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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 2022

FINANCIAL HIGHLIGHTS

- Loss for the period amounted to HK\$54,172,000, representing an increase of 199% as compared to the same period in 2021.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).
- At 30 September 2022, total equity amounted to HK\$1,663,887,000, representing a decrease of 9.9% as compared to HK\$1,846,740,000 as at 31 March 2022.
- At 30 September 2022, net assets per share was HK\$0.23, representing a decrease of 8% as compared to HK\$0.25 as at 31 March 2022.

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 2022, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		For the six months ended	
		30 September	
	<i>Notes</i>	2022	2021
		<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue	3	73,748	64,898
Cost of sales		(27,647)	(27,190)
Gross profit		46,101	37,708
Other income and gain, net	4	998	3,792
General and administrative costs		(39,048)	(45,044)
Finance costs	6	(25,034)	(13,182)
(Allowance for)/reversal of expected credit losses (“ ECL ”) on trade and other receivables and loan receivables, net		(4,930)	7,597
(Loss)/gain on change in fair value less costs to sell on biological assets		(8,125)	757
Loss on change in fair value of investment properties		(70,588)	(9,639)
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss		42,788	(2,738)
Loss before taxation		(57,838)	(20,749)
Tax credit	7	3,666	2,659
Loss for the period	5	(54,172)	(18,090)
Attributable to:			
Owners of the Company		(54,156)	(18,078)
Non-controlling interests		(16)	(12)
		(54,172)	(18,090)
Loss per share attributable to the owners of the Company	8		
— Basic and diluted		HK(0.742) cents	HK(0.248) cents

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(54,172)	(18,090)
Other comprehensive (loss)/income		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(128,681)</u>	<u>11</u>
Total comprehensive loss for the period	<u>(182,853)</u>	<u>(18,079)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(182,837)	(18,067)
Non-controlling interests	<u>(16)</u>	<u>(12)</u>
	<u>(182,853)</u>	<u>(18,079)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2022

	<i>Notes</i>	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		998,863	1,159,259
Property, plant and equipment		823,541	868,371
Right-of-use assets		560	895
Mining rights		69,555	69,555
Interest in an associate		568	610
		<u>1,893,087</u>	<u>2,098,690</u>
Current assets			
Inventories		6,137	8,237
Biological assets		31,221	35,201
Trade and other receivables and prepayments	<i>10</i>	40,247	51,127
Financial assets at fair value through profit or loss	<i>11</i>	656,107	667,906
Cash and cash equivalents		48,370	40,926
		<u>782,082</u>	<u>803,397</u>
Total assets		<u>2,675,169</u>	<u>2,902,087</u>
Capital and reserves			
Share capital		2,664,298	2,664,298
Reserves		(1,033,047)	(850,210)
Equity attributable to owners of the Company		1,631,251	1,814,088
Non-controlling interests		32,636	32,652
Total equity		<u>1,663,887</u>	<u>1,846,740</u>

		At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		–	235
Amount due to a related company	<i>13</i>	230,486	238,124
Deferred tax liabilities		72,470	80,594
		<u>302,956</u>	<u>318,953</u>
Current liabilities			
Trade and other payables and deposits received	<i>12</i>	69,722	73,907
Lease liabilities		579	678
Tax payable		6,237	6,237
Borrowings		284,000	266,000
Amount due to a related company	<i>13</i>	347,788	389,572
		<u>708,326</u>	<u>736,394</u>
Total liabilities		<u>1,011,282</u>	<u>1,055,347</u>
Total equity and liabilities		<u>2,675,169</u>	<u>2,902,087</u>
Net current assets		<u>73,756</u>	<u>67,003</u>
Total assets less current liabilities		<u>1,966,843</u>	<u>2,165,693</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The unaudited interim condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 March 2022, except for the adoption of the revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “**HKFRSs**”) as disclosed below.

The condensed consolidated financial statements have been prepared on historical cost basis except that the following assets and liabilities are stated at their fair value:

- investment properties;
- biological assets; and
- certain financial instruments that are measured at fair value at the end of reporting period.

The financial information relating to the year ended 31 March 2022 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 2022 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 auditors have reported on those financial statements. 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.

Application of amendments to HKFRSs

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS 2018-2020

The application of 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 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 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
Resources operation	—	Mining and production of manganese products in Republic of Indonesia (“ Indonesia ”)

(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		For the six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property investment operation	13,573	15,350	(59,850)	(451)
Hotel operation	17,992	18,305	(566)	(493)
Agricultural operation	42,183	31,243	4,842	2,458
Securities investment and financing operation	–	–	42,767	3,945
Resources operation	–	–	(376)	(288)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	73,748	64,898	(13,183)	5,171
Interest income and other revenue			998	3,792
Finance costs			(25,034)	(13,182)
Unallocated expenses			(20,619)	(16,530)
			<hr/>	<hr/>
Loss before taxation			(57,838)	(20,749)
			<hr/>	<hr/>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

Segment result represents the result generated from each segment without allocation of central administration costs including directors' salaries, interest income and other revenue and finance costs. 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

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Segment assets		
Property investment operation	1,026,381	1,202,604
Hotel operation	436,079	478,993
Securities investment and financing operation	656,111	667,911
Agricultural operation	442,039	437,119
Resources operation	70,060	70,063
	<hr/>	<hr/>
Total segment assets	2,630,670	2,856,690
Unallocated assets	44,499	45,397
	<hr/>	<hr/>
Consolidated total assets	<u>2,675,169</u>	<u>2,902,087</u>
	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Segment liabilities		
Property investment operation	24,851	38,719
Hotel operation	46,440	44,912
Securities investment and financing operation	12	180
Agricultural operation	44,088	44,265
Resources operation	1,214	1,174
	<hr/>	<hr/>
Total segment liabilities	116,605	129,250
Unallocated borrowings	284,000	266,000
Unallocated liabilities	604,440	653,860
Tax payable	6,237	6,237
	<hr/>	<hr/>
Consolidated total liabilities	<u>1,011,282</u>	<u>1,055,347</u>

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

All assets related to property investment operation, hotel operation, securities investment and financing operation, agricultural operation and resources operation are allocated to reportable segments other than certain property, plant and equipment, certain right-of-use asset, 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, securities investment and financing operation, agricultural operation and resources operation are allocated to reportable segments other than certain other payables, certain 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 2022 (Unaudited)

	Property investment operation HK\$'000	Hotel operation HK\$'000	Securities investment and financing operation HK\$'000	Agricultural operation HK\$'000	Resources operation HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
Other segment information							
Depreciation of property, plant and equipment	314	6,745	-	2,833	-	24	9,916
Depreciation of right-of-use assets	-	-	-	-	-	335	335
Capital expenditure ^(Note)	-	-	-	2,256	-	473	2,729
Loss on change in fair value of investment properties	70,588	-	-	-	-	-	70,588
Gain on change in fair value of financial assets at fair value through profit or loss	-	-	(42,788)	-	-	-	(42,788)
Loss on change in fair value less costs to sell on biological assets	-	-	-	8,125	-	-	8,125
Allowance for/(reversal of) ECL on trade and other receivables, net	-	82	-	(2)	-	4,850	4,930

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

For the six months ended 30 September 2021 (Unaudited)

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

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

(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 2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Hong Kong	-	-	26,025	26,267
The PRC	31,565	33,655	1,422,507	1,626,612
Bolivia	42,183	31,243	374,432	375,646
Indonesia	-	-	69,555	69,555
	<u>73,748</u>	<u>64,898</u>	<u>1,892,519</u>	<u>2,098,080</u>

* Specified non-current assets exclude interest in an associate.

(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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Agricultural operation — Customer A	36,387	27,372

3. REVENUE

Revenue is analysed as follow:

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from contracts with customers		
Hotel income	17,992	18,305
Agricultural operation	42,183	31,243
	60,175	49,548
Timing of revenue recognition		
A point of time:		
Agricultural operation	42,183	31,243
Hotel income — food and beverage	5,584	5,697
Over time:		
Hotel income — hotel room services	12,408	12,608
	60,175	49,548
Revenue from other sources		
Property rental income	13,573	15,350
	73,748	64,898

As permitted under HKFRS 15 paragraph 121, it does not disclose the (i) aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period, and (ii) information about when the Group expects to recognise as revenue, as the Group's contracts with customers generally have an original expected duration of one year or less.

4. OTHER INCOME AND GAIN, NET

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	30	236
Net foreign exchange (loss)/gain	(171)	1,597
Interest income	321	421
Investment income	30	96
Government grant (<i>note</i>)	279	798
Sundry income	509	644
	<u>998</u>	<u>3,792</u>

Note: For the six months ended 30 September 2022, the Group recognised government grants of approximately HK\$279,000 provided by the Hong Kong Special Administrative Region Government (2021: approximately RMB662,000 (equivalent to approximately HK\$798,000) in respect of government grants provided by the PRC's government).

5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	9,916	7,254
Depreciation of right-of-use assets	335	982
Allowance for/(reversal of) ECL on trade and other receivables and loan receivables, net	4,930	(7,597)
Short-term lease payment	134	136
Expenses relating to leases of low value assets	17	17
Gross rental income from investment properties	(13,573)	(15,350)
Less: direct operating expenses from investment properties that generated rental income during the period	611	489
	<u>(12,962)</u>	<u>(14,861)</u>

6. FINANCE COSTS

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
— Bank borrowings	—	144
— Borrowings	13,309	2,328
— Lease liabilities	22	20
Imputed interest on amount due to a related company	11,703	10,690
	<u>25,034</u>	<u>13,182</u>

7. TAX CREDIT

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
— Current tax expenses	785	416
Deferred tax credit	(4,451)	(3,075)
Tax credit	<u>(3,666)</u>	<u>(2,659)</u>

Hong Kong Profits Tax

Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision has been made as the Group had no assessable profit for the six months ended 30 September 2022 (six months ended 30 September 2021: 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 22% for the six months ended 30 September 2022 (six months ended 30 September 2021: 25%). 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% for both periods. 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 the basic and diluted loss per share is based on the following data:

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(54,156)</u>	<u>(18,078)</u>
	For the six months ended	
	30 September	
	2022	2021
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 has no dilutive potential shares outstanding for the six months ended 30 September 2022 and 2021.

9. INTERIM DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the six months ended 30 September 2022 and 2021.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables		
0 to 30 days	2,844	4,374
31 to 60 days	2,922	–
61 to 90 days	2,945	–
91 to 180 days	2,084	–
Over 180 days	–	24
	<u>10,795</u>	4,398
Other receivables and deposits	<u>169,275</u>	181,254
	180,070	185,652
Less: allowance for ECL, net	<u>(145,358)</u>	(146,062)
	34,712	39,590
Prepayments	<u>5,535</u>	11,537
	<u>40,247</u>	<u>51,127</u>

The average credit period granted to customers is 60 to 90 days (31 March 2022: 60 to 90 days). The Group does not hold any collateral over these balances.

The Group's other receivables as at 30 September 2022 and 31 March 2022, include an approximately HK\$126,570,000 (31 March 2022: HK\$131,480,000) paid for acquisition and construction of several potential water plant projects in the PRC.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Held for trading:		
Listed equity securities — the PRC, at fair value	<u>656,107</u>	<u>667,906</u>

Notes:

- (i) At 30 September 2022, no financial asset at fair value through profit or loss have been pledged to secure loan facilities granted to the Group (31 March 2022: Nil).
- (ii) The fair value of the listed equity securities as at 30 September 2022 is based on the price of RMB2.54 (equivalent to approximately HK\$2.89) per share pursuant to the disposal agreements dated 9 August 2022 entered into between Interchina (Tianjin) Water Treatment Company Limited, a wholly-owned subsidiary of the Company, Mr. Jiang and Shanghai Pengxin (Group) Company Limited, respectively whereas the fair value of the listed equity securities as at 31 March 2022 is based on the closing prices in an active market.

12. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables		
0 to 30 days	1,191	1,702
31 to 60 days	8,605	3,142
Over 60 days	<u>3,481</u>	<u>6,651</u>
	13,277	11,495
Other payables and deposits received	<u>56,445</u>	<u>62,412</u>
	<u>69,722</u>	<u>73,907</u>

The average credit period granted by suppliers is 30 to 60 days (31 March 2022: 30 to 60 days).

The Group's other payables and deposits received as at 30 September 2022 and 31 March 2022, inter alia, the followings:

- (i) interest payable of approximately HK\$5,535,000 (31 March 2022: HK\$5,545,000);
- (ii) deposit of decoration expenses received from Heilongjiang Interchina of approximately HK\$6,023,000 (31 March 2022: HK\$6,543,000);
- (iii) amount due to a director of the Company of approximately HK\$13,605,000 (31 March 2022: HK\$12,494,000) which is unsecured, unguaranteed, interest-free and repayable on demand;
- (iv) deposit received for hotel acquisition from a potential buyer of approximately HK\$Nil (31 March 2022: HK\$6,173,000); and
- (v) rental deposit received from customers of approximately HK\$3,198,000 (31 March 2022: HK\$5,360,000).

13. AMOUNT DUE TO A RELATED COMPANY

As at 30 September 2022, the amount due to a related company denominated in RMB represents an unsecured and unguaranteed amount from Shanghai Pengxin (Group) Company Limited (“**Shanghai Pengxin**”), which is controlled by Mr. Jiang Zhaobai (“**Mr. Jiang**”), who is a substantial shareholder and the executive director and chairman of the Company. The amounts are repayable on demand except for approximately HK\$230,486,000 (31 March 2022: HK\$238,124,000) are repayable after one year. The borrowing is carried at amortised cost using the effective interest method. The effective interest rate applied was 10.6% (31 March 2022: 10.6%) per annum.

As at 30 September 2022, the principal amount of amount due to a related company of approximately HK\$347,788,000 (31 March 2022: HK\$389,572,000) is unsecured, unguaranteed, interest-free and repayable on demand from Shanghai Pengxin.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

For the six months ended 30 September 2022, the Group's revenue amounted to approximately HK\$73,748,000 (six months ended 30 September 2021: HK\$64,898,000), representing an increase of approximately 13.6% as compared with the corresponding period last year. Such increase was mainly due to the increase in revenue from agricultural operation by approximately HK\$10,940,000 as a result of the increase in average selling price of soybean as compared with the corresponding period last year.

The Group recorded a loss of approximately HK\$54,172,000 for the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$18,090,000). The loss 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\$42,788,000 (six months ended 30 September 2021: loss of approximately HK\$2,738,000); (ii) loss on changes in fair value of the Group's investment properties of approximately HK\$70,588,000 (six months ended 30 September 2021: HK\$9,639,000); (iii) an increase in finance cost by 89.9% to approximately HK\$25,034,000 (six months ended 30 September 2021: HK\$13,182,000), attributable to increase in the total borrowings.

Loss for the period attributable to shareholders of the Company amounted to approximately HK\$54,156,000 (six months ended 30 September 2021: HK\$18,078,000). The basic and diluted loss per share amounted to HK0.742 cents (six months ended 30 September 2021: HK0.248 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 2022, the Beijing Property was valued at approximately HK\$554,545,000 (31 March 2022: HK\$618,518,000) and the Shanghai Property was valued at approximately HK\$444,318,000 (31 March 2022: HK\$540,741,000). Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK\$70,588,000 was recorded for the period (six months ended 30 September 2021: HK\$9,639,000). The downward adjustment in the re-valuation was mainly due to the dropping of passing rent and uncertainty of market environment in the PRC.

During the period, rental income generated from property investment operation decreased by 11.6% to approximately HK\$13,573,000 (six months ended 30 September 2021: HK\$15,350,000), which accounted for 18.4% of total revenue. The average occupancy rate of the Shanghai Property increased from 43% at 31 March 2022 to 54% at 30 September 2022. The average occupancy rate of the Beijing Property decreased from 99% at 31 March 2022 to 91% at 30 September 2022. The segment loss amounted to approximately HK\$59,850,000 (six months ended 30 September 2021: HK\$451,000). The loss was mainly attributable to increase 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.

Agricultural Operation

The Group's agricultural operation engages in agricultural farming and cattle raising in Bolivia. As at 30 September 2022, the Group totally owns approximately 18,730 hectares of farmland in Bolivia with carrying value of approximately HK\$345,213,000 (31 March 2022: HK\$345,213,000).

During the period, revenue generated from agricultural operation increased by 35% to approximately HK\$42,183,000 (six months ended 30 September 2021: HK\$31,243,000), which account for 57.2% of total revenue. 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 10,100 tonnes. The average selling price of soybean was US\$460/MT, representing an increase of 18% as compared to the same period of last year. The segment profit amounted to approximately HK\$4,842,000 (six months ended 30 September 2021: HK\$2,458,000).

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.

Hotel Operation

At 30 September 2022, 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 2021. 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 slightly decreased by 1.7% to approximately HK\$17,992,000 (six months ended 30 September 2021: HK\$18,305,000), which accounted for 24.4% of total revenue. The segment loss amounted to approximately HK\$566,000 (six months ended 30 September 2021: HK\$493,000).

The construction of the hotel properties was completed in 2007 and the Hotel has been in operation since December 2007. Except for minor facilities upgrade/improvement carried out regularly, a material renovation of the Hotel has not been conducted. It is expected the Hotel has a strong need to upgrade its facilities to tailor for the demand and expectation of its guests. However, the pandemic situation continues to change, and it has increased the investment risk to the Group's hotel operation. Timetable of full recovery remains uncertain.

The Company is of the view that the business outlook of the Hotel is less optimistic. The Group has been in active discussion on the possibility of disposal of the Hotel with potential purchasers. However, no agreement has been entered. The Group will closely monitor the market condition and will not eliminate the possibility of realising the Hotel in order to enhance the Group's working capital if necessary and when timing is appropriate.

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 2021: Nil). The segment profit amounted to approximately HK\$42,767,000 for the period, as compared to approximately HK\$3,945,000 for the same period of last year. The increase in profit was mainly due to the gain of HK\$42,788,000 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 2021: loss of HK\$2,738,000).

As at 30 September 2022, total securities investment, which was booked under financial assets at fair value through profit and loss amounted to approximately HK\$656,107,000 (31 March 2022: HK\$667,906,000), representing 24.5% (31 March 2022: 23%) of the Group's total assets of HK\$2,675,169,000 (31 March 2022: HK\$2,902,087,000). 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 14.09% (31 March 2022: 13.74%) Heilongjiang Interchina's total issued shares. The cost of investment in Heilongjiang Interchina's share was approximately RMB1.1059 at 30 September 2022 (31 March 2022: RMB1.1059).

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 2022, Heilongjiang Interchina recorded revenue of approximately RMB147,754,000 (equivalent to approximately HK\$167,902,000), loss for the period of approximately RMB44,987,000 (equivalent to approximately HK\$51,122,000) and net assets of approximately RMB3,256,243,000 (equivalent to approximately HK\$3,700,276,000). Heilongjiang Interchina currently operates eight sewage projects and one water supply project with aggregate daily processing capacity of approximately 515,700 tonnes and a clean energy project in the PRC.

On 9 August 2022, 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 and Mr. Jiang, pursuant to which Interchina Tianjin has conditionally agreed to sell and Shanghai Pengxin and Mr. Jiang have conditionally agreed to purchase total 227,312,500 shares in Heilongjiang Interchina Water Treatment Company Limited (“**Heilongjiang Interchina**”) at an aggregate consideration of RMB577,373,750 (equivalent to approximately HK\$656,107,000). 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 circular dated 23 September 2022. The transaction was approved by the shareholders of the Company at the general meeting held on 20 October 2022. The Group has decided to cease the operation of this segment in order to allocate more resources in other segment of the Group.

Resources Operation

The Group holds a mining licence to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in the district of Kupang City Nusantara Timor Tenggara, Indonesia for a period of 20 years which should expire on 4 November 2031, with estimated resources of approximately 18,800,000 tonnes (the “**Mining Right**”). Production has not been commenced since the Group acquired the Mining Right in November 2011.

This segment did not contribute any revenue to the Group for the period (six months ended 30 September 2021: Nil). The segment loss amounted to approximately HK\$376,000 for the period, as compared to approximately HK\$288,000 from the same period of last year.

The Group will keep a conservative attitude in the operation and closely monitor the market conditions as well as consider other options such as cooperation with other party which has experience in the development and investment in resource operation and/or realisation of the investment should the opportunities arise.

OUTLOOK

Amid the political and economic instability, the business outlook will remain difficult and challenging. The post-pandemic economy is still recovering. The Group will maintain a prudent approach in managing its businesses and strategies, as well as strengthen risk control and capital control to ensure the steady development of the Group.

While ensuring the stable operation of the existing businesses, the Group will also 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 2022, the equity reached approximately HK\$1,663,887,000 (31 March 2022: approximately HK\$1,846,740,000). At 30 September 2022, the Group's cash on hand and deposits in bank was approximately HK\$48,370,000 (31 March 2022: approximately HK\$40,926,000), mainly denominated in Renminbi (“**RMB**”) and Hong Kong dollars. At 30 September 2022, the Group's net current assets were approximately HK\$73,756,000 (31 March 2022: net current assets of approximately HK\$67,003,000). The current ratio of the Group as at 30 September 2022 was 1.10 (31 March 2022: 1.09). The gearing ratio (total outstanding borrowings over total assets) of the Group as of 30 September 2022 was 32.2% (31 March 2022: 30.8%).

At 30 September 2022, the Group's total borrowings including the amount due to a related company of approximately HK\$862,274,000 (31 March 2022: approximately HK\$893,696,000), which mainly comprised secured other borrowings of approximately HK\$268,000,000 (31 March 2022: approximately HK\$250,000,000) and unsecured other borrowings of approximately HK\$16,000,000 (31 March 2022: approximately HK\$16,000,000). As at 30 September 2022, the Group's borrowings were denominated in RMB and HKD, amounting to approximately RMB508,881,000 (31 March 2022: approximately RMB508,434,000) and approximately HK\$284,000,000 (31 March 2022: approximately HK\$266,000,000) respectively.

There has been no change in the share capital of the Company during the period. As at 1 April 2022 and 30 September 2022, the number of issued shares of the Company was 7,294,369,363.

Pledged of Assets

At 30 September 2022, the Group's freehold land with carrying amounts of approximately HK\$152,084,000 (31 March 2022: approximately HK\$152,084,000) were secured for undrawn bank facilities. At 30 September 2022, the Group's borrowings were secured by charges on (i) the Group's property, plant and equipment with carrying amounts of approximately HK\$24,159,000 (31 March 2022: Nil); and (ii) certain subsidiaries of the Group with carrying amounts of approximately HK\$248,544,000 (31 March 2022: HK\$279,769,000).

Material Acquisition and Disposal

Save for the information disclosed in other parts of this section, the Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 September 2022.

Contingent Liability

As at 30 September 2022, the Group had no material contingent liabilities (31 March 2022: Nil).

Capital Commitment

As at 30 September 2022, the Group had approximately HK\$5,114,000 (31 March 2022: HK\$5,488,000) capital commitment in respect of capital contribution to an associate.

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 2022 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 2022, the Group employed approximately 155 employees (31 March 2022: approximately 160). The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

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

During the six months ended 30 September 2022, 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 C.3.3 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 C.3.3 of the CG Code and therefore does not intend to take any steps in this regard at the moment.

- (ii) The Code Provision F.2.2 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 23 September 2022 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.

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 2022.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2022 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 2022 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.everchina202.com.hk) in due course.

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

Hong Kong, 29 November 2022

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.