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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 2021

FINANCIAL HIGHLIGHTS

- Loss for the period amounted to HK\$18,090,000, representing a decrease of 67.1% as compared to the same period in 2020.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).
- At 30 September 2021, total equity amounted to HK\$2,000,655,000, representing a decrease of 0.7% as compared to HK\$2,014,463,000 as at 31 March 2021.
- At 30 September 2021, net assets per share was HK\$0.27, representing a decrease of 3.6% as compared to HK\$0.28 as at 31 March 2021.

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 2021, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

| | <i>Notes</i> | For the six months ended | |
|---|--------------|---------------------------------|--------------------|
| | | 30 September | 2020 |
| | | 2021 | 2020 |
| | | HK\$’000 | HK\$’000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 3 | 64,898 | 55,014 |
| Cost of sales | | (27,190) | (26,052) |
| Gross profit | | 37,708 | 28,962 |
| Other income and gain/(loss), net | 4 | 3,792 | 1,874 |
| Staff costs | | (16,120) | (14,527) |
| Depreciation of property, plant and equipment and right-of-use asset | | (8,236) | (7,915) |
| Impairment of property, plant and equipment | | – | (31,323) |
| Administrative costs | | (20,688) | (17,752) |
| Reversal of/(allowance for) expected credit losses (“ECL”) on trade and other receivables and loan receivables, net | | 7,597 | (1,477) |
| Gain arising on changes in fair value less costs to sell on biological assets | | 757 | 2,095 |
| Loss arising on changes in fair value of investment properties | | (9,639) | (23,596) |
| (Loss)/gain arising on changes in fair value of financial assets at fair value through profit or loss | | (2,738) | 53,636 |
| Loss from operations | 5 | (7,567) | (10,023) |
| Finance costs | 6 | (13,182) | (51,473) |
| Loss before taxation | | (20,749) | (61,496) |
| Tax credit | 7 | 2,659 | 6,590 |
| Loss for the period | | (18,090) | (54,906) |
| Attributable to: | | | |
| Owners of the Company | | (18,078) | (54,891) |
| Non-controlling interests | | (12) | (15) |
| | | (18,090) | (54,906) |
| Loss per share attributable to the owners of the Company | 8 | | |
| — Basic and diluted | | HK(0.248) cents | HK(0.753) cents |

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

| | For the six months ended 30 September | |
|--|--|--------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Loss for the period | (18,090) | (54,906) |
| Other comprehensive income | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Exchange differences on translation of overseas subsidiaries | 11 | 15,457 |
| Total comprehensive loss for the period | (18,079) | (39,449) |
| Total comprehensive loss attributable to: | | |
| Owners of the Company | (18,067) | (39,434) |
| Non-controlling interests | (12) | (15) |
| | (18,079) | (39,449) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2021

| | <i>Notes</i> | At 30 September 2021 <i>HK\$'000</i> (Unaudited) | At 31 March 2021 <i>HK\$'000</i> (Audited) |
|---|--------------|---|--|
| Non-current assets | | | |
| Investment properties | | 1,172,289 | 1,207,028 |
| Property, plant and equipment | | 866,407 | 847,506 |
| Right-of-use asset | | 1,231 | 870 |
| Mining rights | | 178,664 | 178,664 |
| Prepayment for property, plant and equipment | | 390 | 390 |
| | | <u>2,218,981</u> | <u>2,234,458</u> |
| Current assets | | | |
| Inventories | | 7,247 | 6,557 |
| Biological assets | | 27,039 | 21,783 |
| Trade and other receivables and prepayments | <i>10</i> | 63,128 | 77,727 |
| Loan receivables | <i>11</i> | 13,860 | 41,488 |
| Financial assets at fair value through profit or loss | <i>12</i> | 717,541 | 720,279 |
| Cash and cash equivalents | | 90,496 | 33,413 |
| | | <u>919,311</u> | <u>901,247</u> |
| Total assets | | <u>3,138,292</u> | <u>3,135,705</u> |
| Capital and reserves | | | |
| Share capital | | 2,664,298 | 2,664,298 |
| Reserves | | (701,533) | (687,737) |
| Equity attributable to owners of the Company | | 1,962,765 | 1,976,561 |
| Non-controlling interests | | 37,890 | 37,902 |
| Total equity | | <u>2,000,655</u> | <u>2,014,463</u> |

| | | At 30 September 2021 HK\$'000 (Unaudited) | At 31 March 2021 HK\$'000 (Audited) |
|--|----|---|---|
| Non-current liabilities | | | |
| Lease liabilities | | 578 | – |
| Bank borrowings | | 3,136 | 3,658 |
| Amount due to a related company | 14 | 244,639 | 202,075 |
| Deferred tax liabilities | | 90,434 | 93,509 |
| | | <u>338,787</u> | <u>299,242</u> |
| Current liabilities | | | |
| Trade and other payables and deposits received | 13 | 82,664 | 75,590 |
| Tax payable | | 6,237 | 6,237 |
| Lease liabilities | | 659 | 757 |
| Bank and other borrowings | | 184,045 | 36,340 |
| Amount due to a related company | 14 | 525,245 | 703,076 |
| | | <u>798,850</u> | <u>822,000</u> |
| Total liabilities | | <u>1,137,637</u> | <u>1,121,242</u> |
| Total equity and liabilities | | <u>3,138,292</u> | <u>3,135,705</u> |
| Net current assets | | <u>120,461</u> | <u>79,247</u> |
| Total assets less current liabilities | | <u>2,339,442</u> | <u>2,313,705</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial report has been prepared in accordance with the same accounting policies adopted in 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out as below.

The financial information relating to the year ended 31 March 2021 that is included in these condensed consolidated financial statements 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 is as follows:

The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. 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 condensed consolidated financial statements 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

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the current period for the preparation of the Group’s condensed consolidated financial statements:

| | |
|---|---|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 |

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

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 operating segments are summarised as follows:

| | | |
|---|---|--|
| Property investment operation | — | Leasing of rental property in the People's Republic of China (the "PRC") |
| Hotel operation | — | Hotel operation in the PRC |
| Agricultural operation | — | Agricultural farming and sales of crops and cattle raising and sales of cattle in the Plurinational State of Bolivia ("Bolivia") |
| Securities investment and financing operation | — | Provision of securities investment and financing operation in Hong Kong and the PRC |

Certain operating segments that do not meet the quantitative thresholds are therefore aggregate in "Other operations". Information regarding the above segments is reported below.

(a) Segment revenue and result

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

| | Segment revenue | | Segment result | |
|---|--|-------------|--|-------------|
| | For the six months ended 30 September | | For the six months ended 30 September | |
| | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Property investment operation | 15,350 | 14,858 | (451) | (14,369) |
| Hotel operation | 18,305 | 17,047 | (493) | (3,826) |
| Agricultural operation | 31,243 | 23,109 | 2,458 | (30,391) |
| Securities investment and financing operation | — | — | 3,945 | 53,016 |
| Other operations | — | — | (288) | (381) |
| Total | 64,898 | 55,014 | 5,171 | 4,049 |
| Interest income and other revenue | | | 3,792 | 1,874 |
| Unallocated expenses | | | (16,530) | (15,946) |
| Loss from operations | | | (7,567) | (10,023) |
| Finance costs | | | (13,182) | (51,473) |
| Loss before taxation | | | (20,749) | (61,496) |
| Tax credit | | | 2,659 | 6,590 |
| Loss for the period | | | (18,090) | (54,906) |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

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

(b) Segment assets and liabilities

| | At 30 September 2021 HK\$'000 (Unaudited) | At 31 March 2021 HK\$'000 (Audited) |
|---|--|--|
| Segment assets | | |
| Property investment operation | 1,234,849 | 1,262,649 |
| Hotel operation | 484,488 | 482,508 |
| Securities investment and financing operation | 765,829 | 761,781 |
| Agricultural operation | 426,562 | 424,725 |
| Other operations | 179,524 | 179,554 |
| | <hr/> | <hr/> |
| Total segment assets | 3,091,252 | 3,111,217 |
| Unallocated assets | 47,040 | 24,488 |
| | <hr/> | <hr/> |
| Consolidated total assets | <u>3,138,292</u> | <u>3,135,705</u> |
| Segment liabilities | | |
| Property investment operation | 44,686 | 44,866 |
| Hotel operation | 49,120 | 47,421 |
| Securities investment and financing operation | 90 | 180 |
| Agricultural operation | 52,378 | 53,496 |
| Other operations | 6,109 | 6,105 |
| | <hr/> | <hr/> |
| Total segment liabilities | 152,383 | 152,068 |
| Unallocated other borrowings | 183,000 | 33,000 |
| Unallocated liabilities | 796,017 | 929,937 |
| Tax payable | 6,237 | 6,237 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | <u>1,137,637</u> | <u>1,121,242</u> |

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

All assets related to property investment operation, hotel operation, agricultural operation, securities investment and financing operation and other operations are allocated to reportable segments other than certain property, plant and equipment, certain right-of-use asset, certain other receivables, certain prepayment and certain cash and cash equivalents that are not attributable to individual segments.

All liabilities related to property investment operation, hotel operation, agricultural operation, securities investment and financing operation and other operations are allocated to reportable segments other than certain other payables, certain other borrowings, certain lease liabilities and amount due to a related company that are not attributable to individual segments.

(c) Other segment information

For the six months ended 30 September 2021 (Unaudited)

| | Property Investment operation HK\$'000 | Hotel operation HK\$'000 | Securities Investment and financing operation HK\$'000 | Agricultural operation HK\$'000 | Unallocated HK\$'000 | Consolidated total HK\$'000 |
|---|---|--------------------------------|---|---------------------------------------|-------------------------|-----------------------------------|
| Other segment information | | | | | | |
| Depreciation of property, plant and equipment | 55 | 6,897 | - | 216 | 86 | 7,254 |
| Depreciation of right-of-use asset | - | - | - | - | 982 | 982 |
| Capital expenditure | - | - | - | 1,781 | - | 1,781 |
| Loss arising on change in fair value of investment properties | 9,639 | - | - | - | - | 9,639 |
| Loss arising on change in fair value of financial assets at fair value through profit or loss | - | - | 2,738 | - | - | 2,738 |
| Gain arising on change in fair value less cost to sell on biological assets | - | - | - | (757) | - | (757) |
| Reversal of ECL on trade and other receivables and loan receivables | - | (9) | (6,788) | (127) | (673) | (7,597) |

For the six months ended 30 September 2020 (Unaudited)

| | Property Investment operation HK\$'000 | Hotel operation HK\$'000 | Securities Investment and financing operation HK\$'000 | Agricultural operation HK\$'000 | Unallocated HK\$'000 | Consolidated total HK\$'000 |
|---|---|--------------------------------|---|---------------------------------------|-------------------------|-----------------------------------|
| Other segment information | | | | | | |
| Depreciation of property, plant and equipment | 54 | 6,320 | - | 374 | 123 | 6,871 |
| Depreciation of right-of-use asset | - | - | - | - | 1,044 | 1,044 |
| Impairment of property, plant and equipment | - | - | - | 31,323 | - | 31,323 |
| Capital expenditure | - | - | - | 893 | - | 893 |
| Loss arising on change in fair value of investment properties | 23,596 | - | - | - | - | 23,596 |
| Gain arising on change in fair value of financial assets at fair value through profit or loss | - | - | (53,636) | - | - | (53,636) |
| Gain arising on change in fair value less cost to sell on biological assets | - | - | - | (2,095) | - | (2,095) |
| (Reversal of)/allowance for ECL on trade and other receivables and loan receivables | (50) | (35) | 517 | (413) | 1,458 | 1,477 |

(d) **Geographical information**

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's investment properties, property, plant and equipment, right-of-use asset, mining rights and goodwill (collectively referred to as "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 | |
|-----------|------------------------------------|---------------|---------------------------------|------------------|
| | For the six months ended | | At | At |
| | 30 September | 30 September | 30 September | 31 March |
| | 2021 | 2020 | 2021 | 2021 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| Hong Kong | – | – | 26,608 | 26,779 |
| The PRC | 33,655 | 31,905 | 1,635,929 | 1,652,526 |
| Bolivia | 31,243 | 23,109 | 377,438 | 376,147 |
| Indonesia | – | – | 179,006 | 179,006 |
| | <u>64,898</u> | <u>55,014</u> | <u>2,218,981</u> | <u>2,234,458</u> |

(e) **Information about major customers**

Revenue from a major customer which contributing over 10% of the Group's total revenue is set out below:

| | For the six months ended | |
|-------------------------------------|--------------------------|---------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Agricultural operation – Customer A | <u>27,372</u> | <u>20,237</u> |

3. REVENUE

Revenue is analysed as follow:

| | For the six months ended | |
|--|--------------------------|---------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from contract with customers within the scope of HKFRS 15: | | |
| Revenue from contracts with customers | | |
| Hotel income | 18,305 | 17,047 |
| Agricultural operation | 31,243 | 23,109 |
| | <u>49,548</u> | <u>40,156</u> |
| Timing of revenue recognition | | |
| A point of time | | |
| Agricultural operation | 31,243 | 23,109 |
| Hotel income – food and beverage | 5,697 | 5,384 |
| Over time | | |
| Hotel income – hotel room services | 12,608 | 11,663 |
| | <u>49,548</u> | <u>40,156</u> |
| Revenue from other sources | | |
| Property rental income | 15,350 | 14,858 |
| | <u>64,898</u> | <u>55,014</u> |

4. OTHER INCOME AND GAIN/(LOSS), NET

| | For the six months ended | |
|----------------------------------|--------------------------|--------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Bank interest income | 236 | 62 |
| Net foreign exchange gain/(loss) | 1,597 | (138) |
| Other loan interest income | 421 | 479 |
| Investment income | 96 | 572 |
| Subsidy income (note) | 798 | – |
| Sundry income | 644 | 899 |
| | <u>3,792</u> | <u>1,874</u> |

Note: During the current period, the Group recognised subsidy income of approximately RMB622,000 (equivalent to approximately HK\$798,000) in respect of subsidies provided by the PRC's government.

5. LOSS FROM OPERATIONS

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

| | For the six months ended | |
|---|--------------------------|-----------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | 7,254 | 6,871 |
| Depreciation of right-of-use asset | 982 | 1,044 |
| Impairment of property, plant and equipment | – | 31,323 |
| (Reversal of)/allowance for ECL on trade and other receivables and loan receivables, net | (7,597) | 1,477 |
| Short-term lease payment | 136 | 129 |
| Expenses relating to leases of low value assets | 17 | 17 |
| Gross rental income from investment properties | (15,350) | (14,858) |
| Less: direct operating expenses from investment properties that generated rental income during the period | 489 | 852 |
| | <u>(14,861)</u> | <u>(14,006)</u> |

6. FINANCE COSTS

| | For the six months ended | |
|---|--------------------------|---------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interests on: | | |
| – Bank borrowings | 144 | 332 |
| – Other borrowings | 2,328 | 40,394 |
| – Lease liabilities | 20 | 63 |
| Imputed interest on amount due to a related company | 10,690 | 10,684 |
| | <u>13,182</u> | <u>51,473</u> |

7. TAX CREDIT

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| PRC Enterprise Income Tax | | |
| Current tax expenses | 416 | 4,255 |
| Over-provision in respect of prior years | — | (400) |
| | <u>416</u> | <u>3,855</u> |
| Deferred tax credit | <u>(3,075)</u> | <u>(10,445)</u> |
| | <u>(2,659)</u> | <u>(6,590)</u> |

Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

No provision for taxation in Hong Kong has been made as the Group has no assessable profit for Hong Kong Profit Tax for six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

The PRC Enterprise Income Tax

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

The Indonesia Corporate Tax

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

The Bolivia Corporate Tax

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

8. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

| | For the six months ended 30 September | |
|---|--|-----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | <u>(18,078)</u> | <u>(54,891)</u> |

| | For the six months ended 30 September | |
|--|--|----------------------|
| | 2021 | 2020 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>7,294,369,363</u> | <u>7,294,369,363</u> |

The diluted loss per share is the same as basic loss per share as the Company had no dilutive potential ordinary share outstanding for the six months ended 30 September 2021 and 2020.

9. INTERIM DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the six months ended 30 September 2021 and 2020.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | At 30 September 2021 <i>HK\$'000</i> (Unaudited) | At 31 March 2021 <i>HK\$'000</i> (Audited) |
|-----------------------------------|--|--|
| Trade receivables | | |
| 0 to 30 days | 559 | 525 |
| 31 to 60 days | – | – |
| 61 to 90 days | – | 2,792 |
| 91 to 180 days | 491 | – |
| Over 180 days | 324 | 1,864 |
| | <u>1,374</u> | <u>5,181</u> |
| Other receivables and prepayments | <u>212,073</u> | <u>223,674</u> |
| | 213,447 | 228,855 |
| Less: allowance for ECL, net | <u>(149,929)</u> | <u>(150,738)</u> |
| | 63,518 | 78,117 |
| Less: non-current portion | <u>(390)</u> | <u>(390)</u> |
| | <u><u>63,128</u></u> | <u><u>77,727</u></u> |

The average credit period granted to customers is 60 to 90 days (31 March 2021: 60 to 90 days). The Group does not hold any collateral over these balances.

The Group's other receivables and prepayments as at 30 September 2021 and 31 March 2021, mainly include the following:

- (i) approximately HK\$151,679,000 (31 March 2021: HK\$151,679,000) paid for acquisition and construction of several potential water plant project in the PRC; and
- (ii) approximately HK\$390,000 (31 March 2021: HK\$390,000) paid for acquisition of land.

11. LOAN RECEIVABLES

| | At 30 September 2021 <i>HK\$'000</i> (Unaudited) | At 31 March 2021 <i>HK\$'000</i> (Audited) |
|------------------------------|--|--|
| Loan receivables | 20,519 | 61,006 |
| Less: allowance for ECL, net | <u>(6,659)</u> | <u>(19,518)</u> |
| | <u>13,860</u> | <u>41,488</u> |

The amount of approximately HK\$20,519,000 (31 March 2021: HK\$61,006,000) were secured by collateral providing by customers with fixed repayment terms.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | At 30 September 2021 <i>HK\$'000</i> (Unaudited) | At 31 March 2021 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Held for trading: | | |
| Listed equity securities – the PRC, at fair value | <u>717,541</u> | <u>720,279</u> |

Notes:

- (i) At 30 September 2021, no financial asset at fair value through profit or loss have been pledged to secure loan facilities granted to the Group (31 March 2021: HK\$719,289,000).
- (ii) The fair value of all equity securities is based on their closing prices as at 30 September 2021 and 31 March 2021 in an active market.

13. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

| | At 30 September 2021 <i>HK\$'000</i> (Unaudited) | At 31 March 2021 <i>HK\$'000</i> (Audited) |
|--------------------------------------|--|--|
| Trade payables | | |
| 0 to 30 days | 6,995 | 2,369 |
| 31 to 60 days | 2,927 | 3,098 |
| Over 60 days | 6,623 | 8,918 |
| | <u>16,545</u> | <u>14,385</u> |
| Other payables and deposits received | <u>66,119</u> | <u>61,205</u> |
| | <u>82,664</u> | <u>75,590</u> |

The average credit period granted by supplier is 30 to 60 days (31 March 2021: 30 to 60 days).

The Group's other payables and deposits received as at 30 September 2021 and 31 March 2021, inter alia, the followings:

- (i) interest payable of approximately HK\$3,982,000 (31 March 2021: HK\$5,274,000);
- (ii) deposit of decoration expenses received from Heilongjiang Interchina of approximately HK\$6,386,000 (31 March 2021: HK\$6,386,000); and
- (iii) amount due to a director of the Company of approximately HK\$13,163,000 (31 March 2021: HK\$8,543,000) which is unsecured, unguaranteed, interest-free and repayable on demand.

14. AMOUNT DUE TO A RELATED COMPANY

As at 30 September 2021, the carrying amount of amount due to a related company of approximately HK\$244,639,000 (31 March 2021: HK\$202,075,000) represents an unsecured, unguaranteed and interest-free with principal amount of approximately HK\$277,108,000 (31 March 2021: HK\$240,964,000) from Shanghai Pengxin (Group) Company Limited (“**Shanghai Pengxin**”), which is controlled by Mr. Jiang Zhaobai (“**Mr. Jiang**”), who is a substantial shareholder, the executive director and chairman of the Company, which will mature and become repayable on 31 December 2022. The loan is carried at amortised cost using the effective interest method. The effective interest rate applied was 10.6% (31 March 2021: 10.6%) per annum. On 30 September 2021, Shanghai Pengxin granted a repayment extension on a portion of RMB30,000,000 (approximately of HK\$36,144,000) to the Company. The difference of the principal and the fair value of the loan amounting to approximately HK\$4,271,000 (31 March 2021: HK\$43,907,000) was credited as deemed capital contribution from a substantial shareholder.

As at 30 September 2021, the principal amount of amount due to a related company of approximately HK\$525,245,000 (31 March 2021: HK\$703,076,000) is unsecured, unguaranteed, interest-free and repayable on demand from Shanghai Pengxin.

15. EVENTS AFTER THE REPORTING PERIOD

- (a) On 31 October 2021, Interchina Tianjin and each of the purchasers including Shanghai Pengxin, Mr. Jiang and Mr. Jiang Lei (the “**Purchasers**”) entered into an extension letter in relation to the disposal of 227,312,500 shares of Heilongjiang Interchina under the disposal agreements dated 27 May 2021 (the “**Disposal Agreements**”), pursuant to which all parties agreed to extend the long stop date from 31 October 2021 to 30 November 2021, or such later date as the parties may agree. Details of which are set out in the Company’s announcement dated 1 November 2021.

- (b) On 29 November 2021, Interchina Tianjin and each of the Purchasers entered into a termination agreement, pursuant to which all parties agreed to terminate the disposal of 227,312,500 shares of Heilongjiang Interchina under the Disposal Agreements with immediate effect. Details of which are set out in the Company’s announcement dated 29 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

For the six months ended 30 September 2021, the Group's revenue amounted to approximately HK\$64,898,000 (six months ended 30 September 2020: HK\$55,014,000), representing an increase of approximately 18.0% as compared with the last corresponding period. Such increase was mainly due to the increase in revenue from agricultural operation by approximately HK\$8,134,000 as a result of the increase in average selling price of soybean as compared with the last corresponding period.

The Group recorded a loss of approximately HK\$18,090,000 for the six months ended 30 September 2021 (six months ended 30 September 2020: HK\$54,906,000), representing a decrease of approximately 67.1% as compared with the last corresponding period, which was mainly due to the net effect of (i) no impairment loss on the Group's property, plant and equipment was recognised for the period (six months ended 30 September 2020: HK\$31,323,000); (ii) loss on changes in fair value of the Group's investment properties of approximately HK\$9,639,000 (six months ended 30 September 2020: HK\$23,596,000); (iii) loss on changes in fair value of financial assets at fair value through profit and loss of approximately HK\$2,738,000 (six months ended 30 September 2020: gain of approximately HK\$53,636,000); and (iv) finance costs decreased by approximately HK\$38,291,000 to approximately HK\$13,182,000 for the period as a result of decrease in finance cost arisen from other borrowings.

Loss for the period attributable to shareholders of the Company amounted to approximately HK\$18,078,000 (six months ended 30 September 2020: HK\$54,891,000). The basic and diluted loss per share amounted to HK0.248 cents (six months ended 30 September 2020: HK0.753 cents).

BUSINESS REVIEW

Property Investment Operation

The Group's property investment operation mainly comprise two investment properties located in the centre of Beijing and Shanghai (collectively referred to as the "**Beijing Property**" and "**Shanghai Property**") respectively. At 30 September 2021, the Beijing Property was valued at approximately HK\$615,662,000 (31 March 2021: HK\$615,663,000) and the Shanghai Property was valued at approximately HK\$556,627,000 (31 March 2021: HK\$566,265,000). Based on the independent valuation, loss on changes in fair value of investment properties of approximately HK\$9,639,000 was recorded for the period (six months ended 30 September 2020: HK\$23,596,000). The downward adjustment in the re-valuation was mainly derived from the decrease in fair value of the Shanghai Property due to the persistence of COVID-19 pandemic has adversely affected the fair value of investment properties.

During the period, rental income generated from property investment operation slightly increased by 3.3% to approximately HK\$15,350,000 (six months ended 30 September 2020: HK\$14,858,000), which accounted for 23.7% of total revenue. As impacted by the epidemic of the COVID-19, the average occupancy rate of the Shanghai Property further reduced from 51% at 31 March 2021 to 43% at 30 September 2021. The average occupancy rate of the Beijing Property stay flat at approximately 99% as of 30 September 2021. The segment loss amounted to approximately HK\$451,000 (six months ended 30 September 2020: HK\$14,369,000). The decrease in loss was mainly attributable to decrease in the loss on changes in fair value of the Group's investment properties for the period.

The Group will from time to time review its investment properties portfolio and make every endeavour to increase its rental income.

Hotel Operation

At 30 September 2021, the sole hotel property held by the Group, is the Holiday Inn Express Shanghai Wujiaochang (the “**Hotel**”) 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 Hotel participates the medical observation program organised by the Health Commission of Yangpu District, Shanghai and becomes quarantine hotel by the end of March 2020. Visitor of Shanghai could stay in the Hotel during the medical observation period. It could procure a steady income stream and cash flow to the Hotel during this difficult time. As a result, the average occupancy rate of the Hotel was maintained at approximately the same level as the same period of last year i.e. 95%.

During the period, revenue generated from hotel operation increased by 7.4% to approximately HK\$18,305,000 (six months ended 30 September 2020: HK\$17,047,000), which accounted for 28.2% of total revenue. The segment loss amounted to approximately HK\$493,000 (six months ended 30 September 2020: HK\$3,826,000), representing a decrease by approximately 87.1% when compared with the same period of last year.

The COVID-19 pandemic has increased the investment risk to the Group's hotel operation. Timetable of full recovery remains uncertain. The Group will review its investment strategy for this segment. We will closely monitor the property market change and not eliminate the possibility of realising its investments to enhance the Group's working capital if necessary and when timing is appropriate.

Agricultural operation

The Group's agricultural operation engages in agricultural farming and cattle raising in Bolivia. As at 30 September 2021, the Group totally owns approximately 18,730 hectares of farmland in Bolivia with carrying value of approximately HK\$345,156,000 (31 March 2021: HK\$345,156,000).

During the period, revenue generated from agricultural operation increased by 35.2% to approximately HK\$31,243,000 (six months ended 30 September 2020: HK\$23,109,000), which account for 48.1% of total revenue. The major crops of the farm is soybean. During the period, approximately 4,100 hectares of soybeans was planted, the average yield was 2.2 ton per hectare with a grain production of approximately 9,000 tonnes. The average selling price of soybean was US\$390/MT, representing an increase of 30% as compared to the same period of last year. The segment profit amounted to approximately HK\$2,458,000 (six months ended 30 September 2020: loss of HK\$30,391,000). The turnaround to profit was mainly no impairment loss on the Group's property, plant and equipment was recognised for the period (six months ended 30 September 2020: HK\$31,323,000) and increase in revenue for the period.

In view of the global demand and supply of soybean have been rising, we are confident that this segment will continue to make stable contribution to the Group's revenue and cash-flow stream in the time ahead.

Securities Investment and Financing Operation

During the period, the Group did not make any new securities investment nor grant any new loan. This segment did not contribute any revenue to the Group for the period (six months ended 30 September 2020: Nil). The segment profit amounted to approximately HK\$3,945,000 for the period (six months ended 30 September 2020: HK\$53,016,000). The decrease in profit was mainly due to the loss of HK\$2,738,000 arising on change in fair value of the financial assets at fair value through profit or loss recognised for the period (six months ended 30 September 2020: gain of HK\$53,636,000).

As at 30 September 2021, total securities investment, which was booked under financial assets at fair value through profit and loss amounted to approximately HK\$717,541,000 (31 March 2021: HK\$720,279,000), representing 35.9% (31 March 2021: 35.8%) of the Group's net assets of HK\$2,000,655,000 (31 March 2021: HK\$2,014,463,000) and total loan receivable under financing operation amounted to approximately HK\$13,860,000 (31 March 2021: HK\$41,488,000).

As at 30 September 2021, the Group through Interchina (Tianjin) Water Treatment Company Limited (“**Interchina Tianjin**”), a wholly-owned subsidiary of the Company solely held 227,312,500 shares of Heilongjiang Interchina Water Treatment Company Limited (“**Heilongjiang Interchina**”, whose shares are listed on Shanghai Stock Exchange, stock code: 600187), representing 13.74% Heilongjiang Interchina’s total issued shares. The cost of investment in Heilongjiang Interchina’s share was approximately RMB1.1059 at 30 September 2021 (31 March 2021: RMB1.1059). The Group recorded an unrealised loss of investment at fair value through profit or loss of HK\$2,738,000 for the investment in Heilongjiang Interchina for the period.

Heilongjiang Interchina and its subsidiaries are principally engaged in the provision of sewage water treatment, water supply and the provision of environmental technology services. As disclosed in the latest interim report of Heilongjiang Interchina for the six months ended 30 June 2021, Heilongjiang Interchina recorded revenue of approximately RMB165,336,000 (equivalent to approximately HK\$199,200,000), profit for the period of approximately RMB1,797,000 (equivalent to approximately HK\$2,165,000) and net assets of approximately RMB3,493,080,000 (equivalent to approximately HK\$4,208,530,000). Heilongjiang Interchina currently operates eight sewage and water supply projects with aggregate daily processing capacity of approximately 513,400 tonnes and a clean energy project in the PRC.

On 27 May 2021, Interchina Tianjin entered into disposal agreements (the “**Disposal Agreements**”) with Shanghai Pengxin (Group) Company Limited (“**Shanghai Pengxin**”), a company owned as to 99% by Mr. Jiang Zhaobai (“**Mr. Jiang**”), an executive Director, the Chairman and a substantial shareholder of the Company, Mr. Jiang and Mr. Jiang Lei, the brother of Mr. Jiang, pursuant to which Interchina Tianjin has conditionally agreed to sell and Shanghai Pengxin, Mr. Jiang and Mr. Jiang Lei have conditionally agreed to purchase total 227,312,500 shares in Heilongjiang Interchina at an aggregate consideration of RMB534,184,375 (equivalent to approximately HK\$643,596,000) (the “**Disposal**”). The transaction constitutes a major and connected transaction of the Company under the Listing Rules. Details of the transaction were set out in the Company’s announcement dated 27 May 2021. The transaction was approved by the shareholders of the Company at the general meeting held on 3 September 2021.

As one of the conditions precedent to the Disposal (being confirmation from the Shanghai Stock Exchange in relation to the signing of the Disposal Agreements) cannot be fulfilled, Interchina Tianjin and each of the Purchasers including Shanghai Pengxin, Mr. Jiang and Mr. Jiang Lei therefore entered into termination agreements (the “**Termination Agreements**”) on 29 November 2021 to terminate the Disposal under the Disposal Agreements with immediate effect. Pursuant to the Termination Agreements all rights and obligations of Interchina Tianjin and each of the Purchasers under the Disposal Agreements shall cease to have effect, and neither party shall make any claims against the other party in connection with the Disposal.

The investment in Heilongjiang Interchina will continue to be financial assets at fair value through profit or loss of the Group.

Other operation

On 23 September 2021, the Company entered into the JV Agreement with Pengxin International Mining Co., Ltd (the “**Pengxin Mining**”) in relation to the formation of the joint venture company (“**JV Company**”), which will be owned as to 12.5% by the Company and as to 87.5% by the JV partner. The formation of the JV Company enables the Group to leverage on Pengxin Mining’s capital and capabilities in principally geological survey and subsequently, if appropriate, operating and management of mining assets owned by the Group. In long run, the project can generate economic benefit to the Group. The transaction constitutes a connected transaction of the Company under the Listing Rules. Details of the transaction were set out in the Company’s announcement dated 23 September 2021.

OUTLOOK

Looking ahead, the business outlook will face enormous challenges. The Group will pay close attention to the development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group. At same time, we will constantly review, reinforce and, in appropriate circumstance, restructure its existing business segments to maintain the sustainable long-term growth of the Group.

In the meanwhile, the Group will grasp investment opportunities to diversify the Group’s business with an aim to improving its profitability, increasing shareholder returns, and laying a solid foundation for its future development.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 September 2021, the equity reached approximately HK\$2,000,655,000 (31 March 2021: approximately HK\$2,014,463,000). At 30 September 2021, the Group’s cash on hand and deposits in bank was approximately HK\$90,496,000 (31 March 2021: approximately HK\$33,413,000), mainly denominated in Renminbi (“**RMB**”) and Hong Kong dollars. At 30 September 2021, the Group’s net current assets were approximately HK\$120,461,000 (31 March 2021: approximately HK\$79,247,000). The current ratio of the Group as at 30 September 2021 was 1.15 (31 March 2021: 1.10). The gearing ratio (total outstanding borrowings including the amount due to a related company over total assets) of the Group as of 30 September 2021 was 30.5% (31 March 2021: 30.1%).

The Group had no particular seasonal pattern of borrowing. At 30 September 2021, the Group's total borrowings including the amount due to a related company of approximately HK\$957,065,000 (31 March 2021: approximately HK\$945,149,000), which mainly comprised secured bank borrowings of approximately HK\$4,181,000 (31 March 2021: approximately HK\$6,998,000), secured other borrowings of approximately HK\$167,000,000 (31 March 2021: approximately HK\$17,000,000) and unsecured other borrowings of approximately HK\$16,000,000 (31 March 2021: approximately HK\$16,000,000). As at 30 September 2021, the Group's borrowings were denominated in RMB, HKD and USD, amounting to approximately RMB639,004,000 (31 March 2021: approximately RMB751,275,000), approximately HK\$183,000,000 (31 March 2021: approximately HK\$33,000,000) and approximately US\$536,000 (31 March 2021: approximately US\$897,000) respectively.

There has been no change in the share capital of the Company during the period. As at 1 April 2021 and 30 September 2021, the number of issued shares of the Company was 7,294,369,363.

Pledged of Assets

At 30 September 2021, the Group's bank and other borrowings were secured by charges on (i) the Group's property, plant and equipment with carrying amounts of approximately HK\$25,100,000 (31 March 2021: Nil); (ii) the Group's freehold land with carrying amounts of approximately HK\$152,473,000 (31 March 2021: approximately HK\$152,473,000); and (iii) certain subsidiaries of the Group with carrying amounts of approximately HK\$269,246,000 (31 March 2021: 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 during the six months ended 30 September 2021.

Contingent Liability

As at 30 September 2021, the Group had no material contingent liabilities (31 March 2021: Nil).

Capital Commitment

As at 30 September 2021, the Group had approximately HK\$6,024,000 (31 March 2021: Nil) capital commitment in respect of capital contribution to a joint venture company.

Foreign Exchange Exposure

The majority of the Group's assets and liabilities are denominated in Renminbi, Hong Kong dollars and US dollars which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

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 2021 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 2021, the Group employed approximately 153 employees (31 March 2021: approximately 153). 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 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE CODE

Throughout the period under review, the Company had complied, to the extent applicable and permissible, with the code provision as set out in the Corporate Governance Code (the “**CG Code**”) except for the deviations as stated below:

- (i) The code provision A4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. Currently, all Directors (including independent non-executive Directors) was not appointed for a specific term but all Directors are subject to retirement by rotation and re-election at the annual general meeting (“**AGM**”) in accordance with the Articles of Association (“**Articles**”). Moreover, according to the Articles, all Directors newly appointed to fill a casual vacancy are subject to election at the next following general meeting following their appointments. Code provision D.1.4 of the CG Code stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. All Directors, except independent non-executive Directors, have formal letters of appointment. The independent non-executive Directors have followed the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. The independent non-executive Directors clearly understand role and responsibilities of independent non-executive Directors. The Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those prescribed by code provisions A.4.1 and D.1.4 of the CG Code and therefore does not intend to take any steps in this regard at the moment.
- (ii) The code provision E.2.1 of the CG Code stipulates that the chairman of the Board should attend the AGM to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the AGM held on 3 September 2021 due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.
- (iii) The code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Ho Yiu Yue, Louis, being an independent non-executive Director was unable to attend the AGM and the general meeting of the Company held on 3 September 2021, due to sickness. Considering that all other independent non-executive Directors attended the meetings, the Board is of the view that the Board gained and developed a balanced understanding of the views of the shareholders of the Company.

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 for the six months ended 30 September 2021.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2021 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 Mr. Ng Ge Bun.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Group for the six months ended 30 September 2021 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, 30 November 2021

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