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EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations amounted to HK\$20,812,000, representing an increase of 9.7% as compared to the same period in 2013.
- Loss for the period amounted to HK\$98,064,000 as compared to the profit of HK\$49,176,000 for the same period of 2013.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).
- At 30 September 2014, total equity amounted to HK\$5,378,606,000, representing a decrease of 1.5% as compared to HK\$5,458,884,000 as at 31 March 2014.
- At 30 September 2014, net assets per share was HK\$0.88, representing a decrease of 2.2% as compared to HK\$0.90 as at 31 March 2014.

The board (the “Board”) of directors (the “Directors”) of EverChina Int’l Holdings Company Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2014 (the “Period”), together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Notes	For the six months ended	
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Turnover	2	20,812	18,976
Cost of sales		(944)	(453)
Other income and gain, net	3	24,941	28,343
Staff costs		(8,013)	(8,210)
Amortisation and depreciation		(1,612)	(1,894)
Administrative costs		(16,653)	(58,725)
Other operating expenses		–	(53,601)
Gain arising on change in fair value of investment properties		25,528	20,892
Loss arising on change in fair value of financial assets at fair value through profit or loss		(5,080)	(57,342)
Profit/(loss) from operations	4	38,979	(112,014)
Finance costs		(15,829)	(26,220)
Share of results of associates		13,096	14,164
Gain on deemed disposal of associates		–	169,442
Gain on disposal of subsidiaries		–	6,270
Loss on partial disposal of an associate	5	(61,026)	–
(Loss)/profit before taxation		(24,780)	51,642
Taxation	6	(72,875)	(7,702)
(Loss)/profit for the period from continuing operations		(97,655)	43,940
Discontinued operations			
(Loss)/profit for the period from discontinued operations		(409)	5,236
(Loss)/profit for the period		(98,064)	49,176
Attributable to:			
Owners of the Company		(97,736)	47,056
Non-controlling interests		(328)	2,120
		(98,064)	49,176
(Loss)/earnings per share attributable to the owners of the Company			
	7		
From continuing and discontinued operations			
— Basic and diluted		HK(1.61) cents	HK0.77 cents
From continuing operations			
— Basic and diluted		HK(1.60) cents	HK0.69 cents
From discontinued operations			
— Basic and diluted		HK(0.01) cents	HK0.08 cents

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	For the six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(98,064)	49,176
Other comprehensive income		
Exchange differences arising on translation during the period	17,790	23,684
Share of exchange reserve of associates	<u>(4)</u>	<u>(206)</u>
Total comprehensive (loss)/income for the period	<u>(80,278)</u>	<u>72,654</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(79,950)	65,535
Non-controlling interests	<u>(328)</u>	<u>7,119</u>
	<u>(80,278)</u>	<u>72,654</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

		At 30 September 2014 <i>HK\$'000</i> (Unaudited)	At 31 March 2014 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		641,542	616,117
Property, plant and equipment		15,172	20,585
Mining rights		1,068,600	1,068,600
Goodwill		18,069	18,069
Interests in associates	9	1,442,687	1,872,961
Other non-current assets		58,157	58,157
		<u>3,244,227</u>	<u>3,654,489</u>
Current assets			
Trade and other receivables and prepayments	10	1,375,029	1,628,216
Loan receivables	11	240,681	232,699
Financial assets at fair value through profit or loss		506,589	188,509
Tax recoverable		1,204	1,204
Cash and cash equivalents		870,657	321,777
		<u>2,994,160</u>	<u>2,372,405</u>
Total assets		<u><u>6,238,387</u></u>	<u><u>6,026,894</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

AT 30 SEPTEMBER 2014

		At 30 September 2014 <i>HK\$'000</i> (Unaudited)	At 31 March 2014 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Equity			
Share capital		2,490,454	2,490,454
Reserves		2,504,425	2,584,375
		<hr/>	<hr/>
Equity attributable to owners of the Company		4,994,879	5,074,829
Non-controlling interests		383,727	384,055
		<hr/>	<hr/>
Total equity		5,378,606	5,458,884
		<hr/>	
Non-current liability			
Deferred tax liabilities		71,112	64,131
		<hr/>	<hr/>
Current liabilities			
Other payables and deposits received	12	61,745	58,925
Tax payable		2,308	2,379
Bank borrowings			
— due within one year	13	24,315	27,480
Other borrowings			
— due within one year	13	700,301	415,095
		<hr/>	<hr/>
		788,669	503,879
		<hr/>	<hr/>
Total liabilities		859,781	568,010
		<hr/>	<hr/>
Total equity and liabilities		6,238,387	6,026,894
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		2,205,491	1,868,526
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		5,449,718	5,523,015
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group (the “Interim Financial Statement”) has 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 HKAS 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

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; and
- financial assets at fair value through profit or loss classified as held for trading

The Interim Financial Statement has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the impact of the adoption of the new and revised HKAS, Hong Kong Financial Reporting Standards and interpretations described below.

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning from 1 April 2014. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Revised in 2011) (Amendments)	Investment Entities
HK(IFRIC)-Int 21	Levies

The adoption of the new and revised HKFRSs has no material effect on the Interim Financial Statement for the current and prior periods.

2. SEGMENT INFORMATION

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

Continuing operations

Environmental water treatment operation	—	Operation of water plants and sewage treatment plants in the PRC
Property investment operation	—	Leasing of rental property in the PRC and Hong Kong
Financing and securities investment operation	—	Provision of financing service and securities investment
Natural resources operation	—	Mining and production of manganese products including principally, through the Group’s integrated processes, the beneficiation, concentrating, grinding and the production of manganese concentrate and natural discharging manganese in the Republic of Indonesia

Discontinued operations

Securities dealing and brokerage operation	—	Provision of securities dealing and brokerage services in Hong Kong
Supply and procurement operation	—	Supply and procurement of metal minerals and electronic components

The following is an analysis of the segment revenue and results:

For the six months ended 30 September 2014

	Continuing operations					Discontinued operations			Consolidated total
	Environmental water treatment operation	Property investment operation	Financing and securities investment operation	Natural resources operation	Sub-total	Securities dealing and brokerage operation	Supply and procurement operation	Sub-total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	-	12,830	7,982	-	20,812	-	-	-	20,812
Segment results	(6,277)	35,571	2,812	(1,028)	31,078	(678)	-	(678)	30,400
Interest income and other income					24,941			269	25,210
Unallocated expenses					(17,040)			-	(17,040)
Profit/(loss) from operations					38,979			(409)	38,570
Finance costs					(15,829)			-	(15,829)
Share of results of associates					13,096			-	13,096
Loss on partial disposal of an associate					(61,026)			-	(61,026)
Loss before taxation					(24,780)			(409)	(25,189)
Taxation					(72,875)			-	(72,875)
Loss for the period					(97,655)			(409)	(98,064)

For the six months ended 30 September 2013

	Continuing operations				Discontinued operations			Consolidated total	
	Environmental water treatment operation	Property investment operation	Financing and securities investment operation	Natural resources operation	Sub-total	Securities dealing and brokerage operation	Supply and procurement operation		Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue	-	10,272	8,704	-	18,976	7,423	-	7,423	26,399
Segment results	1,679	26,556	(48,702)	(964)	(21,431)	6,581	(147)	6,434	(14,997)
Interest income and other income					10,359			1	10,360
Unallocated expenses					(100,942)			-	(100,942)
(Loss)/profit from operations					(112,014)			6,435	(105,579)
Finance costs					(26,220)			(9)	(26,229)
Share of results of associates					14,164			-	14,164
Gain on deemed disposal of an associate					169,442			-	169,442
Gain on disposal of subsidiaries					6,270			-	6,270
Profit before taxation					51,642			6,426	58,068
Taxation					(7,702)			(1,190)	(8,892)
Profit for the period					43,940			5,236	49,176

3. OTHER INCOME AND GAIN, NET

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Bank interest income	8,954	2,708	-	1
Other loan interest income	7,052	7,325	-	-
Government subsidies	-	17,984	-	-
Gain on disposal of property, plant and equipment	-	62	-	-
Net foreign exchange gain	4,441	215	-	-
Sundry income	4,494	49	269	-
	24,941	28,343	269	1

4. PROFIT/(LOSS) FROM OPERATIONS

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

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	1,612	1,894	–	22
Loss/(gain) on disposal of property, plant and equipment	290	(62)	–	–
Gain arising on change in fair value of investment properties	(25,528)	(20,892)	–	–
Loss arising on change in fair value of financial assets at fair value through profit or loss	5,080	57,342	–	–
Impairment loss recognised in respect of property, plant and equipment	–	1,537	–	–
Impairment loss recognised in respect of trade and other receivables and prepayments	–	43,949	–	83
Impairment loss recognised in respect of loan receivables	–	8,115	–	–
Operating lease rentals in respect of premises	4,383	3,085	–	–
Gross rental income from investment properties	(12,830)	(10,272)	–	–
Less: direct operating expenses from investment properties that generated rental income during the period	551	108	–	–

5. LOSS ON PARTIAL DISPOSAL OF AN ASSOCIATE

On 16 May 2014, the Group disposed of an aggregate of 72,000,000 Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) shares, representing 4.95% of the issued share capital of Heilongjiang Interchina, through the block trading system of the Shanghai Stock Exchange at a cash consideration of RMB311,250,000 (equivalent to HK\$391,510,000), net of transaction cost. The effect of changes of interests in associates as at the completion date of the partial disposal is summarised as follow:

	HK\$'000
Considerations satisfied by cash	391,510
Less: Carrying amount of the 4.95% equity interests in Heilongjiang Interchina	(452,536)
Loss on partial disposal of an associate	(61,026)

6. TAXATION

	Continuing operations For the six months ended 30 September		Discontinued operations For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax				
Hong Kong Profits Tax	–	105	–	1,190
The PRC Enterprise Income Tax	65,868	2,698	–	–
	65,868	2,803	–	1,190
Under provision in prior period:				
Hong Kong	–	1	–	–
Deferred tax	7,007	4,898	–	–
	72,875	7,702	–	1,190

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

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 the period.

7. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

	For the six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(97,736)</u>	<u>47,056</u>

	For the six months ended 30 September	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>6,078,669</u>	<u>6,078,669</u>

From continuing operations

	For the six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(97,327)</u>	<u>41,820</u>

	For the six months ended 30 September	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>6,078,669</u>	<u>6,078,669</u>

From discontinued operations

	For the six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(409)</u>	<u>5,236</u>

	For the six months ended 30 September	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>6,078,669</u>	<u>6,078,669</u>

The diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as the Company has no dilutive potential shares outstanding for the six months ended 30 September 2014 and 2013.

8. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 September 2014 and 30 September 2013, nor any dividend been proposed by the board of directors subsequent to the end of the reporting period.

9. INTERESTS IN ASSOCIATES

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Cost of investment		
— Listed (<i>note</i>)	1,386,284	1,800,773
Share of result of associates	66,304	71,655
Share of other comprehensive income of associates	5,459	7,196
	<u>1,458,047</u>	<u>1,879,624</u>
Amount due from an associate	100,940	9,637
Amount due to associates	(116,300)	(16,300)
	<u>1,442,687</u>	<u>1,872,961</u>
Market value of listed associates	<u>1,902,447</u>	<u>1,818,683</u>

Note:

On 16 May 2014, the Group disposed of an aggregate of 72,000,000 Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) shares through the block trading system of the Shanghai Stock Exchange at a cash consideration of RMB311,250,000 (equivalent to HK\$391,510,000), net of transaction costs, representing RMB4.33 per Heilongjiang Interchina share.

Immediately after the partial disposal, the aggregate number of Heilongjiang Interchina shares held by the Group decreased from 299,312,500 Heilongjiang Interchina shares, representing approximately 20.56% of the issued share capital of Heilongjiang Interchina, to 227,312,500 Heilongjiang Interchina shares, representing approximately 15.61% of the issued share capital of Heilongjiang Interchina. A loss on partial disposal of approximate HK\$61,026,000 was recognised in the condensed consolidated statement of profit or loss during the six month ended 30 September 2014.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

At the end of the reporting period, the aging analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September 2014 <i>HK\$'000</i> (Unaudited)	At 31 March 2014 <i>HK\$'000</i> (Audited)
Trade receivables:		
0–30 days	32,790	32,790
Margin clients' accounts receivables	99,761	99,761
Prepayments and deposits	1,135,260	1,366,829
Other receivables	<u>107,218</u>	<u>128,836</u>
Trade and other receivables and prepayments, net of allowance for doubtful debts	<u><u>1,375,029</u></u>	<u><u>1,628,216</u></u>

The average credit period granted to customers is 60 days (31 March 2014: 60 days).

Loans to margin clients are secured by client's pledged securities, repayable on demand and interest free. No aged analysis is disclosed, as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in the allowance for doubtful debts are individually impaired trade and other receivables and prepayment with an aggregate balance of approximately HK\$92,234,000 (31 March 2014: 92,234,000) which are past due at the end of the reporting period. The allowance for doubtful debts recognised because there has been a significant change in credit quality and the amounts are considered irrecoverable.

The Group's prepayments and deposits as at 30 September 2014, inter alia, are as follow:

- (i) deposits of HK\$293,396,000 paid for acquisition of certain investment properties in the PRC has been refunded during the six month period ended 30 September 2014;
- (ii) deposits of approximately HK\$295,119,000 (31 March 2014: HK\$295,119,000) paid for acquisition of several potential water projects in the PRC;
- (iii) prepayments of approximately HK\$296,527,000 (31 March 2014: HK\$295,458,000) to various contractors for construction of environmental protection and water treatment projects in the PRC;
- (iv) deposits of HK\$159,000,000 (31 March 2014: HK\$159,000,000) paid for acquisition of additional 30% equity interest in a Indonesia company which is principally engaged in the exploration, mining, processing and sale of manganese resources in Indonesia. Details of which was set out in the Company's announcements dated 21 March 2014, 30 April 2014, 30 May 2014, 20 June 2014, 15 August 2014 and 30 September 2014 and the Company's circular dated 7 July 2014; and
- (v) deposits of HK\$255,000,000 paid for acquisition of the entire equity interests of companies and the related sale loan, principally engaged in hospitality and car park rental (31 March 2014: HK\$255,000,000). Details of which were set out in the Company's announcements dated 26 November 2014, 29 November 2013, 10 January 2014, 28 February 2014, 28 March 2014, 31 July 2014 and 31 October 2014 and the Company's circular dated 23 January 2014.

11. LOAN RECEIVABLES

The loan was unsecured, carrying at the prevailing interest rate ranging from 2% to 7.2% per annum (31 March 2014: from 2% to 7.2% per annum).

During the six months ended 30 September 2014, no impairment loss (six months ended 30 September 2013: HK\$8,115,000) was recognised in the condensed consolidated statement of profit or loss.

12. OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30 September 2014 <i>HK\$'000</i> (Unaudited)	At 31 March 2014 <i>HK\$'000</i> (Audited)
Other payables and deposits received	<u>61,745</u>	<u>58,925</u>

No interest expenses payable for the period ended 30 September 2014 (31 March 2014: HK\$2,953,000) is included in other payables.

13. BANK AND OTHER BORROWINGS

	At 30 September 2014 <i>HK\$'000</i> (Unaudited)	At 31 March 2014 <i>HK\$'000</i> (Audited)
Secured bank borrowings	24,315	27,480
Secured other borrowings	477,987	415,095
Unsecured other borrowings	<u>222,314</u>	<u>–</u>
Total bank and other borrowings	<u>724,616</u>	<u>442,575</u>
Carrying amounts repayable:		
Within one year:		
— Bank borrowings	9,293	420,475
— Other borrowings	700,301	–
Carrying amount of bank and other borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>15,022</u>	<u>22,100</u>
Total borrowings	<u>724,616</u>	<u>442,575</u>

Notes:

- (a) The bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is 2.45% to 5.25% (year ended 31 March 2014: 2.45% to 5.25%) per annum. The effective interest rates on bank borrowings denominated in Renminbi is 6.83% (31 March 2014: 6.83%) per annum.

The other borrowings bear interest at rates of 8.2% to 15% per annum for the six months ended 30 September 2014 (year ended 31 March 2014: 8.63% per annum).

- (b) Asset with the following carrying amount have been pledged to secured general banking facilities granted to the Group, set out as follow:

	At 30 September 2014 <i>HK\$'000</i> (Unaudited)	At 31 March 2014 <i>HK\$'000</i> (Audited)
Investment properties	<u>294,177</u>	<u>562,482</u>

The secured other borrowings of approximately HK\$477,987,000 are secured by 181,950,000 shares of Heilongjiang Interchina (31 March 2014: 110,785,000 shares), which its shares are listed on the Shanghai Stock Exchange.

- (c) The Group's bank and other borrowings are denominated in the following currencies:

	At 30 September 2014 <i>HK\$'000</i> (Unaudited)	At 31 March 2014 <i>HK\$'000</i> (Audited)
Hong Kong dollars	227,129	5,881
Renminbi	<u>497,487</u>	<u>436,694</u>
	<u>724,616</u>	<u>442,575</u>

14. CAPITAL COMMITMENTS

The Group had the following outstanding commitments at the end of the reporting period:

	At 30 September 2014 <i>HK\$'000</i> (Unaudited)	At 31 March 2014 <i>HK\$'000</i> (Audited)
Authorised and contracted, but not provided for:		
— acquisition of property, plant and equipment	797	2,109
— acquisition of subsidiaries	<u>891,000</u>	<u>891,000</u>
	<u>891,797</u>	<u>893,109</u>

15. EVENTS AFTER THE REPORTING PERIOD

- (a) On 29 November 2013, the Company entered into the sale and purchase agreement with Mr. Jiang Zhaobai, (“Mr. Jiang”) and his brother, Mr. Jiang Lei, regarding the acquisition of the entire equity interest in Loyal Rich International Investment Limited (“Loyal Rich”) and the amount owing by Loyal Rich to Mr. Jiang and Mr. Jiang Lei at the consideration of HK\$573,000,000 (the “Acquisition”). As at the date of approval of these condensed consolidated financial statements, acquisition of the entire equity interests has not completed and the management of the Group was still in the midst of determining the financial effect of the aforesaid transactions. Details of which were set out in the Company’s announcements dated 26 November 2013, 29 November 2013, 10 January 2014, 28 February 2014, 28 March 2014, 31 July 2014 and 31 October 2014 and the Company’s circular dated 23 January 2014.

- (b) On 21 March 2014, Interchina Resources Holdings Limited, a wholly-owned subsidiary of the Company entered into the sale and purchase agreement with Mr. Ji WenWen regarding the further acquisition of the 30% equity interest in the Indonesian Company at the consideration of HK\$318,000,000. As at the date of approval of these condensed consolidated financial statements, acquisition of the additional interests has not completed and the management of the Group was still in the midst of determining the financial effect of the aforesaid transactions. Details of which were set out in the Company’s announcements dated 21 March 2014, 30 April 2014, 30 May 2014, 20 June 2014, 15 August 2014 and 30 September 2014 and the Company’s circular dated 7 July 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

Property Investment Operation

During the Period, the rental income of the Group's investment properties increased by 24.9% to HK\$12,830,000 (six months ended 30 September 2013: HK\$10,272,000). Total GFA of the Group's operational investment properties mainly Beijing Interchina Commercial Building, located in the CBD of Beijing, the PRC (the "Beijing Property"), reached 19,620 square meters as at 30 September 2014. At 30 September 2014, the carrying value of the Group's investment properties amounted to HK\$641,542,000 (31 March 2014: HK\$616,117,000) and the average occupancy rate of the Beijing Property was approximately 99%.

The segment profit amounted to HK\$35,571,000 as compared with HK\$26,556,000 for the same period in 2013. The increase in profit was mainly attributable to the increase in rental income and the increase in the unrealised fair value gain on investment properties from HK\$20,892,000 for the same period in 2013 to HK\$25,528,000 for the Period.

The Group has been constantly seeking to expand its investment property portfolios with a view to expanding revenue source. On 29 November 2013, the Company entered into the sale and purchase agreement with Mr. Jiang Zhaobai and his brother (as vendors) in relation to acquire the entire equity interest of Loyal Rich International Investment Limited ("Loyal Rich") at HK\$573,000,000 (the "Hotel Acquisition"). Loyal Rich is the beneficial owner of Express by Holiday Inn Wujiaochang Shanghai (上海五角場快捷假日酒店), a 20-storey hotel with a gross floor area of approximately 15,949 sq.m., located in Levels 1–20, 1729 Huang Xing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, the PRC (the "Hotel") and a 2-storey carpark with a gross floor area of 18,329 sq.m., located in Basement 2 & 3 1737 Huang Xing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, the PRC (the "Carpark"). Detail of the transaction was set out in the Company's circular dated 23 January 2014. Besides, as additional time is required for the fulfilment of the conditions precedent set out in the sale and purchase agreement, on 31 October 2014, the Company and Mr. Jiang and his brother agreed in writing to further extend the long stop date from 31 December 2014 (or such other date as may be agreed by the Company in writing). Upon the date of this report, the Hotel Acquisition has not yet completed. It expects the Hotel and the Carpark can start contribute income and profit to the Group in January 2015.

Going forward, the Group will continue to acquire quality investment property to further enhance the assets base of the Group and strengthen the profitability of this segment.

Financing and Securities Investment Operation

Segment revenue represents interest income from financing operation, slightly decreased by 8.3% to HK\$7,982,000. The segment gain amounted to HK\$2,812,000 as compared with the loss of HK\$48,702,000 for the same period in 2013. The turnaround to profit was mainly attributable to the decrease in unrealised fair value loss of the securities investment from HK\$57,342,000 for the same period in 2013 to HK\$5,080,000 for the Period.

In September 2014, the Company entered into a subscription agreement with KuangChi Science Limited (Stock Code: 439), pursuant to which the Company has conditionally agreed to subscribe for up to 60,000,000 new KuangChi shares at HK\$5.386 per KuangChi share in cash for an aggregate consideration of HK\$323,160,000 (the “KuangChi Subscription”). The KuangChi Subscription constitutes discloseable transaction for the Company under the Listing Rules. Detail of the transaction was set out in the Company’s announcement dated 15 September 2014. The Subscription completed on 29 September 2014.

As at 30 September 2014, total securities investment/financial assets at fair value through profit and loss stood at HK\$506,589,000 (31 March 2014: HK\$188,509,000) and total loan receivable under financing operation amounted to HK\$240,681,000 (31 March 2014: HK\$232,699,000). The Company will continue to seek for securities investment opportunity with good business prospect in order to strength the earning base of the Group.

Natural Resources Operation

During the Period, this segment did not contribute any revenue to the Group. The segment loss amounted to HK\$1,028,000, representing an increase of 6.6% as compared with HK\$964,000 for the same period in 2013. The loss was mainly represented administrative expenses for the Period.

The Group’s nature resources operation is solely the exploration, exploitation, refining and processing of manganese ore, through a 65% indirect-owned subsidiary of the Company, P.T. Satwa Lestari Permai (“SLP”), a licensed mining company under the Laws of the Republic of Indonesia. The flagship asset of SLP is a mining block of approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggara, Indonesia (“Mining Block”) and have obtained mining license IUP Manganese Production Operation to conduct the activities of construction, production, sales transportation and processing/refinery in the Mining Block for a period of twenty years (“Mining Right”). Resource of the Mining Block has no significant change during the Period. The carrying value of the Mining Right at 30 September 2014 amounted to HK\$1,068,600,000 (31 March 2014: HK\$1,068,600,000).

In March 2014, the Group entered into a sale and purchase agreement with one of the minority shareholder of the SLP to acquire the 30% equity interest in SLP at the consideration of HK\$318,000,000 (the “Further Acquisition”). Upon the completion of the Further Acquisition, the Group’s interest in SLP will increased from 65% to 95%. Detail of the transaction was set out in the Company’s circular dated 7 July 2014. As additional time is required for the fulfilment of the conditions precedent set out in the sale and purchase agreement, on 30 September 2014, the Company has inform the vendor to extend the long stop date to 31 December 2014 (or such other date as may be agreed by the Company in writing). Upon the date of this report, the Further Acquisition has not yet completed.

To implement the Law on Mineral and Coal Mining (No. 4 of 2009, Laws of the Indonesia), Indonesian government authorities promulgated a regulation on 13 January 2014, pursuant to which all holders of mining production operation licenses shall undertake mineral processing and refining within the territory of Indonesia in order to export a certain amount of products.

In addition, the Ministry of Energy and Mineral Resources of the Republic of Indonesia formulated the Regulation of the Minister of Energy and Mineral Resources No. 1 of 2014 (“GR1/2014”) which are enacted on 11 January 2014, export of minerals are banned. Manganese is one of the five minerals that can be exported after they are processed in the three-year grace period. After the grace period, the minerals have to be purified before being exported. Since the Group has its own processing plant with well-equip facilities, it is of the view that such regulations do not have material adverse impact to the segment. However, the Group would also consider build a smelting facilities, if necessary in the processing plant in order to comply with the GR1/2014 in the future.

Given natural resources operation is a new business to the Group, it expects more time will be required to improve/fine tune its operating performance of this segment in order achieve satisfactory results in the long run.

Environmental Water Treatment Operation — Interest in associate

During the Period, the Group mainly operates the environmental water treatment operation through its associate company, Heilongjiang Interchina Water Treatment Company Limited (“Heilongjiang Interchina”) which is listed on the Shanghai Stock Exchange (Stock Code: 600187). At 30 September 2014, Heilongjiang Interchina operated seventeen water projects located in different regions in the PRC, with aggregate daily capacity of 1,497,500 tonnes. Although this segment recorded no turnover for the Period (Six months ended 30 September 2013: Nil), the Group shared a net profit of Heilongjiang Interchina amounted to HK\$13,096,000 for the Period (Six months ended 30 September 2013: HK\$14,164,000).

In May 2014, the Group disposed an aggregate of 72,000,000 Heilongjiang Interchina Shares (the “Disposal”), representing 4.95% of the issued share capital of Heilongjiang Interchina, through the block trading system of the Shanghai Stock Exchange at an aggregate consideration of RMB311,760,000 (equivalent to approximately HK\$392,151,000), representing RMB4.33 (equivalent to approximately HK\$5.45) per Heilongjiang Interchina Share. The Disposal recognised a loss of HK\$61,026,000 for the Group. The net proceed from the Disposal had been used to repay the outstanding borrowings of the Group. After the Disposal, the Group still holds 227,312,500 Heilongjiang Interchina Shares, representing approximately 15.61% of the issued shares capital of Heilongjiang Interchina.

As at 30 September 2014, Heilongjiang Interchina’s closing share price was RMB6.58, representing Heilongjiang Interchina’s market capitalisation of approximately RMB9.58 billion (approximately HK\$11.97 billion) and the market value of approximately HK\$1.87 billion of the Group’s shareholding in Heilongjiang Interchina.

Meanwhile, Heilongjiang Interchina is in progress of applying a non-public shares issue of not more than 274,000,000 new shares of Heilongjiang Interchina at the issue price of RMB4.01 per Heilongjiang Interchina Share to two subscribers, being Mr. Jiang Zhaobai (“Mr. Jiang”) and Mr. Zhu Yongjun (“Mr. Zhu”). Mr. Jiang is the substantial shareholder, an executive Director and the chairman of the Company and Mr. Zhu is the director and chairman of Heilongjiang Interchina. It estimates that upon the completion of the aforesaid non-public share issue, the Company’s interest in Heilongjiang Interchina will be diluted to approximately 13.14%. Detail of the non-public shares issue was set out in the Company’s announcement dated 15 August 2014.

Discontinued Operations

Securities dealing and brokerage operation is presented as discontinued operation for the Period.

The cessation of securities dealing and brokerage operation became effective on 31 July 2012 but has been pending the final approval by the Securities and Futures Commission. No revenue was recognised during the Period (Six months ended 30 September 2013: HK\$7,423,000). This segment recorded loss of HK\$409,000 (Six months ended 30 September 2013: profit of HK\$5,383,000).

FINANCIAL REVIEW

Results of Operations

The Group recorded a total revenue from continuing operations for the Period of HK\$20,812,000 (six months ended 30 September 2013: HK\$18,976,000). This was mainly contributed by the growth of the property investment operation. Net loss for the Period was HK\$98,064,000 (six months ended 30 September 2013: net profit of HK\$49,176,000). The turnaround to loss was mainly due to (i) the absence of non-recurring gain on deemed disposal of associates (six months ended 30 September 2013: HK\$160,442,000) and (ii) the Group recorded a loss on disposal of associate of HK\$61,026,000 during the Period. Basic loss per share stood at HK1.61 cents, compared with the basic earnings per share of HK0.77 cents the previous year.

Liquidity, Financial Resources and Capital Structure

At 30 September 2014, the Group's total assets were HK\$6,238,387,000 (31 March 2014: HK\$6,026,894,000) and the total liabilities were HK\$859,781,000 (31 March 2014: HK\$568,010,000). There has been no change in the share capital of the Company during the period. As at 1 April 2014 and 30 September 2014, the number of issued shares of the Company was 6,078,669,363. At 30 September 2014, the equity reached HK\$5,378,606,000 (31 March 2014: HK\$5,458,884,000) and the current ratio of the Group was 3.8 (31 March 2014: 4.7) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 11.6% (31 March 2014: 7.3%).

At 30 September 2014, the Group's cash on hand and deposits in bank was HK\$870,657,000 (31 March 2014: HK\$321,777,000). Around 99% of the Group's cash on hand and deposits in bank was denominated in Renminbi with the rest mainly in Hong Kong dollars.

At 30 September 2014, the Group had total borrowings of HK\$724,616,000 (31 March 2014: HK\$442,575,000) of which approximately HK\$709,594,000 are repayable within one year and the remaining balance of approximately HK\$15,022,000 are not repayable within one year from the end of the reporting period but contain a repayment on demand clause. Around 69.3% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

Pledged of Assets

At 30 September 2014, the Group's investment properties with carrying amounts of HK\$294,177,000 was pledged as security for its liabilities. In addition, certain shares of an associate company held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Foreign Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. During the period, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities. The Group will closely manage and monitor foreign currency risks whenever its financial impact is material to the Group.

Material Acquisition and Disposal

On 7 July 2014, the Company proposed to dispose entire equity interest of Heilongjiang Interchina held by the Company at not less than RMB4.1 per Heilongjiang Interchina Share (the "Proposed Disposal"). The Proposed Disposal constitutes a very substantial disposal of the Company under the Listing Rules. Detail of the Proposed Disposal was set out in the Company's announcement dated 7 July 2014. Due to the change of strategic development plan, on 15 August 2014, the Company announced not to proceed with the Proposed Disposal. Detail of the termination of the Proposed Disposal was set out in the Company's announcement dated 15 August 2014. As the result, Heilongjiang Interchina continues to be an associate company of the Group.

Save as the above mentioned, the Hotel Acquisition, the KuangChi Subscription and the Further Acquisition have been described in the "Business Review" section, there was no material acquisition or disposal of subsidiaries or associates during the Period.

Future plans for material investments or capital assets

Save as the above mentioned, the Group did not have any future plans for material investments or capital assets as at 30 September 2014.

Human Resources

As at 30 September 2014, the Group had approximately 39 employees in Hong Kong and the PRC. To maintain the Group's competitiveness, salary adjustments and award of bonus for staff are subject to the performance of individual staff members. Apart from offering retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect of the six months ended 30 September 2014.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2014.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Throughout the Period under review, the Company had complied with all the code provisions of the CG Code except for the deviations as stated below:

- (i) Pursuant to the Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently all directors (including non-executive directors) are not appointed for a fixed term. However, according to Article 101 of the Articles of Association of the Company, one-third of the directors (including executive and non-executive Directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The retiring director shall be eligible for re-election. The Board believes that the current arrangement will give the Company sufficient flexibility to organise the composition of the Board to serve the needs of the Group.
- (ii) Pursuant to the Code Provision E.2.1 of the CG Code, the chairman of the Board should attend the annual general meeting ("AGM") to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2014 AGM due to other business engagements. Mr. Lam Cheung Shing Richard, being the executive director of the Company, attended the AGM on 15 August 2014 and was delegated to make himself available to answer questions if raised at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company and had reviewed with management of the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters including review of the interim results of the Group for the six months ended 30 September 2014.

PUBLICATION OF THE INTERIM REPORT

This interim results announcement is published on the Company's website (<http://www.everchina202.com.hk>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>). The interim report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

By Order of the board of directors
EverChina Int'l Holdings Company Limited
Lam Cheung Shing, Richard
Chief Executive Officer and Executive Director

Hong Kong, 28 November 2014

As at the date of this announcement, the executive Directors are Mr. Jiang Zhaobai, Mr. Shen Angang, Mr. Lam Cheung Shing, Richard and Mr. Chen Yi, Ethan; and the independent non-executive Directors are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.