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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 2020**

FINANCIAL HIGHLIGHTS

- Loss for the period amounted to HK\$54,906,000, representing a decrease of 79.5% as compared to the same period in 2019.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).
- At 30 September 2020, total equity amounted to HK\$1,956,211,000, representing a decrease of 1.7% as compared to HK\$1,989,547,000 as at 31 March 2020.
- At 30 September 2020, net assets per share was HK\$0.268, representing a decrease of 1.8% as compared to HK\$0.273 as at 31 March 2020.

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 2020, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	<i>Notes</i>	For the six months ended	
		2020	2019
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	3	55,014	69,882
Cost of sales		(26,052)	(23,397)
Gross profit		28,962	46,485
Other income and gain, net	4	1,874	2,889
Staff costs		(14,527)	(16,661)
Depreciation of property, plant and equipment and right-of-use assets		(7,915)	(7,837)
Impairment of property, plant and equipment		(31,323)	—
Administrative costs		(17,752)	(16,272)
Allowance for expected credit losses on trade and other receivables and prepayments and loan receivables, net		(1,477)	(14,794)
Gain/(loss) arising on change in fair value less costs to sell on biological assets		2,095	(1,437)
Loss arising on change in fair value of investment properties		(23,596)	(21,111)
Gain/(loss) arising on change in fair value of financial asset at fair value through profit or loss		53,636	(191,953)
Loss from operations	5	(10,023)	(220,691)
Finance costs	6	(51,473)	(51,608)
Loss before taxation		(61,496)	(272,299)
Tax credit	7	6,590	4,665
Loss for the period		(54,906)	(267,634)
Attributable to:			
Owners of the Company		(54,891)	(267,616)
Non-controlling interests		(15)	(18)
		(54,906)	(267,634)
Loss per share attributable to the owners of the Company	8		
— Basic and diluted		HK(0.753) cents	HK(3.669) cents

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(54,906)	(267,634)
Other comprehensive income		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Exchange differences on translation of overseas subsidiaries	<u>15,457</u>	<u>(102,790)</u>
Total comprehensive loss for the period	<u>(39,449)</u>	<u>(370,424)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(39,434)	(370,406)
Non-controlling interests	<u>(15)</u>	<u>(18)</u>
	<u>(39,449)</u>	<u>(370,424)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020

	<i>Notes</i>	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		1,144,201	1,155,100
Property, plant and equipment		825,135	858,811
Mining rights		178,664	178,664
Goodwill		–	–
Right-of-use assets		1,913	2,957
		<u>2,149,913</u>	<u>2,195,532</u>
Current assets			
Inventories		7,481	6,463
Biological assets		23,953	20,501
Trade and other receivables and prepayments	<i>10</i>	135,677	136,879
Loan receivables	<i>11</i>	42,264	42,781
Financial asset at fair value through profit or loss		638,518	578,384
Cash and cash equivalents		16,175	16,188
		<u>864,068</u>	<u>801,196</u>
Total assets		<u>3,013,981</u>	<u>2,996,728</u>
Capital and reserves			
Share capital		2,664,298	2,664,298
Reserves		(746,010)	(712,689)
		<u>1,918,288</u>	<u>1,951,609</u>
Equity attributable to owners of the Company		1,918,288	1,951,609
Non-controlling interests		37,923	37,938
		<u>1,956,211</u>	<u>1,989,547</u>
Total equity		<u>1,956,211</u>	<u>1,989,547</u>

		At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		–	757
Bank and other borrowings		4,181	4,703
Amount due to a related company	<i>14</i>	148,211	137,935
Deferred tax liabilities		97,464	107,472
		<u>249,856</u>	<u>250,867</u>
Current liabilities			
Trade and other payables and deposits received	<i>12</i>	85,146	71,009
Contract liabilities		–	1,255
Tax payable		6,235	6,259
Amount due to a related company	<i>14</i>	49,326	–
Lease liabilities		1,869	2,197
Bank and other borrowings	<i>13</i>	665,338	675,594
		<u>807,914</u>	<u>756,314</u>
Total liabilities		<u>1,057,770</u>	<u>1,007,181</u>
Total equity and liabilities		<u>3,013,981</u>	<u>2,996,728</u>
Net current assets		<u>56,154</u>	<u>44,882</u>
Total assets less current liabilities		<u>2,206,067</u>	<u>2,240,414</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group (the “**Interim Financial Statement**”) for the six months ended 30 September 2020 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The financial statements relating to the year ended 31 March 2020 that is included in the Interim Financial Statement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditors have reported on the financial statements for the year ended 31 March 2020. The auditor report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

- investment properties;
- biological assets; and
- financial asset at fair value through profit or loss

The Interim Financial Statement has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2020, except for the impact of the adoption of the new and revised HKAS, Hong Kong Financial Reporting Standards (“**HKFRSs**”) and interpretations described below.

New and amendments to HKFRSs that are mandatorily effective for the current period

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKFRS 3 (Amendments)	Definition of a Business

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current 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 unaudited 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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property investment operation	14,858	31,496	(14,369)	1,805
Hotel operation	17,047	17,348	(3,826)	516
Agricultural operation	23,109	21,038	(30,391)	(5,175)
Securities investment and financing operation	—	—	53,016	(201,743)
Other operations	—	—	(381)	(800)
Total	55,014	69,882	4,049	(205,397)
Interest income and other revenue			1,874	2,889
Unallocated expenses			(15,946)	(18,183)
Loss from operations			(10,023)	(220,691)
Finance costs			(51,473)	(51,608)
Loss before taxation			(61,496)	(272,299)
Tax credit			6,590	4,665
Loss for the period			(54,906)	(267,634)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 September 2020 (six months ended 30 September 2019: 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 tax credit. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Segment assets		
Property investment operation	1,249,686	1,257,795
Hotel operation	449,728	451,052
Securities investment and financing operation	680,796	621,178
Agricultural operation	433,420	463,407
Other operations	179,642	179,648
	<hr/>	<hr/>
Total segment assets	2,993,272	2,973,080
Unallocated assets	20,709	23,648
	<hr/>	<hr/>
Consolidated total assets	3,013,981	2,996,728
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Property investment operation	58,691	60,318
Hotel operation	45,648	44,869
Securities investment and financing operation	90	180
Agricultural operation	63,201	66,590
Other operations	6,024	5,965
	<hr/>	<hr/>
Total segment liabilities	173,654	177,922
Unallocated bank and other borrowings	626,966	642,222
Unallocated liabilities	250,915	180,778
Tax payable	6,235	6,259
	<hr/>	<hr/>
Consolidated total liabilities	1,057,770	1,007,181
	<hr/> <hr/>	<hr/> <hr/>

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 assets, certain other receivables, certain prepayments 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 bank and 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 2020 (Unaudited)

	Property investment operation HK\$'000	Hotel operation HK\$'000	Securities investment and financing operation HK\$'000	Agricultural operation HK\$'000	Other operations HK\$'000	Unallocated amount 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 assets	-	-	-	-	-	1,044	1,044
Impairment of property, plant and equipment	-	-	-	31,323	-	-	31,323
							<u>39,238</u>
Capital expenditure (Note)	-	-	-	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 asset at fair value through profit or loss	-	-	(53,636)	-	-	-	(53,636)
Gain arising on change in fair value less costs to sell on biological assets	-	-	-	(2,095)	-	-	(2,095)

Note: Capital expenditure includes addition to property, plant and equipment, excluding biological assets.

For the six months ended 30 September 2019 (Unaudited)

	Property investment operation HK\$'000	Hotel operation HK\$'000	Securities investment and financing operation HK\$'000	Agricultural operation HK\$'000	Other operations HK\$'000	Unallocated amount HK\$'000	Consolidated total HK\$'000
Other segment information							
Depreciation of property, plant and equipment	53	6,537	-	36	-	126	6,752
Depreciation of right-of-use assets	42	-	-	-	-	1,043	1,085
							<u>7,837</u>
Capital expenditure (Note)	-	-	-	11,593	-	-	11,593
Loss arising on change in fair value of investment properties	21,111	-	-	-	-	-	21,111
Loss arising on change in fair value of financial asset at fair value through profit or loss	-	-	191,953	-	-	-	191,953
Loss arising on change in fair value less costs to sell on biological assets	-	-	-	1,437	-	-	1,437

Note: Capital expenditure includes addition to property, plant and equipment, excluding biological assets, acquired from acquisition of subsidiaries.

(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 assets and mining rights (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 30 September		As at 30 September	As at 31 March
	2020	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	–	–	27,947	29,115
The PRC	31,905	48,844	1,564,451	1,576,819
Bolivia	23,109	21,038	378,382	410,465
Indonesia	–	–	179,133	179,133
	<u>55,014</u>	<u>69,882</u>	<u>2,149,913</u>	<u>2,195,532</u>

(e) **Information from 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Agricultural operation — Customer A	<u>20,237</u>	<u>20,997</u>

3. REVENUE

Revenue is analysed as follow:

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from contracts with customers		
Hotel income	17,047	17,348
Agricultural operation	23,109	21,038
	<u>40,156</u>	<u>38,386</u>
Timing of revenue recognition		
A point of time:		
Agricultural operation	23,109	21,038
Hotel income — food and beverage	5,384	—
Overtime:		
Hotel income — hotel room services	11,663	17,348
	<u>40,156</u>	<u>38,386</u>
Revenue from other sources		
Property rental income	14,858	31,496
	<u>55,014</u>	<u>69,882</u>

4. OTHER INCOME AND GAIN, NET

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	62	156
Net foreign exchange (loss)/gain	(138)	3
Other loan interest income	479	496
Investment income	572	420
Sundry income	899	1,814
	<u>1,874</u>	<u>2,889</u>

5. LOSS FROM OPERATIONS

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

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	6,871	6,752
Depreciation of right-of-use assets	1,044	1,085
Impairment of property, plant and equipment	31,323	–
Allowance for expected credit losses (“ECL”) on trade, other receivables and prepayments and loan receivables, net	1,477	14,794
Operating lease rentals in respect of premises	–	397
Short-term lease payment	129	184
Expenses relating to leases of low value assets	17	18
Gross rental income from investment properties	(14,858)	(31,496)
Less: direct operating expenses from investment properties that generated rental income during the period	852	5,432
	(14,006)	(26,064)

6. FINANCE COSTS

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
— Bank borrowings	332	492
— Other borrowings	40,394	50,996
— Lease liabilities	63	120
Imputed interest on amount due to a related company	10,684	–
	51,473	51,608

7. TAX CREDIT

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
— Current tax expenses	4,255	2,204
— Over provision in prior years	(400)	—
	<u>3,855</u>	<u>2,204</u>
Deferred tax credit	<u>(10,445)</u>	<u>(6,869)</u>
Taxation credit	<u>(6,590)</u>	<u>(4,665)</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 condensed 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 Profits Tax for the six months ended 30 September 2020 (six months ended 30 September 2019: 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 and diluted loss per share is based on the following data:

	For the six months ended 30 September	
	2020	2019
	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>(54,891)</u>	<u>(267,616)</u>
	For the six months ended 30 September	
	2020	2019
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 shares outstanding for the six months ended 30 September 2020 and 2019.

9. INTERIM DIVIDEND

The directors of the company did not recommend the payment of any dividend for the six months ended 30 September 2020 and 2019.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 September 2020	At 31 March 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	7,508	10,091
Less: allowance for ECL	<u>(409)</u>	<u>(713)</u>
	<u>7,099</u>	<u>9,378</u>
Other receivables and prepayments	223,462	220,204
Less: allowance for ECL	<u>(94,884)</u>	<u>(92,703)</u>
	<u>128,578</u>	<u>127,501</u>

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

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Hong Kong dollar	17,742	19,691
Renminbi ("RMB")	88,004	92,191
US dollar ("USD")	29,931	24,997
	<u>135,677</u>	<u>136,879</u>

The following is an aging analysis of trade receivables based on invoice date and net of ECL:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	376	1,322
31 to 60 days	2,524	63
61 to 90 days	709	1,089
91 to 180 days	336	6,159
Over 180 days	3,154	745
	<u>7,099</u>	<u>9,378</u>

Movement in the allowances for ECL of trade receivables were as follow:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
At beginning of the period/year	713	17
(Reversal of)/allowance for ECL	(306)	698
Exchange alignment	2	(2)
At end of the period/year	<u>409</u>	<u>713</u>

The average credit period granted to customers is 60 to 90 days (31 March 2020: 60 to 90 days).

Movement in the allowances for ECL of other receivables and prepayments were as follow:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
At beginning of the period/year	92,703	93,751
Allowance for ECL	1,266	4,039
Exchange alignment	915	(5,087)
	<u>94,884</u>	<u>92,703</u>

The Group's other receivables and prepayments as at 30 September 2020 and 31 March 2020, net of ECL, inter alia, the following:

- (i) other receivable of approximately HK\$39,642,000 (31 March 2020: HK\$39,202,000) paid for acquisition of several potential water plant project in the PRC; and
- (ii) prepayments of approximately HK\$35,780,000 (31 March 2020: HK\$35,382,000) paid various contractors for construction of environmental protection and water treatment projects in the PRC.

11. LOAN RECEIVABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Loan receivables	61,006	61,006
Less: allowance for ECL	(18,742)	(18,225)
	<u>42,264</u>	<u>42,781</u>

The amount of approximately HK\$61,006,000 (31 March 2020: HK\$61,006,000) were secured by collateral providing by customers.

Movement in the allowance for ECL of loan receivables were as follow:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
At beginning of the period/year	18,225	8,531
Allowance for ECL	517	9,694
	<u>18,742</u>	<u>18,225</u>

The impaired individual debtor of loan 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.

12. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The following is analysis of trade and other payables and deposits received:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	15,940	11,319
Other payables and deposits received	<u>69,206</u>	<u>59,690</u>
	<u><u>85,146</u></u>	<u><u>71,009</u></u>

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

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Hong Kong dollar	22,683	16,212
RMB	41,510	35,275
USD	<u>20,953</u>	<u>19,522</u>
	<u><u>85,146</u></u>	<u><u>71,009</u></u>

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

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	12,633	7,346
31 to 60 days	630	445
Over 60 days	<u>2,677</u>	<u>3,528</u>
	15,940	11,319
Other payables and deposits received	<u>69,206</u>	<u>59,690</u>
	<u><u>85,146</u></u>	<u><u>71,009</u></u>

The Group's other payables and deposits received as at 30 September 2020, inter alia, the following:

- (i) interest expenses payable of approximately HK\$15,506,000 (31 March 2020: HK\$15,091,000);
- (ii) deposit of decoration expenses received from Heilongjiang Interchina of approximately HK\$5,955,000 (31 March 2020: HK\$5,889,000); and
- (iii) amount due to a director amounted to approximately HK\$4,000,000 (31 March 2020: Nil), which is unsecured, interest-free and repayable on demand.

13. BANK AND OTHER BORROWINGS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Bank borrowings, secured (<i>Note (i)</i>)	10,553	11,075
Other borrowings, secured (<i>Note (ii)</i>)	643,966	654,222
Other borrowings, unsecured	15,000	15,000
Total borrowings	669,519	680,297
Carrying amounts repayable: (<i>Note (iii)</i>)		
Within one year	665,338	675,594
Within a period of more than one year but not exceeding two years	1,045	1,045
Within a period of more than two years but not exceeding five years	3,136	3,135
Within a period of more than five years	–	523
	669,519	680,297
Less:		
Amounts due within one year shown under current liabilities without repayment on demand clause	(343,450)	(339,705)
Amounts due within one year shown under current liabilities with repayment on demand clause	(321,888)	(335,889)
Amounts shown under non-current liabilities	4,181	4,703

Notes:

- (i) The bank borrowings is repayable on agreed repayment schedule by installments over a period of 8 years bearing fixed interest rate of 6.0% (31 March 2020: 6.0%) per annum and secured by freehold land. During the six months ended 30 September 2020, the bank borrowings with carrying amount of approximately HK\$522,000 (six months ended 30 September 2019: Nil) had been repaid and no agreements had been entered to raise new bank borrowings (six months ended 30 September 2019: HK\$14,607,000).
- (ii) The other borrowings bear fixed interest rate ranging from 5.25% to 13.5% per annum for the six months ended 30 September 2020 (31 March 2020: 5.25% to 13.0% per annum).

During the six months ended 30 September 2020, the other borrowings with carrying amount of approximately HK\$22,472,000 (six months ended 30 September 2019: HK\$350,000,000) had been repaid and agreements had been entered to raise new other borrowings of approximately HK\$5,000,000 (30 September 2019: Nil). The other borrowings with carrying amount of approximately HK\$289,888,000 (31 March 2020: HK\$308,889,000) are secured by the Group's investment properties, the corporate guarantee executed by the Company and the Group's investment in Heilongjiang Interchina, whose shares are listed on the Shanghai Stock Exchange. The other borrowings with carrying amount of approximately HK\$354,078,000 (31 March 2020: HK\$345,333,000) are secured by the Group's investment properties and hotel property in the PRC and the corporate guarantee executed by a related company and pledged by equity interest and shares of certain directly and indirectly wholly-owned subsidiaries of the Company.

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

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Hong Kong Dollar	32,000	27,000
RMB	626,966	642,222
USD	10,553	11,075
	669,519	680,297

(iii) The amounts due are based on scheduled repayment dates set out in loan agreements.

14. AMOUNT DUE TO A RELATED COMPANY

As at 30 September 2020, the carrying amount of amount due to a related company of approximately HK\$197,537,000 (31 March 2020: HK\$137,935,000) represents an unsecured and unguaranteed interest-free loan with principal amount of approximately HK\$224,063,000 (31 March 2020: HK\$170,580,000) from Shanghai Pengxin (Group) Company Limited (“**Shanghai Pengxin**”), which is controlled by Mr. Jiang Zhaobai, who is a substantial shareholder and the executive director and chairman of the Company, which will mature and become repayable on 31 December 2021. During the six months ended 30 September 2020, the discounted amount due to a related company of which an additional of approximately HK\$47,370,000 (31 March 2020: Nil), that recognised in June 2020 from Shanghai Pengxin with principal amount of approximately HK\$53,483,000, is interest free and will mature and become repayable within 1 year. The loan is carried at amortised cost using the effective interest method. The effective interest rate applied was 12.9% (31 March 2020: 12.9%) per annum. The difference of the principal and the fair value of the loan is at initial recognition amounting to approximately HK\$6,113,000 (31 March 2020: HK\$36,767,000) was credited as deemed capital contribution from a substantial shareholder.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The Group recorded a revenue of approximately HK\$55,014,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$69,882,000), a decrease by approximately 21.3% as compared with the corresponding period last year. It was mainly due to the decrease in revenue by the property investment operation as a result of the adverse effects brought on by the outbreak of the novel coronavirus disease (COVID-19). Rental income amounted to approximately HK\$14,858,000 (six months ended 30 September 2019: HK\$31,496,000), a decrease by approximately 52.8% as compared with the corresponding period last year. Revenue under hotel operation decreased by 1.7% to HK\$17,047,000 (six months ended 30 September 2019: HK\$17,348,000). This slight decrease was mainly contributed by the hotel becomes quarantine hotel which minimize the impacted caused by the COVID-19 outbreak. Agricultural operation remained stable at approximately HK\$23,109,000 (six months ended 30 September 2019: HK\$21,038,000).

The Group recorded a loss of approximately HK\$54,906,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: loss of approximately HK\$267,634,000), a decrease by approximately 79.5% as compared with the corresponding period last year, which was mainly due to the net effect of (i) the recognition of the gain on changes in fair value of financial assets at fair value through profit and loss of approximately HK\$53,636,000 (six months ended 30 September 2019: loss of approximately HK\$191,953,000); and (ii) an impairment loss of approximately HK\$31,323,000 on the Group's property, plant and equipment recognised during the period (six months ended 30 September 2019: Nil).

Loss for the period attributable to shareholders of the Company amounted to approximately HK\$54,891,000 (six months ended 30 September 2019: HK\$267,616,000). The basic and diluted loss per share amounted to HK0.753 cents (six months ended 30 September 2019: HK3.669 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 2020, the Group's investment property was valued at an aggregate value of approximately HK\$1,144,201,000 (31 March 2020: HK\$1,155,100,000). Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK\$23,596,000 was recorded for the period (six months ended 30 September 2019: HK\$21,111,000). The downward adjustment in the re-valuation of the property portfolio as of September 30, 2020 was initiated by the compression of commercial property market sentiments and the slowdown of China's economic growth amid the epidemic of the COVID-19 in the first half of 2020.

During the period, the Group recorded rental income of approximately HK\$14,858,000 from property investment operation (six months ended 30 September 2019: HK\$31,496,000), which accounted for 27% of total revenue. The decrease in rental income was principally due to none of rental income under the rental guarantee agreement to the Shanghai Property was received during the period as it had been expired in August 2019 (six months ended 30 September 2019: approximately HK\$15,050,000) and the average occupancy rate of the Shanghai Property reduced from 82% at 31 March 2020 to 51% at 30 September 2020 as impacted by the epidemic of the COVID-19. The average occupancy rate of the Beijing Property stay flat at approximately 96% as of 30 September 2020. The segment loss amounted to approximately HK\$14,369,000 (six months ended 30 September 2019: profit of approximately HK\$1,805,000). The loss was mainly attributable to the loss on changes in fair value of the Group's investment properties for the period.

The economy of China is expected to rebound as the outbreak of COVID-19 has been controlled. This segment will continue to provide a steady income stream and capital gain potential to the Group.

Hotel Operation

At 30 September 2020, the sole hotel property held by the Group, is the Express by Holiday Inn Wujiaochang Shanghai (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 Group's hotel operation was particularly hit by the COVID-19 in the first quarter of 2020. Despite the efforts to control costs, a significant amount of financial resources is required to maintain the appropriate operational and service levels, as well as looking after the well-being of staff. In view of this, the Hotel took decisive decision to participate the medical observation program organized by the Health Commission of Yangpu District, Shanghai. The Hotel becomes quarantine hotel by the end of March 2020. Visitor of Shanghai could stay in the Hotel during the medical observation period of 14 days. It could procure a steady income stream and cashflow to the Hotel during this difficult time. The average occupancy rate of the Hotel reached approximately 95% (six months ended 30 September 2019: 70%).

During the period, the Group recorded revenue of approximately HK\$17,047,000 from the Hotel, a decrease by approximately 1.7% when compared with the same period of last year. The segment loss amounted to approximately HK\$3,826,000 (six months ended 30 September 2019: profit of approximately HK\$516,000). The turnaround to loss was mainly attributable to decrease in the average room rate by approximately 35% to approximately RMB200 for the current period (six months ended 30 September 2019: RMB310).

The Group will continue to review its marketing strategies. In terms of operation, the Group will continue to take actions of both short term and longer term to control costs and drive efficiency as the tourism sentiment is anticipated to be recovered soon.

Agricultural operation

The Group's agricultural operation engages in agricultural farming and cattle raising in Bolivia. As at 30 September 2020, the Group totally owns approximately 17,500 hectares of farmland in Bolivia with carrying value of approximately HK\$340,878,000 (31 March 2020: HK\$371,962,000).

Bolivia was adversely affected under the epidemic of the COVID-19 and the relevant government has imposed certain restrictions throughout the country since March 2020. Due to the farm adopted a variety of measures to ensure the hygiene and safety of production activities, the farm's operation operated stably. During the period, the Group recorded revenue of approximately HK\$23,109,000 from agricultural operation (six months ended 30 September 2019: HK\$21,038,000). The major crops of the farm is soybean. During the period, approximately 4,200 hectare of soybeans was planted, the average yield was 2.4 ton per hectare with a grain production of approximately 9,900 tonnes. The average selling price of soybean was US\$300/MT, which was relatively steady as compared to the same period of last year. Before the impairment loss of property, plant and equipment of approximately HK\$31,323,000, this segment recorded a profit of approximately HK\$932,000 (six months ended 30 September 2019: loss of approximately HK\$5,175,000). The impairment loss was mainly caused by the COVID-19 outbreak which have negative impact to the business and economic activities of Bolivia.

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 2019: Nil). The segment profit amounted to approximately HK\$53,016,000 for the period, as compared to the loss of approximately HK\$201,743,000 from the same period of last year. The turnaround to profit was mainly due to the gain of HK\$53,636,000 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 2019: loss of HK\$191,953,000).

As at 30 September 2020, total securities investment, which was booked under financial assets at fair value through profit or loss amounted to approximately HK\$638,518,000 (31 March 2020: HK\$578,384,000), representing 32.6% (31 March 2020: 29.1%) of the Group's net assets of HK\$1,956,211,000 (31 March 2020: HK\$1,989,547,000) and total loan receivable under financing operation amounted to approximately HK\$42,264,000 (31 March 2020: HK\$42,781,000).

As at 30 September 2020, the Group 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. Heilongjiang Interchina and its subsidiaries are principally engaged in the provision of sewage water treatment, water supply and the provision of environmental technology services. The cost of investment in Heilongjiang Interchina’s share was approximately RMB1.1059 at 30 September 2020 (31 March 2020: RMB1.1059). The stock price of Heilongjiang Interchina increased from RMB2.29 per share as at 31 March 2020 to RMB2.5 per share as at 30 September 2020. The Group recorded an unrealized gain of investment at fair value through profit or loss of HK\$53,636,000 for the investment in Heilongjiang Interchina for the period.

As disclosed in the latest interim report of Heilongjiang Interchina for the six months ended 30 June 2020, Heilongjiang Interchina recorded revenue of approximately RMB137,340,000 (equivalent to approximately HK\$154,315,000), profit for the period of approximately RMB10,297,000 (equivalent to approximately HK\$11,570,000) and net assets of approximately RMB3,462,378,000 (equivalent to approximately HK\$3,890,312,000). Heilongjiang Interchina currently operates eight sewage and water supply projects with aggregate daily processing capacity of approximately 623,400 tonnes and a clean energy project in the PRC. Under the background of environmental protection policies and industry development trends, Heilongjiang Interchina focused on environmental protection areas such as water supply and sewage and was proactively deploying the development of energy conservation and environmental protection project.

The Group adopts a prudent investment strategy for securities investment operation and will closely monitor the market changes and realise its investment to enhance the Group’s working capital if necessary and when timing is appropriate.

OUTLOOK

Looking into the second half of 2020, it is anticipated that the business outlook will face enormous challenges due to the continuous impact of the COVID-19 pandemic on the economy as well as the increasing uncertainties in economic development brought by the escalation of China-US frictions. Notwithstanding this, the Group will appropriately revise its business strategies and plans in response to the ever-changing business opportunities and challenges on an on-going basis.

In addition, we will further cautiously and carefully focus on and develop the Group’s existing investments and other business development opportunities with a view to bringing long-term and substantial returns to the shareholders of the Company.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 September 2020, the equity reached approximately HK\$1,956,211,000 (31 March 2020: approximately HK\$1,989,547,000). At 30 September 2020, the Group's cash on hand and deposits in bank was approximately HK\$16,175,000 (31 March 2020: approximately HK\$16,188,000), mainly denominated in Renminbi (“**RMB**”) and Hong Kong dollars. At 30 September 2020, the Group's net current assets were approximately HK\$56,154,000 (31 March 2020: approximately HK\$44,882,000). The current ratio of the Group as at 30 September 2020 was 1.07 (31 March 2020: 1.06). The gearing ratio (total outstanding borrowings over total assets) of the Group as of 30 September 2020 was 28.8% (31 March 2020: 27.3%).

The Group had no particular seasonal pattern of borrowing. At 30 September 2020, the Group's total borrowings of approximately HK\$867,056,000 (31 March 2020: approximately HK\$818,232,000) of which approximately HK\$714,664,000 (31 March 2020: approximately HK\$675,594,000) were repayable within one year and approximately HK\$152,392,000 (31 March 2020: approximately HK\$142,638,000) were repayable within eight years. As at 30 September 2020, the Group's borrowings were denominated in RMB, HKD and USD, amounting to approximately RMB733,809,000 (31 March 2020: approximately RMB702,140,000), approximately HK\$32,000,000 (31 March 2020: approximately HK\$27,000,000) and approximately US\$1,353,000 (31 March 2020: approximately US\$1,420,000) respectively.

During the period, the Group has further borrowed RMB47,600,000 (equivalent to approximately HK\$53,483,000) from Shanghai Pengxin Group Company Limited (“**Shanghai Pengxin**”), a company owned as to 99% by Mr. Jiang Zhaobai, an executive Director, the Chairman and a substantial shareholder of the Company. As at 30 September 2020, the carrying amount due to Shanghai Pengxin is approximately RMB175,807,000 (equivalent to approximately HK\$197,537,000) (31 March 2020: approximately RMB124,142,000 or HK\$137,935,000). It is unsecured, interest free and approximately RMB131,908,000 (equivalent to approximately HK\$148,211,000) repayable on 31 December 2021 and approximately RMB43,899,000 (equivalent to approximately HK\$49,326,000) repayable on demand.

There has been no change in the share capital of the Company during the period. As at 1 April 2020 and 30 September 2020, the number of issued shares of the Company was 7,294,369,363.

Pledged of Assets

At 30 September 2020, the Group's investment properties with carrying amounts of approximately HK\$614,986,000 (31 March 2020: approximately HK\$631,766,000), freehold land with carrying amounts of approximately HK\$145,860,000 (31 March 2020: approximately HK\$145,860,000) and hotel property with carrying amounts of approximately HK\$439,674,000 (31 March 2020: approximately HK\$442,385,000) were pledged as security for its liabilities. In addition, 227,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited held by the Group with carrying amounts of approximately HK\$637,640,000 (31 March 2020: approximately HK\$577,589,000) were also pledged to lender(s) to secure loan facilities granted to the Group.

Material Acquisition and Disposal

There was no material acquisition or disposal of subsidiaries or associates during the period.

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.

Contingent Liability

As at 30 September 2020, the Group had no material contingent liabilities (31 March 2020: Nil).

Capital Commitment

As at 30 September 2020, the Group had no material capital commitment (31 March 2020: Nil).

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 2020 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 2020, the Group employed approximately 147 employees (31 March 2020: approximately 158). 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 2020, 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 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 2020 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company, attended the AGM on 11 September 2020 and was delegated to make himself available to answer questions if raised at the meeting.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2020 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, have been reviewed by the Group’s auditor, HLB Hodgson Impey Cheng Limited, and the audit committee of the Company (the “**Audit Committee**”). The Audit Committee comprises Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Group for the six months ended 30 September 2020 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 2020

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.