



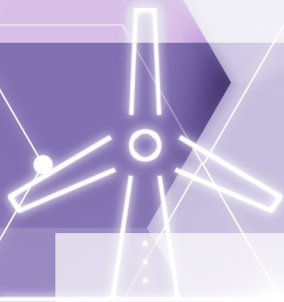
EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國際控股有限公司

Stock Code : 202

INTERIM REPORT

2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Zhaobai (*Chairman*)
Mr. Lam Cheung Shing, Richard
Mr. Chen Yi, Ethan
Mr. Shen Angang

Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

BOARD COMMITTEES

Audit Committee

Mr. Ho Yiu Yue, Louis (*Committee Chairman*)
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

Remuneration Committee

Mr. Ho Yiu Yue, Louis (*Committee Chairman*)
Mr. Ko Ming Tung, Edward
Mr. Lam Cheung Shing, Richard

Nomination Committee

Mr. Ko Ming Tung, Edward (*Committee Chairman*)
Mr. Ho Yiu Yue, Louis
Mr. Lam Cheung Shing, Richard

COMPANY SECRETARY

Mr. Lau Chi Lok, Freeman

LISTING INFORMATION

Stock Code: 202
Board Lot: 5,000 shares

REGISTERED OFFICE

Suites 601–603, 6/F.
Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

WEBSITE

www.everchina202.com.hk

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SOLICITORS

K&L Gates
Patrick Mak & Tse

SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
China Construction Bank (Asia) Corporation Limited
Bank of China (Hong Kong) Limited

INVESTOR RELATIONS CONSULTANT

Fenix PR Limited
8/F, Tern Centre, Tower One
237 Queen's Road Central
Sheung Wan
Hong Kong

INDEPENDENT REVIEW REPORT



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF EVERCHINA INT'L HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 3 to 35, which comprise the condensed consolidated statement of financial position of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Kwok Tsz Chun

Practising Certificate Number: P06901

Hong Kong, 30 November 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

| | Notes | For the six months ended | |
|---|-------|--------------------------|------------------|
| | | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 55,014 | 69,882 |
| Cost of sales | | (26,052) | (23,397) |
| Gross profit | | 28,962 | 46,485 |
| Other income and gain, net | 5 | 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 | 11 | (23,596) | (21,111) |
| Gain/(loss) arising on change in fair value of financial asset at fair value through profit or loss | 16 | 53,636 | (191,953) |
| Loss from operations | 6 | (10,023) | (220,691) |
| Finance costs | 7 | (51,473) | (51,608) |
| Loss before taxation | | (61,496) | (272,299) |
| Tax credit | 8 | 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 | 9 | | |
| — Basic and diluted | | HK(0.753) cents | HK(3.669) cents |

The accompanying notes form an integral part of these condensed consolidated financial statements.

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 |
| | HK\$'000 | HK\$'000 |
| | (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 | 15,457 | (102,790) |
| Total comprehensive loss for the period | (39,449) | (370,424) |
| Total comprehensive loss attributable to: | | |
| Owners of the Company | (39,434) | (370,406) |
| Non-controlling interests | (15) | (18) |
| | (39,449) | (370,424) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

| | Notes | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (Audited) |
|--|-------|---|---|
| Non-current assets | | | |
| Investment properties | 11 | 1,144,201 | 1,155,100 |
| Property, plant and equipment | 12 | 825,135 | 858,811 |
| Mining rights | 13 | 178,664 | 178,664 |
| Goodwill | | – | – |
| Right-of-use assets | | 1,913 | 2,957 |
| | | 2,149,913 | 2,195,532 |
| Current assets | | | |
| Inventories | | 7,481 | 6,463 |
| Biological assets | | 23,953 | 20,501 |
| Trade and other receivables and prepayments | 14 | 135,677 | 136,879 |
| Loan receivables | 15 | 42,264 | 42,781 |
| Financial asset at fair value through profit or loss | 16 | 638,518 | 578,384 |
| Cash and cash equivalents | | 16,175 | 16,188 |
| | | 864,068 | 801,196 |
| Total assets | | 3,013,981 | 2,996,728 |
| Capital and reserves | | | |
| Share capital | 17 | 2,664,298 | 2,664,298 |
| Reserves | | (746,010) | (712,689) |
| Equity attributable to owners of the Company | | 1,918,288 | 1,951,609 |
| Non-controlling interests | | 37,923 | 37,938 |
| Total equity | | 1,956,211 | 1,989,547 |
| Non-current liabilities | | | |
| Lease liabilities | | – | 757 |
| Bank and other borrowings | 22 | 4,181 | 4,703 |
| Amount due to a related company | 21 | 148,211 | 137,935 |
| Deferred tax liabilities | 19 | 97,464 | 107,472 |
| | | 249,856 | 250,867 |
| Current liabilities | | | |
| Trade and other payables and deposits received | 20 | 85,146 | 71,009 |
| Contract liabilities | 23 | – | 1,255 |
| Tax payable | | 6,235 | 6,259 |
| Amount due to a related company | 21 | 49,326 | – |
| Lease liabilities | | 1,869 | 2,197 |
| Bank and other borrowings | 22 | 665,338 | 675,594 |
| | | 807,914 | 756,314 |
| Total liabilities | | 1,057,770 | 1,007,181 |
| Total equity and liabilities | | 3,013,981 | 2,996,728 |
| Net current assets | | 56,154 | 44,882 |
| Total assets less current liabilities | | 2,206,067 | 2,240,414 |

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

For the six months ended 30 September 2020

| | Attributable to owners of the Company | | | | | | | | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
|--|---------------------------------------|-----------------------------|---------------------------------|-----------------------------|------------------------------|---------------------------------------|--------------------------------|-----------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Special reserve HK\$'000 | Contributed surplus HK\$'000 | Capital reserve HK\$'000 | Exchange reserve HK\$'000 | Statutory surplus reserve HK\$'000 | Accumulated losses HK\$'000 | Sub-total HK\$'000 | | |
| At 1 April 2020 (Audited) | 2,664,298 | 571,996 | 1,342,477 | 36,767 | (3,715) | 871 | (2,661,085) | 1,951,609 | 37,938 | 1,989,547 |
| Exchange differences on translation of overseas subsidiaries | - | - | - | - | 15,457 | - | - | 15,457 | - | 15,457 |
| Loss for the period | - | - | - | - | - | - | (54,891) | (54,891) | (15) | (54,906) |
| Total comprehensive loss for the period | - | - | - | - | 15,457 | - | (54,891) | (39,434) | (15) | (39,449) |
| Deemed capital contribution arising from a substantial shareholder | - | - | - | 6,113 | - | - | - | 6,113 | - | 6,113 |
| At 30 September 2020 (Unaudited) | 2,664,298 | 571,996 | 1,342,477 | 42,880 | 11,742 | 871 | (2,715,976) | 1,918,288 | 37,923 | 1,956,211 |

For the six months ended 30 September 2019

| | Attributable to owners of the Company | | | | | | | | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
|--|---------------------------------------|-----------------------------|---------------------------------|-----------------------------|------------------------------|---------------------------------------|--------------------------------|-----------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Special reserve HK\$'000 | Contributed surplus HK\$'000 | Capital reserve HK\$'000 | Exchange reserve HK\$'000 | Statutory surplus reserve HK\$'000 | Accumulated losses HK\$'000 | Sub-total HK\$'000 | | |
| At 1 April 2019 (Audited) | 2,664,298 | 571,996 | 1,342,477 | - | 99,050 | 871 | (2,132,015) | 2,546,677 | 37,979 | 2,584,656 |
| Exchange differences on translation of overseas subsidiaries | - | - | - | - | (102,790) | - | - | (102,790) | - | (102,790) |
| Loss for the period | - | - | - | - | - | - | (267,616) | (267,616) | (18) | (267,634) |
| Total comprehensive loss for the period | - | - | - | - | (102,790) | - | (267,616) | (370,406) | (18) | (370,424) |
| At 30 September 2019 (Unaudited) | 2,664,298 | 571,996 | 1,342,477 | - | (3,740) | 871 | (2,399,631) | 2,176,271 | 37,961 | 2,214,232 |

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

Notes:

Special reserve

The special reserve represented the difference between the nominal value of shares of Burlingame International Company Limited (“Burlingame”) and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the scheme of arrangement as set out in the document issued by the Company and Burlingame dated 27 July 2000.

Contributed surplus

Pursuant to a special resolution by the shareholders of the Company at a special general meeting held on 18 September 2009 and upon all conditions precedents to the capital reorganisation have been fulfilled on 9 April 2010, (i) the nominal value of each share was reduced from HK\$0.10 to HK\$0.01 by cancelling the Company’s paid up capital to the extent of HK\$0.09 on each share, (ii) part of the credit arising from capital reduction was utilised to set off accumulated losses of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the articles of association of the Company and all applicable laws.

Capital reserve

The capital reserve represents the deemed capital contribution from a substantial shareholder. It was aroused from the provision of an unsecured and unguaranteed interest-free loan with the principal amount of approximately HK\$224,063,000. The fair value of the loan at initial recognition was approximately HK\$181,183,000. The balance of capital reserve of approximately HK\$42,880,000 represented the difference between the principal and the fair value of the loan at initial recognition.

Exchange reserve

Exchange reserve represents exchange differences relating to the translation of the net assets of the Group’s foreign operations from their functional currencies to the Group’s presentation currency (i.e. Hong Kong dollars) are recognised directly in the consolidated statement of profit or loss and other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operations.

Statutory surplus reserve

Statutory surplus reserve represents the appropriation of 10% of profit after taxation, calculated in accordance with the accounting standards and regulations applicable to subsidiaries of the Company established in the People’s Republic of China (the “PRC”). When the balance of such reserve reaches 50% of the entity’s capital, any further appropriation is optional.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

| | For the six months ended | |
|---|--------------------------|-------------|
| | 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash generated from operating activities | 8,219 | 376,905 |
| Investing activities | | |
| Purchase of property, plant and equipment | (893) | (11,593) |
| Proceeds from sale of biological assets | 19,280 | 12,208 |
| Purchase of biological assets | (20,762) | (16,593) |
| Decrease/(increase) of biological assets | 125 | (221) |
| Net cash used in investing activities | (2,250) | (16,199) |
| Financing activities | | |
| Interest paid | (40,462) | (68,180) |
| New bank and other borrowings raised | 5,000 | 14,607 |
| Amount due arising from a related company | 53,483 | – |
| Repayment of bank and other borrowings | (22,994) | (350,000) |
| Repayment of lease liabilities | (1,148) | – |
| Net cash used in financing activities | (6,121) | (403,573) |
| Net decrease in cash and cash equivalents | (152) | (42,867) |
| Cash and cash equivalents at beginning of the period | 16,188 | 79,975 |
| Effect of change in foreign exchange rate | 139 | (15,403) |
| Cash and cash equivalents at end of the reporting period | 16,175 | 21,705 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and bank balances | 16,175 | 21,705 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Suites 601–603, 6th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in (i) property investment operation, (ii) hotel operation, (iii) agricultural operation and (iv) securities investment and financing operation.

In the opinions of the directors of the Company, as at 30 September 2020, Mr. Jiang Zhaobai (“**Mr. Jiang**”) is the ultimate controlling party of the Company.

The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. BASIS OF PREPARATION AND SUMMARY OF 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Statements have 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

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in 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.

3. SEGMENT INFORMATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SEGMENT INFORMATION *(Continued)*

(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 | |
| | 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

| | As at 30 September 2020 HK\$'000 (Unaudited) | As at 31 March 2020 HK\$'000 (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 |
| Total segment assets | 2,993,272 | 2,973,080 |
| Unallocated assets | 20,709 | 23,648 |
| Consolidated total assets | 3,013,981 | 2,996,728 |

| | As at 30 September 2020 HK\$'000 (Unaudited) | As at 31 March 2020 HK\$'000 (Audited) |
|---|--|--|
| 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 |
| 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 |
| Consolidated total liabilities | 1,057,770 | 1,007,181 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

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 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, securities investment and financing operation, agricultural 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 |
| | | | | | | | 39,238 |
| 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

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 |
| | | | | | | | 7,837 |
| 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SEGMENT INFORMATION *(Continued)*

(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 | | As at | |
| | 30 September | 2019 | 30 September | 31 March |
| | 2020 | 2019 | 2020 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (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 |
| | 55,014 | 69,882 | 2,149,913 | 2,195,532 |

(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 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Agricultural operation — Customer A | 20,237 | 20,997 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE

Revenue is analysed as follow:

| | For the six months ended 30 September | |
|---|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (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 |
| | 40,156 | 38,386 |
| 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 |
| | 40,156 | 38,386 |
| Revenue from other sources | | |
| Property rental income | 14,858 | 31,496 |
| | 55,014 | 69,882 |

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

5. 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 |
| | 1,874 | 2,889 |

6. LOSS FROM OPERATIONS

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

| | For the six months ended 30 September | |
|--|--|-----------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment (note 12) | 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) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

7. FINANCE COSTS

| | For the six months ended | |
|---|--------------------------|-------------|
| | 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (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 |

8. 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) | — |
| | 3,855 | 2,204 |
| Deferred tax credit (note 19) | (10,445) | (6,869) |
| Taxation credit | (6,590) | (4,665) |

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 had no assessable profit for Hong Kong Profits Tax for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8. TAX CREDIT *(Continued)*

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% for both periods. No Bolivia Corporate Tax was recognised as the subsidiary in Bolivia has no estimated assessable profit for both periods.

9. 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 | |
|---|--|-------------|
| | 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 | (54,891) | (267,616) |

| | 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 | 7,294,369,363 | 7,294,369,363 |

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 2020 and 2019.

10. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 September 2020 have been arrived at on the basis of a valuation carried out on that date by Messrs. Cushman & Wakefield Limited and Messrs. Savills Valuation and Professional Services Limited, independent professional valuers who are not connected with the Group and have recent experience in the valuation of similar properties in relevant locations. Both of them are members of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions.

At 30 September 2020, investment properties with the carrying amount of approximately HK\$614,986,000 (31 March 2020: HK\$631,766,000) have been pledged to secure facilities granted to the Group.

Fair value measurements

The table below analyses recurring fair value measurements for investment properties located in Hong Kong and the PRC. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| At 30 September 2020 (Unaudited) | | | | |
| Hong Kong | – | 25,100 | – | 25,100 |
| The PRC | – | – | 1,119,101 | 1,119,101 |
| | – | 25,100 | 1,119,101 | 1,144,201 |
| At 31 March 2020 (Audited) | | | | |
| Hong Kong | – | 25,100 | – | 25,100 |
| The PRC | – | – | 1,130,000 | 1,130,000 |
| | – | 25,100 | 1,130,000 | 1,155,100 |

12. PROPERTY, PLANT AND EQUIPMENT

| | HK\$'000 |
|---|-----------------|
| Carrying amounts: | |
| At 1 April 2019 | 890,326 |
| Additions | 13,053 |
| Exchange alignment | (30,325) |
| Depreciation expenses | (14,243) |
| At 31 March 2020 and 1 April 2020 (Audited) | 858,811 |
| Additions | 893 |
| Impairment (note (a)) | (31,323) |
| Exchange alignment | 3,625 |
| Depreciation expenses | (6,871) |
| At 30 September 2020 (Unaudited) | 825,135 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 30 September 2020, the carrying amounts of property, plant and equipment comprise the followings:

| | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (Audited) |
|--------------------------------------|---|---|
| Carrying amounts: | | |
| Freehold land | 340,878 | 371,962 |
| Construction in progress | 4,991 | 5,230 |
| Hotel property | 439,674 | 442,385 |
| Leasehold improvements | 5,120 | 4,231 |
| Furniture and fixtures | 1,131 | 1,242 |
| Equipment, motor vehicles and others | 33,341 | 33,761 |
| | 825,135 | 858,811 |

Note:

(a) Impairment assessment

In view of the continuous impact of the epidemic of the COVID-19 in Bolivia, the management of the Group concluded there was indication of impairment and concluded impairment assessment on recoverable amounts of certain property, plant and equipment situated in Bolivia.

The recoverable amounts of certain property, plant and equipment are estimated individually and have been determined based on its fair value less cost to sell using market comparison approach and/or depreciated replacement cost approach performed by an independent external valuer.

Under market comparison approach, the fair value less cost to sell is determined assuming sale of certain freehold land in its existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as well as asking references as available in the relevant market.

Under depreciated replacement cost approach, the fair value less cost to sell of certain property, plant and equipment is determined with reference to the current cost of replacement less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Based on the impairment assessment, an impairment loss of HK\$31,323,000 (six months ended 30 September 2019: Nil) was recognised in the condensed consolidated statement of profit or loss for the six months ended 30 September 2020.

At 30 September 2020, hotel property with carrying amount of approximately HK\$439,674,000 (31 March 2020: HK\$442,385,000) have been pledged to secure other borrowings granted to the Group.

Freehold land with the carrying amount of approximately HK\$145,860,000 (31 March 2020: HK\$145,860,000) have been pledged to secure bank borrowing granted to the Group.

During the six months ended 30 September 2020 and the year ended 31 March 2020, hotel property of the Group is held under medium-term leases in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

13. MINING RIGHTS

| | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (Audited) |
|---|---|---|
| At beginning and end of the period/year | 178,664 | 178,664 |

The mining rights represent the rights to conduct mining activities in East Nusa Tenggara, Kupang, Indonesia.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

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

| | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (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 |
| | 7,099 | 9,378 |

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

| | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (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 | 409 | 713 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

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.

15. LOAN RECEIVABLES

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

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 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (Audited) |
|---------------------------------|---|---|
| At beginning of the period/year | 18,225 | 8,531 |
| Allowance for ECL | 517 | 9,694 |
| At end of the period/year | 18,742 | 18,225 |

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

| | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (Audited) |
|---|---|---|
| Held for trading: | | |
| Listed equity securities – the PRC, at fair value | 638,518 | 578,384 |

Included in the gain arising on change in fair value of financial asset at fair value through profit or loss for the six months ended 30 September 2020 of approximately HK\$53,636,000 was derived from investment in Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) (six months ended 30 September 2019: loss of approximately HK\$191,953,000).

At 30 September 2020, financial asset at fair value through profit or loss with the carrying amount of approximately HK\$637,640,000 (31 March 2020: HK\$577,589,000) have been pledged to secure loan facilities granted to the Group.

The fair value of all equity securities is based on their closing prices as at 30 September 2020 in an active market.

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

At 30 September 2020 (Unaudited)

| Stock Code | Name of investee company | Number of shares held | Percentage shareholding held by the Group | Investment cost HK\$'000 (Note (1)) | Market value as at 30 September 2020 HK\$'000 (Note (1)) | Percentage to the Group's net assets as at 30 September 2020 | Unrealised gain arising on change in fair value for the six months ended 30 September 2020 HK\$'000 (Note (1)) |
|------------|---------------------------------------|-----------------------|---|---|--|--|--|
| 600187 | Heilongjiang Interchina (Note (2)) | 227,312,500 | 13.74% | 273,476 | 638,518 | 32.64% | 53,636 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

At 31 March 2020 (Audited)

| Stock Code | Name of investee company | Number of shares held | Percentage shareholding held by the Group | Investment cost HK\$'000 (Note (1)) | Market value as at 31 March 2020 HK\$'000 (Note (1)) | Percentage to the Group's net assets as at 31 March 2020 | Unrealised loss arising on change in fair value for the year ended 31 March 2020 HK\$'000 (Note (1)) |
|------------|---------------------------------------|-----------------------|---|---|--|--|--|
| 600187 | Heilongjiang Interchina (Note (2)) | 227,312,500 | 13.74% | 270,437 | 578,384 | 29.07% | (282,878) |

Notes:

- (1) The investment costs and market value as at 30 September 2020 and 31 March 2020 and unrealised gain/(loss) of the investments in the above table have been subject to foreign exchange adjustments and rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them. The fair value of investment for Heilongjiang Interchina is approximately RMB568,281,000 (equivalent to approximately HK\$638,518,000) as at 30 September 2020 (31 March 2020: approximately RMB520,546,000 (equivalent to approximately HK\$578,384,000)). The cost of investment in Heilongjiang Interchina was approximately RMB243,394,000 (equivalent to approximately HK\$273,476,000) as at 30 September 2020 (31 March 2020: RMB243,394,000 (equivalent to approximately HK\$270,437,000)).
- (2) Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services and its issued shares are listed on the Shanghai Stock Exchange. There was no movement in the number of shares held by the Group during the six months ended 30 September 2020 and year ended 31 March 2020. No dividend was received during the six months ended 30 September 2020 and year ended 31 March 2020. According to the latest published unaudited financial statements of Heilongjiang Interchina, it had net assets value of approximately RMB3,462,378,000 (equivalent to approximately HK\$3,890,312,000), as at 30 June 2020 (31 December 2019: RMB3,452,081,000) (equivalent to approximately HK\$3,835,646,000). Heilongjiang Interchina recorded revenue of approximately RMB137,340,000 (equivalent to approximately HK\$154,315,000) and net profit of approximately RMB26,663,000 (equivalent to approximately HK\$29,958,000) for the six months ended 30 June 2020 (for the six months ended 30 June 2019: revenue of approximately RMB179,490,000 (equivalent to approximately HK\$199,433,000) and net profit of approximately RMB11,637,000 (equivalent to approximately HK\$12,930,000)).
- (3) At 30 September 2020, financial asset at fair value through profit or loss with the carrying amount of approximately HK\$637,640,000 (31 March 2020: HK\$577,589,000) has been pledged to secure loan facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

17. SHARE CAPITAL

| | Number of shares | | Nominal value | |
|---|---|-------------------------------------|---|---|
| | At 30 September 2020 (Unaudited) | At 31 March 2020 (Audited) | At 30 September 2020 (Unaudited) HK\$'000 | At 31 March 2020 (Audited) HK\$'000 |
| Issued and fully paid ordinary shares: | | | | |
| At beginning and end of the reporting period/year | 7,294,369,363 | 7,294,369,363 | 2,664,298 | 2,664,298 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

18. SHARE OPTION

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company adopted a share option scheme pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 August 2011 (the "Share Option Scheme"). The Share Option Scheme became effective for a period of 10 years commencing on 12 August 2011. Under the Share Option Scheme, the Board is authorised, at their discretion, invite a wider category of participants as defined in the Company's circular issued on 18 July 2011 (the "Participants"), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

The subscription price for shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue (the "Individual Limited"). Any further grant of options in excess of the Individual Limited in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

No share option was granted under the Share Option Scheme during the six months ended 30 September 2020 and 2019.

At the end of the reporting period, the number of shares in respect of which may be issued upon exercise of share option granted and remain outstanding under the Share Option Scheme was nil (31 March 2020: nil), representing 0% (31 March 2020: 0%) of the shares of the Company in issue at that date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

19. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon:

| | Revaluation of investment properties HK\$'000 | Fair value adjustments arising on acquisition of subsidiaries HK\$'000 | Total HK\$'000 |
|---|--|---|-------------------|
| At 1 April 2019 | 49,116 | 77,723 | 126,839 |
| Exchange alignment | (2,728) | (1,522) | (4,250) |
| Credit to the consolidated statement of profit or loss | (13,889) | (1,228) | (15,117) |
| At 31 March 2020 and 1 April 2020 (Audited) | 32,499 | 74,973 | 107,472 |
| Exchange alignment | 365 | 72 | 437 |
| Credit to the condensed consolidated statement of profit or loss (note 8) | (5,899) | (4,546) | (10,445) |
| At 30 September 2020 (Unaudited) | 26,965 | 70,499 | 97,464 |

Under the Enterprise Income Tax of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the profits earned by the PRC subsidiaries of the Group because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

20. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

20. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED *(Continued)*

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

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

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

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

21. 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 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.

22. BANK AND OTHER BORROWINGS

| | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (Audited) |
|--|---|---|
| Bank borrowings, secured (Note (i)) | 10,553 | 11,075 |
| Other borrowings, secured (Note (ii)) | 643,966 | 654,222 |
| Other borrowings, unsecured | 15,000 | 15,000 |
| Total borrowings | 669,519 | 680,297 |
| Carrying amounts repayable: (Note (iii)) | | |
| 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 TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

22. BANK AND OTHER BORROWINGS (Continued)

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 (six months ended 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 and 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 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (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 the loan agreements.

23. CONTRACT LIABILITIES

| | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (Audited) |
|---|---|---|
| Deposit received from customers in advance (note) | – | 1,255 |

Notes:

- (i) Contract liabilities for hotel operation represent deposit receipts in advance from customers.
- (ii) Included in the contract liabilities at the beginning of the period of approximately HK\$1,255,000 (six months ended 30 September 2019: HK\$443,000) were recognised as revenue during the six months ended 30 September 2020.
- (iii) Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

when the Group receives a deposit before the provision of hotel operation, this will give rise to contract liabilities at the start of a contract, until the Group provide the hotel services.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

23. CONTRACT LIABILITIES *(Continued)*

Movements in contracts liabilities were as follow:

| | At 30 September 2020 HK\$'000 (Unaudited) | At 31 March 2020 HK\$'000 (Audited) |
|--|---|---|
| At beginning of the period/year | 1,255 | 443 |
| Decrease in contract liabilities as a result of recognising revenue during the period/year that was included in the contract liabilities at the beginning of the period/year | (1,255) | (443) |
| Increase in contract liabilities as a result of receiving deposits during the period/year in respect of provision of hotel operation as at the period/year end | – | 1,255 |
| At end of the period/year | – | 1,255 |

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| At 30 September 2020 (Unaudited) | | | | |
| Financial asset at fair value through profit or loss | 638,518 | – | – | 638,518 |
| At 31 March 2020 (Audited) | | | | |
| Financial asset at fair value through profit or loss | 578,384 | – | – | 578,384 |

During the six months ended 30 September 2020, there have been no significant transfers between Level 1, 2 and 3 (31 March 2020: Nil).

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the condensed consolidated financial statements approximate their fair values.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2020 and 31 March 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

25. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, during the period, the Group had entered into the following transactions with related parties:

(a) Compensation of key management personnel

Compensation for key management personnel, including amounts paid to the directors of the Company and the senior executives are as follows:

| | For the six months ended 30 September | |
|--|--|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Salaries and other short-term benefits | 5,690 | 5,562 |
| Pension scheme contributions | 276 | 338 |
| | 5,966 | 5,900 |

(b) Imputed interest on amount due to a related company

Imputed interest recognised on the amount due to a related company is as follow:

| | For the six months ended 30 September | |
|-------------------------|--|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Shanghai Pengxin (note) | 10,684 | – |

Note: Mr. Jiang has beneficial interest in Shanghai Pengxin.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

25. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Rental income from a related company

Rental income including amounts received and receivable from a related company is as follows:

| | For the six months ended | |
|---|--------------------------|-------------|
| | 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Rental income | | |
| Wo Hua Commercial Management (Shanghai) Co., Ltd ("Wo Hua") (note) | – | 15,050 |

Note: Mr. Jiang has beneficial interest in Wo Hua.

(d) Management fee paid to a related company

Management fee payable to a related company is as follow:

| | At | At |
|--|--------------|-----------|
| | 30 September | 31 March |
| | 2020 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Management fee | | |
| Shanghai Chun Chuan Property Service Company Limited ("Shanghai Chun Chuan") (note) | 1,945 | 1,924 |

Note: Mr. Jiang has beneficial interest in Shanghai Chun Chuan.

26. APPROVAL AND AUTHORISATION FOR ISSUE OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 30 November 2020.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (six months ended 30 September 2019: HK\$17,348,000), which accounted for 31% of total revenue). 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, which accounted for 42% 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB 733,809,000 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 operations 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.

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).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2020, the relevant interests or short positions of the Directors and chief executive of the Company in the ordinary shares and underlying shares of the Company or its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares

| Name of Shareholders | Number of shares in the Company | | | Approximate percentage of shareholding |
|---------------------------|---------------------------------|------------------------------------|---------------|--|
| | Beneficial owner | Interest in controlled corporation | Total | |
| Jiang Zhaobai | – | 1,742,300,000 (Note 1) | 1,742,300,000 | 23.89% |
| Shen Angang | 7,865,000 | 641,135,000 (Note 2) | 649,000,000 | 8.9% |
| Lam Cheung Shing, Richard | 7,700,000 | – | 7,700,000 | 0.11% |

Note:

- As at 30 September 2020, of the 1,742,300,000 shares, 1,033,300,000 shares are held by Rich Monitor Limited and 709,000,000 shares are held by Pengxin Holdings Company Limited, all of which are wholly and beneficially owned by Mr. Jiang Zhaobai ("Mr. Jiang"). Therefore, Mr. Jiang is deemed to be interested in 1,742,300,000 shares of the Company under the SFO.
- These 641,135,000 shares are held by Ansheng Holdings Company Limited, which are wholly and beneficially owned by Mr. Shen Angang ("Mr. Shen"). Therefore, Mr. Shen is deemed to be interested in the entire 641,135,000 shares held by Ansheng Holdings Company Limited.

Save as disclosed above, none of the Directors or chief executive had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2020.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares

| Name of Shareholders | Number of shares in the Company | | | Approximate percentage of shareholding |
|----------------------------------|---------------------------------|------------------------------------|---------------|--|
| | Beneficial owner | Interest in controlled corporation | Total | |
| Rich Monitor Limited | 1,033,300,000 (Note 1) | – | 1,033,300,000 | 14.17% |
| Pengxin Holdings Company Limited | 709,000,000 (Note 1) | – | 709,000,000 | 9.72% |
| Ansheng Holdings Company Limited | 641,135,000 (Note 2) | – | 641,135,000 | 8.79% |

Note:

- (1): Each of these corporations are wholly and beneficially owned by Mr. Jiang. The interests of Mr. Jiang in the Company is stated under the section headed "Directors' and Chief Executive's interests and short positions in shares" above.
- (2): Ansheng Holdings Company Limited is wholly and beneficially owned by Mr. Shen. The interests of Mr. Shen in the Company is stated under the section headed "Directors' and Chief Executive's interests and short positions in shares" above.

Save as disclosed above, as at 30 September 2020, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders of the Company and became effective on 12 August 2011. The Scheme is effective for 10 years and will be expired on 12 August 2021.

As at 30 September 2020, the total number of ordinary shares available for issue pursuant to the grant of share options under the Scheme was 607,866,936, representing approximately 8.33% of the ordinary shares in issue as at 30 September 2020 and date of this Interim Report.

As at 30 September 2020, there are no outstanding options.

OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the change in information of Directors of the Company subsequent to the date of the Annual Report 2020 of the Company is set out below:

Mr. Ko Ming Tung Edward, independent non-executive director of the Company, resigned as an independent non-executive director of Wai Chun Group Holdings Limited (stock code: 1013) on 3 November 2020.

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.

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 throughout the period.

OTHER INFORMATION



AUDIT COMMITTEE

The Company's audit committee has reviewed this interim report, including the accounting principles adopted by the Group, with the Company's management.

BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company comprises executive directors of Mr. Jiang Zhaobai (Chairman), Mr. Lam Cheung Shing, Richard (CEO), Mr. Chen Yi, Ethan and Mr. Shen Angang, and the independent non-executive directors of Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.

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