | | <u>4,520,715</u> | <u>4,873,812</u> |
| Capital and reserves | | | |
| Share capital | | 2,490,454 | 2,490,454 |
| Reserves | | 614,320 | 1,110,191 |
| | | <u>3,104,774</u> | <u>3,600,645</u> |
| Equity attributable to owners of the Company | | 3,104,774 | 3,600,645 |
| Non-controlling interests | | 42,687 | 42,753 |
| | | <u>3,147,461</u> | <u>3,643,398</u> |
| Total equity | | <u>3,147,461</u> | <u>3,643,398</u> |

| | <i>Notes</i> | 2018 HK\$'000 | 2017 <i>HK\$'000</i> |
|------------------------------------------------|--------------|--------------------------------|-------------------------|
| Non-current liability | | | |
| Deferred tax liabilities | | <u>102,492</u> | <u>105,801</u> |
| Current liabilities | | | |
| Trade and other payables and deposits received | <i>16</i> | 148,848 | 71,025 |
| Tax payable | | 2,263 | 7,694 |
| Bank and other borrowings | | <u>1,119,651</u> | <u>1,043,893</u> |
| | | 1,270,762 | 1,122,612 |
| Liabilities classified as held for sale | | <u>–</u> | <u>2,001</u> |
| | | <u>1,270,762</u> | <u>1,124,613</u> |
| Total liabilities | | <u>1,373,254</u> | <u>1,230,414</u> |
| Total equity and liabilities | | <u>4,520,715</u> | <u>4,873,812</u> |
| Net current assets | | <u>774,654</u> | <u>1,588,133</u> |
| Total assets less current liabilities | | <u>3,249,953</u> | <u>3,749,199</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The financial information relating to the years ended 31 March 2018 and 2017 included in this preliminary announcement of the 2018 annual results do not constitute the Company’s statutory annual consolidated financial statements for those years 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 Hong Kong 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 Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2018 in due course.

The Company’s auditor has reported on those financial statements of the Group for both years. For the year ended 31 March 2018, auditor’s reports were 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 Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, biological assets and financial assets at fair value through profit or loss classified as held for trading that are measured at fair values at the end of each reporting period.

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

In the current year, the Group has applied, for the first time, the following new and amendments to standards and interpretations (collectively referred to as the “new and amendments to HKFRSs”) issued by the 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:

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

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

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

| | |
|-----------------------------------|----------------------------------------------------------------------------------------------------|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2015-2017 Cycle ² |
| 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 9 (Amendments) | Prepayment from Contracts with Negative Compensation ² |
| 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 |
| HKFRS 17 | Insurance Contracts ⁴ |
| HKAS 19 (Amendments) | Plan Amendment, Curtailment or Settlement ² |
| HK (IFRIC) -Int 22 | Foreign Currency Translations and Advance Consideration ¹ |
| HK (IFRIC) -Int 23 | Uncertainty over Income Tax Treatment ² |
| HKAS 28 (Amendments) | Long-term Interests in Associates and Joint Ventures ² |
| HKAS 28 (Amendments) | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle ¹ |
| HKAS 40 (Amendments) | Transfers of Investment Property ¹ |

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.

⁴ Effective for annual periods beginning on or after 1 January 2021 or when apply HKFRS 15 and HKFRS 9.

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:

Continuing operations

| | | |
|-----------------------------------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property investment operation | — | Leasing of rental property in the People's Republic of China ("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:

For the year ended 31 March 2018

| | Segment revenue | | Segment result | |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|
| | 2018 HK\$'000 | 2017 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| Property investment operation | 56,214 | 25,211 | 1,706 | (20,695) |
| Hotel operation | 39,072 | 28,279 | 1,447 | (3,151) |
| Financing and securities investment operation | (5,845) | 14,461 | (482,352) | 237,449 |
| Natural resources operation | – | – | (1,951) | (2,010) |
| Agricultural operation | 471 | – | (2,404) | – |
| Total for continuing operations | 89,912 | 67,951 | (483,554) | 211,593 |
| Interest income and other revenue | | | 16,480 | 12,771 |
| Unallocated expenses | | | (134,368) | (52,203) |
| (Loss)/profit from operations | | | (601,442) | 172,161 |
| Finance costs | | | (79,226) | (66,009) |
| Gain on disposal of a subsidiary | | | 2,032 | – |
| (Loss)/profit before taxation | | | (678,636) | 106,152 |
| Taxation | | | (97,237) | (5,386) |
| (Loss)/profit for the year from continuing operations | | | <u>(775,873)</u> | <u>100,766</u> |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2017: Nil).

Segment result represents the result generated from each segment without allocation of central administration costs including directors' salaries, finance costs, and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(a) Segment assets and liabilities

| | 2018 HK\$'000 | 2017 HK\$'000 |
|-----------------------------------------------|-------------------------|------------------|
| Segment assets | | |
| Property investment operation | 1,468,964 | 1,322,743 |
| Hotel operation | 581,004 | 557,195 |
| Financing and securities investment operation | 1,484,346 | 1,770,666 |
| Natural resources operation | 272,733 | 272,786 |
| Agricultural operation | 48,284 | – |
| Total segment assets | 3,855,331 | 3,923,390 |
| Unallocated assets | 665,384 | 950,422 |
| Consolidated total assets | <u>4,520,715</u> | <u>4,873,812</u> |

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|-----------------------------------------------|-------------------------|-------------------------|
| Segment liabilities | | |
| Property investment operation | 12,596 | 7,610 |
| Hotel operation | 11,859 | 11,004 |
| Financing and securities investment operation | 254 | 176 |
| Natural resources operation | 5,778 | 5,753 |
| Agricultural operation | 18,925 | – |
| Total segment liabilities | 49,412 | 24,543 |
| Unallocated bank and other borrowings | 1,119,651 | 1,043,893 |
| Unallocated liabilities | 201,928 | 154,284 |
| Tax payable | 2,263 | 7,694 |
| Consolidated total liabilities | <u>1,373,254</u> | <u>1,230,414</u> |

For the purposes of monitoring segment performance and allocating resource between segments:

All assets related to property investment operation, hotel operation, financing and securities investment operation, natural resources operation and agricultural operation are allocated to reportable segments other than certain property, plant and equipment, other non-current assets, other receivables, prepayment and deposits and cash and bank balances that are not attributable to individual segments.

All liabilities related to property investment operation, hotel operation, financing and securities investment operation, natural resources operation and agricultural operation are allocated to reportable segments other than certain other payables, deferred tax liabilities and borrowings that are not attributable to individual segments.

(b) Other segment information

For the year ended 31 March 2018

| | Continuing operations | | | | | Consolidated total <i>HK\$'000</i> |
|----------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|------------------------------------------|
| | Property investment operation <i>HK\$'000</i> | Hotel operation <i>HK\$'000</i> | Financing and securities investment operation <i>HK\$'000</i> | Natural resources operation <i>HK\$'000</i> | Agricultural operation <i>HK\$'000</i> | |
| Other segment information | | | | | | |
| Depreciation | 121 | 13,479 | – | – | 935 | 14,535 |
| Unallocated amounts | | | | | | 571 |
| | | | | | | <u>15,106</u> |
| Capital expenditure | 15 | 595 | – | – | 796 | 1,406 |
| Unallocated amounts | | | | | | 1,669 |
| | | | | | | <u>3,075</u> |
| Written off of property, plant and equipment | – | 57 | – | – | 273 | 330 |
| Unallocated amounts | | | | | | 2,370 |
| | | | | | | <u>2,700</u> |
| Fair value change in investment properties | 36,072 | – | – | – | – | 36,072 |
| Fair value change in financial assets at fair value through profit or loss | – | – | 409,850 | – | – | 409,850 |
| | <u>–</u> | <u>–</u> | <u>409,850</u> | <u>–</u> | <u>–</u> | <u>409,850</u> |

For the year ended 31 March 2017

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

(c) **Geographical information**

The following table sets out information about the geographical location of the Group's revenue from continuing operations from external customers and the Group's investment properties, property, plant and equipment, mining rights, goodwill and other non-current assets ("**Specified Non-current Assets**"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset or the location of the operation to which they are allocated.

| | Revenue from external customers | | Specified non-current assets | |
|-----------|---------------------------------|-------------------------|------------------------------|-------------------------|
| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
| Hong Kong | (5,845) | 14,461 | 30,898 | 26,982 |
| The PRC | 95,286 | 53,490 | 1,935,353 | 1,791,986 |
| Indonesia | - | - | 272,331 | 272,322 |
| Bolivia | 471 | - | 41,717 | 69,776 |
| | <u>89,912</u> | <u>67,951</u> | <u>2,280,299</u> | <u>2,161,066</u> |

4. OTHER INCOME AND GAIN, NET

| | Year ended 31 March | |
|---------------------------------------------------|---------------------|---------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Bank interest income | 6,038 | 5,156 |
| Other loan interest income | 2,741 | 4,333 |
| Gain on disposal of property, plant and equipment | – | 124 |
| Net foreign exchange gain/(loss) | 2,809 | (215) |
| Investment income | 1,658 | – |
| Sundry income | 3,274 | 3,669 |
| | <u>16,520</u> | <u>13,067</u> |

5. (LOSS)/PROFIT FROM OPERATIONS

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

| | Year ended 31 March | |
|---------------------------------------------------------------------------------------------------------|---------------------|-----------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Continuing operations | | |
| Depreciation | 15,106 | 14,723 |
| Auditors' remuneration | 1,980 | 1,980 |
| Cost of inventories for hotel operation provided | 1,712 | 1,129 |
| Gain on disposal of property, plant and equipment | – | (124) |
| Loss on written off of property, plant and equipment | 2,700 | 203 |
| Impairment loss recognised in respect of trade and other receivables and prepayments | 73,853 | – |
| Operating lease rentals in respect of premises | 8,873 | 8,255 |
| Net foreign exchange (gain)/loss | (2,809) | 215 |
| Fair value change in investment properties | 36,072 | 33,703 |
| Gross rental income from investment properties | (56,214) | (25,211) |
| Less: direct operating expenses from investment properties that generated rental income during the year | 3,987 | 2,047 |
| | <u>(52,227)</u> | <u>(23,164)</u> |

6. FINANCE COSTS

| | Year ended 31 March | |
|--------------------|---------------------|---------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Interests on: | | |
| — Bank borrowings | 80 | 271 |
| — Other borrowings | 79,146 | 65,738 |
| | <u>79,226</u> | <u>66,009</u> |

7. TAXATION

| | Year ended 31 March | |
|-------------------------------|---------------------|------------------|
| | 2018 HK\$'000 | 2017 HK\$'000 |
| Current tax | | |
| Hong Kong Profits Tax | – | 232 |
| The PRC Enterprise Income Tax | 1,045 | 17,149 |
| Under provision in prior year | 109,297 | – |
| | <u>110,342</u> | <u>17,381</u> |
| Deferred tax | (13,105) | (11,995) |
| | <u>97,237</u> | <u>5,386</u> |

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year.

The PRC Enterprise Income Tax

During the year ended 31 March 2018, 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 in respect of the PRC Enterprise Income Tax paid for the period from 1 January 2013 to 31 December 2015 (the “Relevant Periods”) and found that Interchina Tianjin underpaid the PRC Enterprise Income Tax when disposal of certain investment securities during the Relevant Periods. The Group then paid and recognised the PRC Enterprise Income Tax of approximately RMB88,530,000 (equivalent to approximately HK\$109,297,000) in taxation and a provision of overdue fine of approximately RMB53,910,000 (equivalent to approximately HK\$66,555,000) was recognised in other operating expenses in accordance with the relevant tax law and regulations in the PRC for the year ended 31 March 2018.

All the Company’s subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax rate at 25% of the assessable income of each company during the years ended 31 March 2018 and 2017.

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary incorporated in the Indonesia is 25% (2017: 25%) during the year. No Indonesia Corporate Tax was recognised as the subsidiary in the Indonesia has no estimated assessable profits for the year.

The Bolivia Corporate Tax

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

8. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

| | Year ended 31 March | |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|
| | 2018 HK\$'000 | 2017 HK\$'000 |
| (Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share | <u>(775,807)</u> | <u>82,403</u> |

| | Year ended 31 March | |
|-----------------------------------------------------------------------------------------------------------|---------------------|------------------|
| | 2018 '000 | 2017 '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 years ended 31 March 2018 and 2017.

From continuing operations

| | Year ended 31 March | |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|
| | 2018 HK\$'000 | 2017 HK\$'000 |
| (Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share | <u>(775,807)</u> | <u>82,403</u> |
| Loss for the year from discontinued operations | <u>-</u> | <u>18,422</u> |
| | <u>(775,807)</u> | <u>100,825</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 year ended 31 March 2017, basic and diluted loss per share for the discontinued operations is HK0.303cents, based on the loss for the year ended 31 March 2017 from the discontinued operations of approximately HK\$18,422,000.

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

9. DIVIDEND

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 March 2018 (2017: Nil).

10. INVESTMENT PROPERTIES

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|------------------------------------------------------------------|--------------------------------|-------------------------|
| Fair value | | |
| At beginning of the year | 1,261,679 | 612,549 |
| Addition | – | 712,631 |
| Fair value change | (36,072) | (33,703) |
| Exchange alignment | 122,181 | (29,798) |
| | <u>1,347,788</u> | <u>1,261,679</u> |
| At end of the year | | |
| | <u>1,347,788</u> | <u>1,261,679</u> |
| Unrealised loss on change in fair value of investment properties | <u>(36,072)</u> | <u>(33,703)</u> |

The fair value of the Group's investment properties at 31 March 2018 have been arrived at on the basis of a valuation carried out on that date by Messrs. DTZ Cushman & Wakefield Limited and 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 31 March 2018, investment properties with the carrying amount of approximately HK\$650,257,000 (31 March 2017: HK\$587,522,000) have been pledged to secure banking facilities and other loan granted to the Group.

11. MINING RIGHTS

| | <i>HK\$'000</i> |
|----------------------------------------------------------------|-----------------|
| Fair value | |
| At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018 | <u>271,880</u> |

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 2032, till all proven and probable mineral reserves have been mined. For the years ended 31 March 2018 and 2017, the management considered that commercial production of the mine has not yet commenced, no amortisation was provided during both years.

During the year, as a result of the steel price rebound, the selling price of manganese ore recorded a significantly increase as compared to the prior years. The estimate recoverable amount of the mining rights is higher than its carrying amount as at 31 March 2018. Therefore, there was no impairment provision for the mining rights for the year ended 31 March 2018 (2017: Nil).

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

| | | |
|-----------------------------------------------------------------------|-----------------|----------|
| Valuation as at 31 March | 2018 | 2017 |
| Adopted manganese ore benchmark price (US\$/dmtu) (<i>Note (a)</i>) | US\$7.73 | US\$2.95 |
| Discount rate (<i>Note (b)</i>) | 13% | 12% |

Notes:

- (a) The adopted manganese ore benchmark price was estimated with reference to the manganese ore benchmark price (reference by 44% Mn Tianjin manganese ore index published by United Nations Conference on Trade and Development, and 44-45% Mn Tianjin manganese ore index published by Shanghai Metals Market Information & Technology Co., Ltd). The manganese ore benchmark price for valuation as at 31 March 2018 has increased by approximately 162% than that as at 31 March 2017. No growth rate was assumed to the manganese ore benchmark price estimation over a period longer than five years. The treatment was consistent among valuation as at 31 March 2018 and as at 31 March 2017.
- (b) The slightly increase of 1% in discount rate (2017: decrease of 1%) was due to normal market data fluctuation.
- (c) No growth rate was assumed for operating costs.

No mining rights have been pledged to secure general banking facilities granted to the Group in both 2018 and 2017.

12. DEPOSIT PAID ON ACQUISITION OF SUBSIDIARIES

Deposit of HK\$195,000,000 was paid for an 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 circular dated 28 June 2018.

13. 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:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|----------------------------------------------------------------|--------------------------------|-------------------------|
| Trade receivables: | | |
| 0 to 30 days | 1,065 | 673 |
| 31 to 60 days | 10 | 6 |
| 61 to 90 days | – | 1 |
| 91 to 180 days | 2 | 21 |
| Over 181 days | 50 | 47 |
| | <u>1,127</u> | 748 |
| Prepayments, deposits and other receivables | 451,272 | 445,485 |
| | <u>452,399</u> | 446,233 |
| Less: Impairment of trade and other receivables and prepayment | (73,855) | (2) |
| | <u>378,544</u> | <u>446,231</u> |

During the year ended 31 March 2018, an impairment loss of approximately HK\$73,853,000 (2017: HK\$Nil) in respect of an individual debtor of other receivables was provided in the consolidated statement of profit or loss. The impaired individual debtor of other receivables related to the debtor that was in financial difficulties and management of the Company considered only part of the outstanding balances could be recovered. The Group does not hold any other collateral or other credit enhancements over these balances.

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---------------------------------------------------------------------------------------|--------------------------------|-------------------------|
| At beginning of the 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 | 73,853 | – |
| | <u>73,855</u> | – |
| At end of the year | <u>2</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 as 31 March 2018 and 2017, inter alia, the following:

- (i) other receivable of approximately HK\$125,926,000 (31 March 2017: HK\$114,607,000) paid for acquisition of several potential water plant project in the PRC; and
- (ii) prepayments and other receivables of approximately HK\$169,321,000 (31 March 2017: HK\$219,150,000) paid to various contractors for construction of water treatment projects in the PRC.

14. LOAN RECEIVABLES

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|------------------|-------------------------|-------------------------|
| Loan receivables | <u>91,084</u> | <u>97,328</u> |

The amount of approximately HK\$91,084,000 (31 March 2017: HK\$86,834,000) were secured by collateral providing by customers, bearing interest at 5% (2017: 5%) per annum with fixed repayment terms.

For the year ended 31 March 2017, the amount of approximately HK\$10,494,000 included in loan receivables was unsecured, carrying at the prevailing interest rate of 5.25% per annum with fixed repayment terms.

There was no impairment loss recognised during both years of 2018 and 2017.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|----------------------------------------------------|-------------------------|-------------------------|
| Held for trading: | | |
| Listed equity securities- Hong Kong, at fair value | 99,516 | 197,054 |
| Listed equity securities- the PRC, at fair value | <u>1,293,716</u> | <u>1,476,254</u> |
| | <u>1,393,232</u> | <u>1,673,308</u> |

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

At 31 March 2018

| 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 2018 <i>HK\$'000</i> <i>(Note (1))</i> | Percentage to the Group's net assets as at 31 March 2018 | Unrealised loss on change in fair value for the year ended 31 March 2018 <i>HK\$'000</i> <i>(Note (1))</i> |
|------------|--------------------------------------------|-----------------------|-------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| 600187 | Heilongjiang Interchina <i>(Note (2))</i> | 227,312,500 | 13.74% | 283,016 | 1,293,716 | 41.10% | (328,340) |
| 439 | KuangChi Science Limited <i>(Note (3))</i> | 54,981,000 | 0.75% | 296,127 | 99,516 | 3.16% | (81,510) |
| | | | | <u>579,143</u> | <u>1,393,232</u> | <u>44.26%</u> | <u>(409,850)</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> <i>(Note (1))</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 Limited <i>(Note (3))</i> | 57,957,000 | 0.95% | 312,156 | 197,054 | 5.41% | 8,693 |
| | | | | <u>595,172</u> | <u>1,673,308</u> | <u>45.93%</u> | <u>223,176</u> |

Notes:

- (1) The investment cost, market value as at 31 March 2018 and 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. The fair value of investment for Heilongjiang Interchina as at 31 March 2018 is approximately RMB1,047,911,000 (2017: approximately RMB1,313,866,000).
- (2) Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services and its issued shares is listed on the Shanghai Stock Exchange. There was no movement in the number of shares held by the Group during the year ended 31 March 2018. No dividend was received during each of the year ended 31 March 2018 and 2017. According to the latest published audited financial statements of Heilongjiang Interchina, it had net asset value of RMB3,656,489,000 as at 31 December 2017 (31 December 2016: RMB2,562,173,000). Heilongjiang Interchina recorded revenue of RMB439,782,000 and net profit of RMB14,482,000 for the year ended 31 December 2017 (2016: revenue of RMB357,820,000 and net profit of RMB14,696,000).
- (3) KuangChi Science Limited (“KuangChi”) is principally engaged in provision of in-depth space services, manufacturing and trading of paper packaging products and property investment and its issued shares is listed on the Stock Exchange. No dividend was received for both of the year ended 31 March 2018 and 2017. According to the latest published audited financial statements of KuangChi, it had net asset value of approximately HK\$2,534,049,000 as at 31 December 2017 (31 December 2016: HK\$2,729,711,000). KuangChi recorded revenue of approximately HK\$306,192,000 and net loss of approximately HK\$66,612,000 for the year ended 31 December 2017 (2016: revenue of approximately HK\$290,492,000 and net profit of approximately HK\$596,544,000). During the year, the Company disposal of 2,976,000 shares of KuangChi at the average price of HK\$1.89 per shares. The disposal recognised a loss of HK\$10,397,000 which is calculated on the basis of the difference between the acquisition price and the disposal price of the disposal shares.
- (4) At 31 March 2018, financial assets at fair value through profit or loss with the carrying amount of approximately HK\$1,123,960,000 (31 March 2017: HK\$1,495,930,000) have been pledged to secure loan facilities granted to the Group.

16. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Trade payables | 2,715 | 2,252 |
| Other payables and deposits received | <u>146,133</u> | <u>68,773</u> |
| | <u><u>148,848</u></u> | <u><u>71,025</u></u> |

As of the end of the reporting period, the aging analysis of trade payables based on the invoice date is as follows:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Trade payables: | | |
| 0 to 30 days | 275 | 335 |
| 31 to 60 days | 331 | 253 |
| Over 60 days | <u>2,109</u> | <u>1,664</u> |
| | 2,715 | 2,252 |
| Other payables and deposits received | <u>146,133</u> | <u>68,773</u> |
| | <u><u>148,848</u></u> | <u><u>71,025</u></u> |

The Group's other payables and deposits received as at 31 March 2018 and 2017, inter alia, the following:

- (i) amounts of interest expenses payable of approximately HK\$2,177,000 (31 March 2017: HK\$1,743,000);
- (ii) amount due to a related company of approximately HK\$18,355,000 (31 March 2017: HK\$20,771,000) which was unsecured, interest-free and repayable on demand; and
- (iii) during the year ended 31 March 2018, Interchina (Tianjin), a wholly-owned subsidiary of the Company, was placed under tax examination by the Tianjin Tax Bureau in respect of the PRC Enterprise Income Tax paid for the Relevant Periods. Other payable of approximately RMB53,910,000 (equivalent to approximately HK\$66,555,000) representing the outstanding overdue fine payable to the Tianjin Tax Bureau in accordance with the relevant tax law and regulations in the PRC for the year.

17. EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND

The Board did not recommend the payment of a dividend for the year ended 31 March 2018 (2017: Nil).

FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 March 2018, but represents an extract from those consolidated financial statements. The annual results have been reviewed and approved by the Audit Committee of the Company.

Scope of work of HLB Hodgson Impey Cheng Limited on the preliminary announcement

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amount set out in the Group's consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

During the year, the Group continued to make efforts in expanding its core business and recorded a total revenue of approximately HK\$89,912,000 (2017: HK\$67,951,000), representing an increase by 32.3% compared with last year. The increase in revenue was largely driven by the property investment operation, which offset the decrease in revenue in financing and securities investment operations. The results of operations however did not meet expectations. The Group recorded a loss of approximately HK\$775,873,000 for the year ended 31 March 2018 (2017: profit of HK\$82,344,000). The turnaround to a loss was mainly attributable to:

- (i) an increase in operating costs, including staff cost, depreciation and administrative costs, by 24.5% to approximately HK\$117,956,000 (2017: approximately HK\$94,730,000) as a result of increase in renovation costs to the Group's properties and appreciation of RMB during the year;
- (ii) an increase in other operating expenses to approximately HK\$140,408,000 (2017: Nil) arising from (i) a provision of approximately HK\$73,853,000 on doubtful receivables and prepayments; and (ii) a provision of overdue fine of approximately HK\$66,555,000 charged by the Tianjin Tax Bureau;

- (iii) the financial assets at fair value through profit or loss turnaround to a loss of approximately HK\$409,850,000 (2017: gain of approximately HK\$223,176,000) as a result of the change in the stock market sentiment;
- (iv) an increase in finance costs by 20% to approximately HK\$79,226,000 (2017: approximately HK\$66,009,000) for the year as compared to that of 2017 as a result of increase in total borrowings; and
- (v) an increase in taxation to approximately HK\$97,237,000 (2017: approximately HK\$5,386,000) resulting from the payment of the PRC Enterprise Income Tax of approximately RMB88,530,000 (equivalent to approximately HK\$109,297,000) for the prior periods after tax examination by the Tianjin Tax Bureau.

Loss for the year attributable to shareholders of the Company amounted to approximately HK\$775,807,000, compared with the profit attributable to shareholders of the Company of approximately HK\$82,403,000 of last year. The basic and diluted loss per share (including continuing and discontinued operations) amounted to HK\$12.763 cents, compared to the basic and diluted earnings per share of HK1.356 cents of the last year.

BUSINESS REVIEW

Property Investment Operation

The Group's property investment operation, which mainly comprise two investment properties located in the centre of Beijing and Shanghai respectively. At 31 March 2018, the Group's investment property was valued at an aggregate value of approximately HK\$1,347,788,000 (2017: approximately HK\$1,261,679,000) by independent professional valuers. Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK\$36,072,000 was recorded for the year (2017: approximately HK\$33,703,000).

During the year, this segment recorded revenue of approximately HK\$56,214,000 (2017: approximately HK\$25,211,000) and profit of approximately HK\$1,706,000 (2017: loss of approximately HK\$20,695,000). The increase in both revenue and turnaround to profit for the year was primarily due to the Shanghai property contributed rental income of approximately HK\$26,585,000 (2017: Nil) during the year. At 31 March 2018, the average occupancy rate of the Beijing and Shanghai property reached over 99% and 84% respectively.

The acquisition of the Shanghai property was completed in August 2016. The Group and Wo Hua Commercial Management (Shanghai) Company Limited ("Wo Hua"), a company which is indirectly owned as to 99% by Mr. Jiang Zhaobai ("Mr. Jiang") and as to 1% by Mr. Jiang Lei, the brother of Mr. Jiang, entered into the leasing agreement ("Leasing Agreement") for a term of three years till 11 August 2019, pursuant to which (i) Wo Hua provides leasing agency services to the Group with annual agency services fee not exceed RMB1,800,000 per annum; (ii) Wo Hua guarantees the annual rental income of the Shanghai property received by the Group generated from the Shanghai property minus any fee or tax relating to the Shanghai property to Wo Hua for each year during the term shall not less than the 3.5% of the RMB616,000,000, represented the consideration of acquiring the Shanghai property paid by

the Group i.e. RMB21,560,000. In the event that the annual rental income is less than RMB21,560,000, Wo Hua shall compensate the shortfall on dollar-for-dollar basis. During the year, the Group received guarantee rental income of approximately RMB21,300,000 from Wo Hua and did not pay any agency services fee to Wo Hua. The Leasing Agreement is an exempted continuing connected transaction under Chapter 14A of the Listing Rules. For details, please refer to the Company's circular dated 19 February 2016.

Looking forward, the Group will closely monitor the property market condition and capture any opportunities arising from this segment in a prudent manner.

Hotel Operation

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. At 31 March 2018, the average occupancy rate was around 80% for the period.

During the year, this segment recorded revenue of approximately HK\$39,072,000 (2017: approximately HK\$28,279,000) and profit of approximately HK\$1,447,000 (2017: loss of approximately HK\$3,151,000).

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

Financing and Securities Investment Operation

As at 31 March 2018, total loan receivable under financing operation amounted to approximately HK\$91,084,000 (31 March 2017: HK\$97,328,000) and total securities investment/financial assets at fair value through profit and loss stood at approximately HK\$1,393,232,000 (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 RMB1.18 per share to the Group. At 31 March 2018, the Group held listed securities, being 227,312,500 shares or approximately 13.74% interest in Heilongjiang Interchina and 54,981,000 shares or approximately 0.75% interest in KuangChi Science Limited (stock code: 439).

Future prospect of the investments are as follows :

(i) Heilongjiang Interchina

Based on the published information of Heilongjiang Interchina, during the reporting period of 2017, Heilongjiang Interchina focused on water supply, sewage and other environmental protection areas, and continued to consolidate water business as the core business, and fully utilised the financing platform of listed companies to raise funds of approximately RMB951,892,000 for the water projects of the group, which laid a solid

foundation for the long-term healthy development of the company. For the year ended 31 December 2017, Heilongjiang Interchina recorded income of RMB438,782,000, representing a year-on-year increase by 22.91%, mainly due to the fact that sales of engineering services and equipment increased more than the previous year; the net profit attributable to the shareholders of the listed company was RMB17,833,000, representing a year-on-year increase by 10.16%. Therefore, the directors of the Company are optimistic towards the future development of Heilongjiang Interchina.

(ii) *KuangChi*

Based on the published information of KuangChi, it recorded a turnover of HK\$306,192,000, representing an increase of 5.40% over last year and turnaround to loss of HK\$66,612,000 for the year ended 31 December 2017 (2016: profit of HK\$596,544,000). During the year, the share price of KuangChi significantly decreased by 46.8% from HK\$3.4 per share at 31 March 2017 to HK\$1.81 per share at 31 March 2018. Considering the continuing downward trend in the share price of KuangChi as well as the stock market sentiment, the Company does not exclude the possibility of disposing the investment in KuangChi to avoid further loss to the Group and free its resources for financing its working capital need.

During the year, this segment recorded interest income of approximately HK\$4,552,000 generated from financing operation (2017: approximately HK\$14,461,000) and realised loss of approximately HK\$10,397,000 on disposal of financial assets at fair value through profit or loss generated by securities investment operation (2017: Nil). Segment loss amounted to approximately HK\$482,352,000 (2017: profit of HK\$237,449,000). The turnaround to loss was mainly due to the loss of approximately HK\$409,850,000 arising on change in fair value of the financial assets at fair value through profit or loss recognised (2017: gain of approximately HK\$223,176,000) for the year.

The Group will remain watchful on market developments and will continue to be prudent in managing its investment portfolio for minimising the investment risk.

Natural Resources Operation

The Group operates the natural resources operation through a non-wholly owned subsidiary of the Company, P.T. Satwa Lestari Permai (“SLP”) which is a licensed mining company under the Laws of 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 and would expire on 18 November 2031 (“Mining Rights”), with estimate resources of approximately 18,800,000 tonnes. The estimate resource has no significant change during the year. Production has not been commenced since the Group acquired the Mining Rights in 2011.

This segment did not contribute any revenue to the Group for the year (2017: Nil). The segment loss amounted to approximately HK\$1,951,000, a decrease by 2.9% when compared with last year. The loss was mainly represented the administrative expenses for the year.

Despite the mineral market has significant improvement during the year, this segment is still facing various uncertainties factors, including but not limit to (i) the export restriction of extracted mineral products imposed by the Indonesia government which is still in force; (ii) an upward trend in exploitation and production cost which could reduce the profitability; and (iii) the unstable of the global economic and political conditions which could dampen the market price of mineral products. It is estimated that commercial production is not able to be commenced in short term. Nevertheless, the Group will keep a conservative attitude in the segment and closely monitor the market conditions as well as consider other options such as realisation of the investment should the opportunities arise.

Agricultural operation

The Group engaged in cattle raising business through a wholly owned subsidiary of the Company, Sociedad Agropecuaria Argotanto S.A. (“Argotanto”) in Bolivia. Argotanto owns approximately 5,100 hectares of farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia and is at the initial stage to start up cattle raising business. During the year, Argotanto sold 163 cattle at average selling price of US\$370 per cattle, which contributed revenue of approximately HK\$471,000 to the Group (2017: Nil) for the year. The segment loss amounted to approximately HK\$2,404,000.

As at 31 March 2018, the cattle farm raised 868 cattle. It is estimated that by improving facility, training worker and introducing advanced technology, the cattle farm could raise 6,000 cattle.

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

It considers that the aforesaid acquisition will provide the Group with a good opportunity to diversify its income sources and to build a strong foundation in agricultural operation.

OUTLOOK

Going forward, the Group will continue to explore investment opportunities and remain dedicated to constantly review, reinforce and, in appropriate circumstances, restructure its existing business segments with a view to enhancing and improving returns to the shareholders.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 March 2018, the equity reached approximately HK\$3,147,461,000 (2017: approximately HK\$3,643,398,000). At 31 March 2018, the Group's cash on hand and deposits in bank was approximately HK\$179,712,000 (2017: approximately HK\$429,651,000), mainly denominated in Renminbi ("RMB") and HK dollars. The decrease was mainly due to the deposit paid on acquisition of subsidiaries and the payment of the PRC Enterprise income tax for prior years. The Group had net current assets of approximately HK\$774,654,000 as at 31 March 2018 as compared with approximately HK\$1,588,133,000 as at 31 March 2017. The current ratio of the Group as at 31 March 2018 was 1.6 (2017: 2.4). The gearing ratio (total outstanding borrowings over total assets) of the Group as at 31 March 2018 was 24.8% (2017: 21.4%).

The Group had no particular seasonal pattern of borrowing. At 31 March 2018, the Group's borrowings of approximately HK\$1,119,651,000 were repayable within one year (2017: approximately HK\$1,040,134,000 repayable within one year and approximately HK\$3,759,000 repayable over one year). As at 31 March 2018, the average cost of financing was around 7.3% (2017: 8.3%) per annum. As at 31 March 2018, the Group borrowings were denominated in RMB and HKD, amounting to approximately RMB819,000,000 and approximately HK\$108,540,000, respectively.

There has been no change in the share capital of the Company during the year. As at 1 April 2017 and 31 March 2018, the number of issued shares of the Company was 6,078,669,363.

Pledged of Assets

At 31 March 2018, the Group's investment properties with carrying amounts of approximately HK\$650,257,000 (2017: approximately HK\$587,522,000) and hotel property with carrying amounts of approximately HK\$523,403,000 (2017: approximately 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 year, 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 31 March 2018, the Group had no material contingent liabilities (2017: Nil).

Capital Commitment

As at 31 March 2018, the Group had no material capital commitment (2017: Nil).

Material Acquisition and Disposal

Save for the information disclosed in other parts of this section, the Group did not have any material acquisition or disposal of subsidiaries or associates during the year ended 31 March 2018.

HUMAN RESOURCES

As at 31 March 2018, the Group employed approximately 120 employees (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 year ended 31 March 2018, 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 the Articles of Association of the Company, one-third of the directors (including executive and non-executive Directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The retiring director shall be eligible for re-election. This effectively means that no director will remain in office for more than three years without being re-elected by the Company's shareholders at a general meeting of the Company or otherwise. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

- (ii) Pursuant to the code provision E.2.1 of the CG Code, the chairman of the Board should attend the annual general meeting (“AGM”) to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2017 AGM due to other business engagements. He delegated the duty of answering and addressing questions raised by the shareholders of the Company at the 2017 AGM to the Executive Director, Mr. Lam Cheung Shing, Richard, who assumes the duty of chief executive officer of the Company.

Notwithstanding the aforesaid deviations, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

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 year.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Group for the year ended 31 March 2018 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 June 2018

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.