EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤中國際控股有限公司

Stock Code : 202

Annual Report 2018

CONTENTS

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

SOLICITORS

K&L Gates
Patrick Mak & Tse

SHARE REGISTRAR

Tricor Tengis Limited
Level 22, 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

PR ASIA Consultants Ltd
5/F., Euro Trade Centre
13–14 Connaught Road Central
Hong Kong

On behalf of the board (the "Board") of directors (the "Directors") of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present to you the annual results of the Group for the year ended 31 March 2018.

RESULTS OF OPERATIONS

During the year, the Group continued to made efforts in expanding its core business and recorded a total revenue of approximately HK$89,912,000 (2017: HK$67,951,000), representing an increase by 32.3% compared with last year. The increase in revenue was largely driven by the property investment operation, which offset the decrease in revenue in financing and securities investment operations. The results of operations however did not meet expectations. The Group recorded a loss of approximately HK$775,873,000 for the year ended 31 March 2018 (2017: profit of HK$82,344,000). The turnaround to a loss was mainly attributable to:

(i) an increase in operating costs, including staff costs, depreciation and administrative costs, by 24.5% to approximately HK$117,956,000 (2017: approximately HK$94,730,000) as a result of increase in renovation costs to the Group's properties and appreciation of RMB during the year;

(ii) an increase in other operating expenses to approximately HK$140,408,000 (2017: Nil) arising from (i) a provision of approximately HK$73,853,000 on doubtful receivables and prepayments; and (ii) a provision of overdue fine of approximately HK$66,555,000 charged by the Tianjin Tax Bureau;

(iii) the financial assets at fair value through profit or loss turnaround to a loss of approximately HK$409,850,000 (2017: gain of approximately HK$223,176,000) as a result of the change in the stock market sentiment;

(iv) an increase in finance costs by 20% to approximately HK$79,226,000 (2017: approximately HK$66,009,000) for the year as compared to that of 2017 as a result of increase in total borrowings; and

(v) an increase in taxation to approximately HK$97,237,000 (2017: approximately HK$5,386,000) resulting from the payment of the PRC Enterprise Income Tax of approximately RMB88,530,000 (equivalent to approximately HK$109,297,000) for the prior periods after tax examination by the Tianjin Tax Bureau.

Loss for the year attributable to shareholders of the Company amounted to approximately HK$775,807,000, compared with the profit attributable to shareholders of the Company of approximately HK$82,403,000 of last year. The basic and diluted loss per share (including continuing and discontinued operations) amounted to HK$12.763 cents, compared to the basic and diluted earnings per share of HK1.356 cents of the last year.

MANAGEMENT STATEMENT

BUSINESS REVIEW

Property Investment Operation

The Group's property investment operation, which mainly comprise two investment properties located in the centre of Beijing and Shanghai respectively. At 31 March 2018, the Group's investment property was valued at an aggregate value of approximately HK$1,347,788,000 (2017: approximately HK$1,261,679,000) by independent professional valuers. Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK$36,072,000 was recorded for the year (2017: approximately HK$33,703,000).

During the year, this segment recorded revenue of approximately HK$56,214,000 (2017: approximately HK$25,211,000) and profit of approximately HK$1,706,000 (2017: loss of approximately HK$20,695,000). The increase in both revenue and turnaround to profit for the year was primarily due to the Shanghai property contributed rental income of approximately HK$26,585,000 (2017: Nil) during the year. At 31 March 2018, the average occupancy rate of the Beijing and Shanghai property reached over 99% and 84% respectively.

The acquisition of the Shanghai property was completed in August 2016. The Group and Wo Hua Commercial Management (Shanghai) Company Limited ("Wo Hua"), a company which is indirectly owned as to 99% by Mr. Jiang Zhaobai ("Mr. Jiang") and as to 1% by Mr. Jiang Lei, the brother of Mr. Jiang, entered into the leasing agreement ("Leasing Agreement") for a term of three years till 11 August 2019, pursuant to which (i) Wo Hua provides leasing agency services to the Group with annual agency services fee not exceed RMB1,800,000 per annum; (ii) Wo Hua guarantees the annual rental income of the Shanghai property received by the Group generated from the Shanghai property minus any fee or tax relating to the Shanghai property to Wo Hua for each year during the term shall not less than the 3.5% of the RMB616,000,000, represented the consideration of acquiring the Shanghai property paid by the Group i.e. RMB21,560,000. In the event that the annual rental income is less than RMB21,560,000, Wo Hua shall compensate the shortfall on dollar-for-dollar basis. During the year, the Group received guarantee rental income of approximately RMB21,300,000 from Wo Hua and did not pay any agency services fee to Wo Hua. The Leasing Agreement is an exempted continuing connected transaction under Chapter 14A of the Listing Rules. For details, please refer to the Company's circular dated 19 February 2016.

Looking forward, the Group will closely monitor the property market condition and capture any opportunities arising from this segment in a prudent manner.

Hotel Operation

The sole hotel property held by the Group, is the Express by Holiday Inn Wujiaochang Shanghai located in Yangpu District, Shanghai, the PRC, which is a 20-storey hotel with total gross floor area of approximately 15,949 sq.m., and 296 guest rooms. At 31 March 2018, the average occupancy rate was around 80% for the year.

During the year, this segment recorded revenue of approximately HK$39,072,000 (2017: approximately HK$28,279,000) and profit of approximately HK$1,447,000 (2017: loss of approximately HK$3,151,000).

It expects that this segment will continue providing the Group with solid revenue stream as well as capital gain potentials.

Financing and Securities Investment Operation

As at 31 March 2018, total loan receivable under financing operation amounted to approximately HK$91,084,000 (31 March 2017: HK$97,328,000) and total securities investment/financial assets at fair value through profit or loss stood at approximately HK$1,393,232,000 (31 March 2017: HK$1,673,308,000). The decrease in total securities investment/ financial assets at fair value through profit or loss was mainly attributable to the decrease in the share price of Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (stock code: 600187) listed on Shanghai Stock Exchange during the year, which contributed an unrealised fair value loss of RMB1.18 per share to the Group. At 31 March 2018, the Group held listed securities, being 227,312,500 shares or approximately 13.74% interest in Heilongjiang Interchina and 54,981,000 shares or approximately 0.75% interest in KuangChi Science Limited (stock code: 439).

Future prospect of the investments are as follows :

(i) Heilongjiang Interchina

Based on the published information of Heilongjiang Interchina, during the reporting period of 2017, Heilongjiang Interchina focused on water supply, sewage and other environmental protection areas, and continued to consolidate water business as the core business, and fully utilised the financing platform of listed companies to raise funds of approximately RMB951,892,000 for the water projects of the group, which laid a solid foundation for the long-term healthy development of the company. For the year ended 31 December 2017, Heilongjiang Interchina recorded income of RMB438,782,000, representing a year-on-year increase by 22.91%, mainly due to the fact that sales of engineering services and equipment increased more than the previous year; the net profit attributable to the shareholders of the listed company was RMB17,833,000, representing a year-on-year increase by 10.16%. Therefore, the directors of the Company are optimistic towards the future development of Heilongjiang Interchina.

(ii) KuangChi

Based on the published information of KuangChi, it recorded a turnover of HK$306,192,000, representing an increase of 5.40% over last year and turnaround to loss of HK$66,612,000 for the year ended 31 December 2017 (2016: profit of HK$596,544,000). During the year, the share price of KuangChi significantly decreased by 46.8% from HK$3.4 per share at 31 March 2017 to HK$1.81 per share at 31 March 2018. Considering the continuing downward trend in the share price of KuangChi as well as the stock market sentiment, the Company does not exclude the possibility of disposing the investment in KuangChi to avoid further loss to the Group and free it resources for financing its working capital need.

During the year, this segment recorded interest income of approximately HK$4,552,000 generated from financing operation (2017: approximately HK$14,461,000) and realised loss of approximately HK$10,397,000 on disposal of financial assets at fair value through profit or loss generated by securities investment operation (2017: Nil). Segment loss amounted to approximately HK$482,352,000 (2017: profit of HK$237,449,000). The turnaround to loss was mainly due to the loss of approximately HK$409,850,000 arising on change in fair value of the financial assets at fair value through profit or loss recognised (2017: gain of approximately HK$223,176,000) for the year.

The Group will remain watchful on market developments and will continue to be prudent in managing its investment portfolio for minimising the investment risk.

Natural Resources Operation

The Group operates the natural resources operation through a non-wholly owned subsidiary of the Company, P.T. Satwa Lestari Permai ("SLP") which is a licensed mining company under the Laws of Indonesia. SLP owns mining licenses to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in areas totaling approximately 2,000 hectares in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggara, Indonesia for a period of twenty years and would expire on 18 November 2031 ("Mining Rights"), with estimate resources of approximately 18,800,000 tonnes. The estimate resource has no significant change during the year. Production has not been commenced since the Group acquired the Mining Rights in 2011.

This segment did not contribute any revenue to the Group for the year (2017: Nil). The segment loss amounted to approximately HK$1,951,000, a decrease by 2.9% when compared with last year. The loss was mainly represented the administrative expenses for the year.

Despite the mineral market has significant improvement during the year, this segment is still facing various uncertainties factors, including but not limit to (i) the export restriction of extracted mineral products imposed by the Indonesia government which is still in force; (ii) an upward trend in exploitation and production cost which could reduce the profitability; and (iii) the unstable of the global economic and political conditions which could dampen the market price of mineral products. It is estimated that commercial production is not able to be commenced in short term. Nevertheless, the Group will keep a conservative attitude in the segment and closely monitor the market conditions as well as consider other options such as realisation of the investment should the opportunities arise.

Agricultural operation

The Group engaged in cattle raising business through a wholly owned subsidiary of the Company, Sociedad Agropecuaria Argotanto S.A. ("Argotanto") in Bolivia. Argotanto owns approximately 5,100 hectares of farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia and is at the initial stage to start up cattle raising business. During the year, Argotanto sold 163 cattle at average selling price of US$370 per cattle, which contributed revenue of approximately HK$471,000 to the Group (2017: Nil) for the year. The segment loss amounted to approximately HK$2,404,000.

As at 31 March 2018, the cattle farm raised 868 cattle. It is estimated that by improving facility, training worker and introducing advanced technology, the cattle farm could raise 6,000 cattle.

On 13 June 2017, the Company entered into a sale and purchase agreement with Mr. Jiang Zhaobai ("Mr. Jiang"), an executive Director, the Chairman and a substantial shareholder of the Company, pursuant to which the Company will purchase and Mr. Jiang will sell the entire equity interest in Pengxin Agricultural Holdings Company Limited at the consideration of US$46,000,000 (equivalent to approximately HK$358,800,000), subject to adjustment set out in the paragraph headed "Consideration and the Adjustment" in the Company's announcement dated 13 June 2017. The transaction constitutes major and connected transaction for the Company under the Listing Rules. Details of the transaction was set out in the Company's circular dated 28 June 2018.

It considers that the aforesaid acquisition will provide the Group with a good opportunity to diversify its income sources and to build a strong foundation in agricultural operation.

OUTLOOK

Going forward, the Group will continue to explore investment opportunities and remain dedicated to constantly review, reinforce and, in appropriate circumstances, restructure its existing business segments with a view to enhancing and improving returns to the shareholders.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 March 2018, the equity reached approximately HK$3,147,461,000 (2017: approximately HK$3,643,398,000). At 31 March 2018, the Group's cash on hand and deposits in bank was approximately HK$179,712,000 (2017: approximately HK$429,651,000), mainly denominated in Renminbi ("RMB") and HK dollars. The decrease was mainly due to the deposit paid on acquisition of subsidiaries and the payment of the PRC Enterprise income tax for prior years. The Group had net current assets of approximately HK$774,654,000 as at 31 March 2018 as compared with approximately HK$1,588,133,000 as at 31 March 2017. The current ratio of the Group as at 31 March 2018 was 1.6 (2017: 2.4). The gearing ratio (total outstanding borrowings over total assets) of the Group as at 31 March 2018 was 24.8% (2017: 21.4%).

The Group had no particular seasonal pattern of borrowing. At 31 March 2018, the Group's borrowings of approximately HK$1,119,651,000 were repayable within one year (2017: approximately HK$1,040,134,000 repayable within one year and approximately HK$3,759,000 repayable over one year). As at 31 March 2018, the average cost of financing was around 7.3% (2017: 8.3%) per annum. As at 31 March 2018, the Group borrowings were denominated in RMB and HKD, amounting to approximately RMB819,000,000 and approximately HK$108,540,000, respectively.

There has been no change in the share capital of the Company during the year. As at 1 April 2017 and 31 March 2018, the number of issued shares of the Company was 6,078,669,363.

Pledged of Assets

At 31 March 2018, the Group's investment properties with carrying amounts of approximately HK$650,257,000 (2017: approximately HK$587,522,000) and hotel property with carrying amounts of approximately HK$523,403,000 (2017: approximately HK$489,232,000) were pledged as security for its liabilities. In addition, 180,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Foreign Exchange Exposure

The majority of the Group's income and expenses are settled in Renminbi and Hong Kong dollars. During the year, the Group did not encounter any significant difficulties or come under any impact on its operations or liquidity due to fluctuations in currency exchange rates. The Group does not currently engage in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, the management will continue to monitor the relevant circumstances and will take such a measure if it is deemed prudent.

Contingent Liability

As at 31 March 2018, the Group had no material contingent liabilities (2017: Nil).

MANAGEMENT STATEMENT

Capital Commitment

As at 31 March 2018, the Group had no material capital commitment (2017: Nil).

Material Acquisition and Disposal

Save for the information disclosed in other parts of this section, the Group did not have any material acquisition or disposal of subsidiaries or associates during the year ended 31 March 2018.

Human Resources

As at 31 March 2018, the Group employed approximately 120 employees (2017: 120). The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

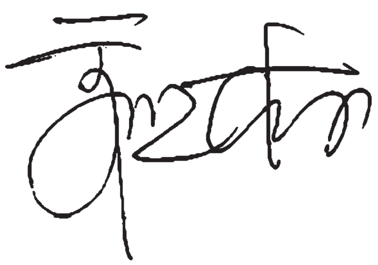
SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 13 June 2017, the Company entered into a sale and purchase agreement with Mr. Jiang Zhaobai ("Mr. Jiang"), an executive Director, the Chairman and a substantial shareholder of the Company, pursuant to which the Company will purchase and Mr. Jiang will sell the entire equity interest in Pengxin Agricultural Holdings Company Limited at the consideration of US$46,000,000 (equivalent to approximately HK$358,800,000), subject to adjustment set out in the paragraph headed "Consideration and the Adjustment" in the Company's announcement dated 13 June 2017. The transaction constitutes major and connected transaction for the Company under the Listing Rules. Details of the transaction was set out in the Company's circular dated 28 June 2018.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers, employees and partners for their continuous support and encouragement.

On behalf of the Board



Jiang Zhaobai
Chairman

Hong Kong, 29 June 2018

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. JIANG Zhaobai, Executive Director and Chairman

Mr. JIANG Zhaobai, aged 55, has been appointed as an executive Director of the Company and Chairman of the Board in September 2012. He has over 27 years experience in real estate development and investment in the PRC and extensive experience in international investment including minerals, dairy and agricultural industries and property investment etc. He is also the chairman of the board of Shanghai Pengxin Group Co., Ltd. ("Pengxin Group"). Mr. Jiang is the founder of Pengxin Group and Shanghai Pengxin Real Estate Development Co., Ltd. ("Pengxin Real Estate"). He was the chairman of Pengxin Group during the period from April 1997 to May 2000 and the chairman of Pengxin Real Estate during the period from January 1995 to March 1997. Mr. Jiang was appointed as vice presidents of China Enterprise Directors Association from July 2010 to July 2015 and is currently a rotating chairman of New Shanghai Businessman Federation (上海新滬商聯合會). He graduated in Nanjing Institute of Architecture and Civil Engineering and was admitted to an Executive Master of Business Administration degree at China Europe International Business School in June 2005.

Mr. LAM Cheung Shing, Richard, Executive Director, Deputy Chairman and Chief Executive Officer

Mr. LAM Cheung Shing, Richard, aged 60, is the deputy chairman and chief executive officer of the Company since June 2009. In August 2001, Mr. Lam was appointed as an executive Director and deputy chief executive officer of the Company and was designated as the chairman of the Company during the period from May 2009 to June 2009. Mr. Lam is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Lam was admitted to the Master Degree of Business Administration in the Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PricewaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the Group, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited.

Other than the directorship in the Company, currently, Mr. Lam is also an independent non-executive director of Lajin Entertainment Network Group Limited, the issued shares of which are listed on the GEM Board of the Stock Exchange. Besides, Mr. Lam was appointed as an independent non-executive director of Eagle Legend Asia Limited during the period from May 2013 to December 2014 and an executive director of Kai Yuan Holdings Limited during the period from December 2001 to July 2008 and re-designated as a non-executive director during the period from July 2008 to November 2008, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Lam was appointed as an executive director of China Pipe Group Limited, the issued shares of which are listed on the Stock Exchange, during the period from June 2007 to February 2009.

Mr. CHEN Yi, Ethan, Executive Director

Mr. CHEN Yi, Ethan, aged 35, joined the Company as an independent non-executive Director of the Company in February 2012 and re-designated to an executive Director of the Company since October 2014. He holds a bachelor's degree in Applied Science on Professional Electric Engineering from University of British Columbia, Vancouver, Canada and Mr. Chen has profound knowledge in financial instruments and rich experience in the international capital market. Prior to this re-designation, Mr. Chen had been worked as the assistant vice president in investment of Wellbo Holdings Limited, an engineering analyst of Kobex Minerals Inc. and International Barytex Resources Ltd in Canada, and an analyst and assistant vice president of Rongying Investments Limited respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SHEN Angang, Executive Director

Mr. SHEN Angang, aged 62, has been appointed as an executive Director of the Company in February 2012. He has been the president and chairman of the board of directors of Shanghai AnShung Group Ltd. since 1995. He has rich experience in areas ranging from finance, investment, real estate and mining resources. Mr. Shen served as the cadre of the Science Committee of Shanghai. He also held the position as the general manager of Shanghai Industry and Trade Department of Shanghai Ocean Helicopter Professional Co., Ltd., and as the general manager of Shanghai Securities Department of Guizhou International Trust & Investment Corporation.

Mr. HO Yiu Yue, Louis, Independent Non-executive Director and the Chairman of the Audit Committee and the Remuneration Committee

Mr. HO Yiu Yue, Louis, aged 70 was appointed as an independent non-executive Director in April 2009. He is also the Chairman of the Audit Committee and the Remuneration Committee of the Company and a member of the Nomination Committee. He obtained a master degree of business administration in finance & operations research from Concordia University in Canada and is an associate member of both Hong Kong Institute of Certified Public Accountants and Australia Society of Certificate Practising Accountants. Mr. Ho had over 30 years working experience with international accounting professional firms and had been admitted as partner in Ernst & Young, PricewaterhouseCoopers and Arthur Andersen, focusing on technology risk, system and process assurance and risk consulting practices. During that period, Mr. Ho provided services and advices to numerous blue chip corporations in both Hong Kong and the PRC. Mr. Ho was an independent non-executive director of China Pipe Group Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. KO Ming Tung, Edward, Independent Non-executive Director and the Chairman of the Nomination Committee

Mr. KO Ming Tung, Edward, aged 57, was appointed as an Independent Non-executive Director of the Company in April 2009. Mr. Ko obtained an external Bachelor of Laws Degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 26 years.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of Sinofert Holdings Limited, Wai Chun Group Holdings Limited and Chia Tai Enterprises International Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange, and is an independent non-executive director of Zioncom Holdings Limited in January 2018, whose shares are listed on the GEM Board of the Stock Exchange in Hong Kong. Mr. Ko was previously a non-executive director of Harmonic Strait Financial Holdings Limited (now known as Asia International Finance Group Limited), whose shares are listed on the Main Board of the Stock Exchange and an independent non-executive director of Chinese Energy Holdings Limited, whose shares are listed on the GEM Board of the Stock Exchange, respectively.

Professor SHAN Zhemin, Independent Non-executive Director

Professor SHAN Zhemin, aged 46, was appointed as an independent non-executive Director in October 2014. She is also a member of the Audit Committee. She is a doctoral degree holder in Management from Shanghai University of Finance and Economics, a certified public accountant in China and a financial analyst in America. She is currently an associate professor, Director of the Institute of Finance（金融研究所）of Shanghai National Accounting Institute. She also acts as EMBA visiting professor of a number of reputable institutions including PBC School of Finance of Tsinghua University and Shanghai Advanced Institute of Finance (SAIF). Professor Shan possesses rich experience in the fields of accounting, financial management, corporate finance, investment and financing. She previously served as researcher of Department of Accountancy of City University of Hong Kong, associate professor of School of Accountancy of Shanghai University of Finance and Economics, senior investment manager of Securities Investment Head Office and internal audit expert of Investment Banking Head Office of Shenyin & Wanguo Securities Co., Ltd.

Other than the directorship in the Company, currently, Professor Shan is an independent director of each of Shanghai Metersbonwe Fashion and Accessories Co., Ltd (listed on Shenzhen Stock Exchange, stock code: 002269), Guangzheng Group Company Ltd (listed on Shenzhen Stock Exchange, stock code: 002524), Shanghai Lansheng Corporation (listed on Shanghai Stock Exchange, stock code: 600826) and ORG Packaging Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002701). She is also an independent director of Shanghai Baosteel Gases Limited, a wholly-owned subsidiary of Baoshan Iron & Steel Co., Limited (listed on Shanghai Stock Exchange, stock code: 600019).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the maintenance of good corporate governance practices and procedures. The Board and the management believe that a good corporate governance practices is essential to the success of the Company and enhancement of shareholders' value. The Company has adopted the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance practices.

Throughout the year under review, the Company had complied, to the extent applicable and permissible, with the code provisions as set out in 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 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. This effectively means that no director will remain in office for more than three years without being re-elected by the Company's shareholders at a general meeting of the Company or otherwise. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

(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 2017 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company, attended the AGM on 1 September 2017 and was delegated to make himself available to answer questions if raised at the meeting.

The Company will continue to review and improve the corporate governance practices and procedures and make necessary changes when it considers appropriate.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors and relevant employees of the Company. Having made specific enquiry to all directors, the Company confirms that all directors have complied with the Model Code throughout the year ended 31 March 2018.

THE BOARD

(I) Composition of the Board

The Board currently comprises seven Directors, including four executive Directors and three independent non-executive Directors. The details of the composition of the Board are as follows:

Name of Director	Year of service in the Group
Executive Directors	
Mr. Jiang Zhaobai *(Chairman)*	5.5 years
Mr. Lam Cheung Shing, Richard *(Chief Executive Officer)*	17.4 years
Mr. Chen Yi, Ethan	6.1 years
Mr. Shen Angang	6.1 years
Independent Non-executive Directors	
Mr. Ho Yiu Yue, Louis	9 years
Mr. Ko Ming Tung, Edward	9 years
Professor Shan Zhemin	3.4 years

To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationships) among the members of the Board.

(II) Board Diversity

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board adopted the board diversity policy (the "Board Diversity Policy") in August 2013 and aimed to set out the approach to achieve diversity on the Board. All Board appointment will be based on merit and selection of candidates will be based on a range of diversity factors.

(III) Board meetings

During the year ended 31 March 2018, Five board meetings were held, the Board has dealt with matters covering mainly the Group's overall strategy, annual and interim results, internal control, corporate governance and acquisition matters. Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of regular Board meetings (or reasonable notice for all other meetings) is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

(IV) Responsibilities of the Board and management

The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan of the Company and its subsidiaries (collectively the "Group") and the senior management personnel are responsible for supervising and executing the plans of the Group. The Board is also responsible for evaluating and determining the nature and significance of identified risks and determine how these risks can be properly alleviated so as to achieve the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. In addition, the Board, with the assistance from audit committee, oversees management in the design, implementation and monitoring of the risk management and internal control systems

(V) Independence of independent non-executive Directors

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of legislation and accounting and finance to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Ho Yiu Yue, Louis has over 30 years of experience in accounting and risk consulting. He is a member of both Hong Kong Institute of Certified Public Accountants and CPA Australia.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

The Board has noticed that each of Mr. Ho Yiu Yue, Louis ("Mr. Ho") and Mr. Ko Ming Tung, Edward, ("Mr. Ko") has served as an independent non-executive Directors for more than nine years that their further appointment should be subject to separate resolutions to be approved by shareholders at the forthcoming annual general meeting. During their years of appointment, each of Mr. Ho and Mr. Ko has demonstrated their ability to provide an independent view to the Company's matters. Notwithstanding their years of service as an independent non-executive Directors, the Board is of the view that Mr. Ho and Mr. Ko are able to continue to fulfill their roles as required and thus recommends them for re-election at the forthcoming annual general meeting ("AGM"). Further, the Company is of the view that each of Mr. Ho and Mr. Ko meets the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent in accordance with the terms of the guidelines having regard to (i) their annual confirmation of independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company, (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment, and (iv) the absence of remuneration from the Company other than the directors' fee and the share options granted to them (if any).

(VI) Continuous professional development

During the year ended 31 March 2018, the Directors regularly updated and refreshed their knowledge and skills through various means including but not limited to attending management briefings, trainings, seminars or other professional development like reading articles, researches, journals and legal and regulatory updates provided by the Company. The Company has received confirmation from all Directors in respect of their training records for the year ended 31 March 2018, is detailed as follows:

Name of Directors	Type of trainings
Mr. Jiang Zhaobai	A, B
Mr. Lam Cheung Shing, Richard	A, B
Mr. Chen Yi, Ethan	A, B
Mr. Shen Angang	B
Mr. Ho Yiu Yue, Louis	A, B
Mr. Ko Ming Tung, Edward	A, B
Professor Shan Zhemin	A, B

Note:

(A) Attending seminar(s)/programme(s)/conference(s)

(B) Reading materials relevant to the business or directors' duties

(VII) Functions of Corporate Governance

The Board is responsible for performing corporate governance duties to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuing professional development of Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year and up to the date of this report, the Board has performed the corporate governance duties as set out in the Code Provision D.3.1 of the CG Code.

(VIII) Insurance on Directors' and officers' liabilities

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company during the year ended 31 March 2018.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer of the Company are held by two different Executive Directors, namely Mr. Jiang Zhaobai and Mr. Lam Cheung Shing, Richard respectively. Their roles and duties are segregated, with a clear division of responsibilities. Mr. Jiang Zhaobai, the Chairman, is to provide leadership and management of the Board while Mr. Lam Cheung Shing, Richard, the Chief Executive Officer, is responsible for the implementation of strategies and objectives set by the Board and answerable to the Board for the operations of the Group.

BOARD COMMITTEES

The Board has three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the committees has been established with written terms of reference that state its powers, duties and functions, which are available on the website of the Company and the Hong Kong Stock Exchange.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Audit Committee), Mr. Ko Ming Tung, Edward and Professor Shan Zhemin. It is to oversee the financial reporting system, risk management and internal control systems of the Company, to review and monitor the external auditors' independence and objectivity, and to review the adequacy of resources, qualification and experience of staff of the accounting and financial reporting functions and their training programmes, and the effectiveness of the audit process in accordance with applicable standard.

During the year ended 31 March 2018, there were two meetings held by the Audit Committee to (i) review the work done by external auditors, the relevant fees and terms of engagement, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance; (ii) review and discuss with the auditor the audited financial statements and the unaudited interim financial statements, with recommendations to the Board for approval; (iii) review the internal control system covering financial, operational, procedural compliance and risk management functions; and (iv) consider the independence of auditors, review the auditor's remuneration and recommend to the Board the auditor's re-appointment.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Remuneration Committee) and Mr. Ko Ming Tung, Edward and one executive Director namely, Mr. Lam Cheung Shing, Richard and is mainly responsible for reviewing the remuneration policy and structure of Directors and senior management of the Company.

During the year ended 31 March 2018, the Remuneration Committee held one meeting. At the meeting, the Remuneration Committee has reviewed and made recommendation to the Board on the remuneration package of a senior management appointed during the year.

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely Mr. Ko Ming Tung, Edward (chairman of the Nomination Committee) and Mr. Ho Yiu Yue, Louis and one executive Director namely, Mr. Lam Cheung Shing, Richard. It is responsible for review the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify suitable individuals qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors. The Nomination Committee is responsible for the monitoring and review of the Board Diversity Policy.

During the year ended 31 March 2018, the Nomination Committee held one meeting. At the meeting, the Nomination Committee has reviewed the structure, size and diversity of the Board and discussed the re-election of retiring Directors at the annual general meeting.

ATTENDANCE RECORD OF THE MEETINGS

The number of meetings held by the Board, the Board Committees and the Company during the year ended 31 March 2018 and the attendance of each director are set out in the table below:

	Meetings attended/held during the terms of office				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General meeting***
Executive Directors					
Mr. Jiang Zhaobai	4/5	N/A	N/A	N/A	0/1
Mr. Lam Cheung Shing, Richard	5/5	N/A	1/1	1/1	1/1
Mr. Chen Yi, Ethan	5/5	N/A	N/A	N/A	1/1
Mr. Shen Angang	5/5	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ho Yiu Yue, Louis	5/5	2/2	1/1	1/1	1/1
Mr. Ko Ming Tung, Edward	5/5	2/2	1/1	1/1	1/1
Professor Shan Zhemin	5/5	2/2	N/A	N/A	0/1

* *The general meeting was annual general meeting held on 1 September 2017*

AUDITOR'S REMUNERATION

During the year ended 31 March 2018, the total fees paid/payable to Messrs. HLB Hodgson Impey Cheng Limited ("HLB"), the external auditors of the Company, for the provision of audit services and non-audit services are as follows:

Services Rendered	HK$
Audit services	1,800,000
Non-audit services:	
— Interim review	200,000
	2,000,000

ACCOUNTABILITY AND AUDIT

The Board acknowledged responsibility for reviewing the accounts of the Company prepared by the executive board for the year ended 31 March 2018 and ensuring the accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are fair and reasonable; and that the accounts are prepared on a going concern basis.

A statement by the auditors about their reporting responsibilities is contained in the Independent Auditors' Report on pages 39 to 45 of this annual report.

COMPANY SECRETARY

The Company Secretary reports to the Chief Executive Officer and is responsible for advising the Board on corporate governance matters. During the year ended 31 March 2018, Mr. Lau Chi Lok, Freeman is the Company Secretary of the Company, he has received no less than fifteen hours of relevant professional training to refresh his skills and knowledge.

SHAREHOLDERS' RIGHTS

(i) Convening EGM and putting forward proposal at general meetings

In accordance with Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO"), the directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may sent be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. In accordance with Section 567 of the CO, the directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Besides, Section 615 of the CO provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the CO provides that the Company that is required under Section 615 of the CO to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

(ii) Procedure for Shareholders to propose a person for election as Director

In accordance with Article 105 of the Articles of Association of the Company, no person other than a retiring Director shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election and notice in writing by that person of his willingness to be elected shall have been lodged at the Company at least seven days before the date of the general meeting and that the period for lodgment of both of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

(iii) Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Suites 601-603, 6/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

INVESTORS RELATIONS

Communication with Shareholders

To promote effective communication with the public at large, the Company maintains a website (www.everchina202.com.hk) on which comprehensive information about the Company's major businesses, financial information and announcements, annual and interim reports and circulars are being made available.

The Company also has engaged a professional public relations consultancy company to organise various investor relations programs aiming at increasing the transparency of the Company, enhancing communication with shareholders and investors, increasing their understanding of and confidence in the Group's businesses and promoting market recognition of and support to the Company.

The Company recognises the importance of maintaining on-going communications with its shareholders and encourages them to attend shareholders' meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The chairman of the Board and members of the Board Committee will attend the annual general meeting to answer questions. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company.

Constitutional Documents

During the year ended 31 March 2018, there has not been any change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the Company's website and the Stock Exchange's website.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control of the Group and constantly reviewing its effectiveness while the Audit Committee is assisting the Board in fulfilling its supervision responsibility through annual review and evaluation. The system of risk management and internal control is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established a clear risk management framework with defined levels of responsibility and reporting lines to identify, evaluate and manage significant risks. Operating units of the Group identify potential risks during their day-to-day operations and initiate actions to mitigate. In addition, management of the operating units perform risk assessment, significant findings and associated action plans are reported to the Company for monitoring and to ensure appropriate controls and mitigation actions are in place.

The Group does not have an internal audit function due to the size of the Group and for cost effectiveness consideration. Nonetheless, the Company has engaged an external consultant to perform internal audit function. External consultant conducts independent review on the adequacy and effectiveness of the Group's risk management and internal control systems and submits internal audit report to the Audit Committee with findings and recommendations. The Audit Committee, will by taking into consideration the control issues identified by the external auditor in the course of statutory audit, formulate their opinion and report to the Board at the regular meetings. The Group conducts its affairs with regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

During the year, the Board has engaged Infinity Assurance Limited ("Infinity") to perform internal audit reviews to assess on the effectiveness of the Group's risk management and internal control systems. The assessments cover all material controls, including financial, operational and compliance controls of the Company and its major subsidiaries on a rotation basis. The internal audit report prepared by Infinity has been approved by the Audit Committee. The Board together with the senior management have reviewed, considered and discussed the material findings in relation to the internal control system and recommendations thereto, and have concluded that the overall internal control system of the Group has effectively exercised and no material control failure or significant areas of concern which might affect shareholders' interest were identified during the reviews.

SCOPE AND REPORTING PERIOD

This is the second Environmental, Social and Governance ("ESG") report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the hotel operation of Holiday Inn Wujiaochang Shanghai ("the Hotel"), a 20-storey hotel located in Yangpu District, Shanghai, the People's Republic of China ("PRC") and property investment operation in the office located in Beijing, the PRC. The abovesaid operations contributed to the Group's major revenue during the reporting period, thus are included in the reporting scope. This ESG report covers the Group's overall environmental and social performances of the business operations in the Hotel in Shanghai and the office in Beijing of the PRC, from 1 April 2017 to 31 March 2018, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions through various communication channels such as meetings, liaison groups, telephone conference, email and phone call to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at general@everchina202.com.hk.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

The Group commits to providing the highest quality of services to customers by minimising the environmental impacts. In the future, sustainability will be given more consideration when we make investment decisions. We endeavour to work hand-in-hand with all stakeholders to strive for a continual improvement in sustainability.

Climate change directly affects our living standards and hinders social development. We operate our business with responsible business practices without compromising future development opportunities. We are committed to developing our business with minimum adverse impact to the environment, taking social and environmental impact as central issues to create shared sustainable values with our stakeholders and community. We uphold a high standard of corporate governance and believe that we can altogether contribute to building our sustainable future.

A. ENVIRONMENTAL

The hotel operation and property investment operations of the Group involved in the consumption of refrigerant, natural gas, electricity, paper, fresh water, business air travels and the generation of domestic waste (including food waste), paper waste and wastewater. No consumption of packaging materials had been involved; no cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste was noted in the reporting period.

The Group is aware that its business operation consumes natural resources and poses certain impact on the environment. Therefore, the Group's hotel operation complies with Level 1 certification of the InterContinental Hotels Group ("IHG") Green Engage system which is a standard combining environmental responsibility with business sense for all IHG managed hotels. The system guides responsible operation by staying on top of the impact and resources the operation has on the environment. It tracks energy, waste, water and carbon and provides green solutions to help hotels reduce their environmental impact and save money.

Total floor area for the report was approximately 16,117.14 sq.m. of which 15,997 sq.m. occupied was by the Hotel and 120.14 sq.m. was occupied by the Beijing office.

1. Being Environmentally Responsible

(i) IHG Green Engage System

As a standard for all IHG hotels across the world, the system sets 10 actions to be completed to achieve Level 1 Certification:

- Assemble a Green Team to ensure momentum and engagement across the hotel with green initiatives
- Develop preventative maintenance routine to ensure faults and poor system performance are spotted before causing bigger problems or wastage
- Develop a plan for communication and implementation of practices in office areas to ensure simple changes in behaviour can create instant savings on energy and waste cost
- Control lighting such as utilizing natural daylight and turning unnecessary lightings
- Control lighting in guest corridors to take advantage of natural light
- Implement and ensure best practices in housekeeping and laundry through trainings and supervision
- Track energy data to understand energy consumption and determine annual reduction goals
- Stop using incandescent lamps or bulbs and use compact fluorescent lamps or LED lights in guest rooms
- Track monthly water consumption to understand water consumption and determine annual reduction goals
- Ensure water fixtures do not exceed the International Plumbing Code 2006 maximum flow rate recommendations

(ii) Other Green Initiatives

Energy and Water Saving

The Group understands that electricity consumption contributes to significant environmental impact in its hotel operation. Apart from setting air conditioners in constant temperature mode, the Group constantly explores opportunities to change to LED lights and LED-backlit TVs in guest rooms. Urinal flushing sensors and water-saving shower heads were also installed to avoid water wastage.

Environmental Green Cards

The Group encourages its guests to conserve natural resources and invites guests to consider reusing clean bed linen through its environmental reminder cards. Traditionally bed linens were changed every day. Since the implementation of the environmental program, bed linens are now changed every three days unless guests have placed the environmental reminder cards on beds to request linen change.

Waste Reduction and Recycling

In respect of waste management, the Group strongly encourages waste segregation and recycling. It established guidelines for procedural recycling, provided ample waste recycling facilities in the Hotel public area and collected food waste separately for recycling.

Provision of breakfast contributes to a major part of the Hotel's F&B service. To avoid food waste at source, the Hotel estimates serving size of breakfast in accordance with daily guest rooms' occupancy before purchasing food ingredients for breakfast. The Hotel exercises efficient distribution of meals to guests and employees in order to control unnecessary food waste. In addition, by linking the F&B Department's performance ratings with the Hotel cost on food, staff is motivated to control and reduce food waste.

Green Office

Staff in office performs paper saving practices (such as printing and copying on single-side used paper and default printers in double-sided printing). The Group purchases remanufactured cartridges for cartridges refill. Offices in the hotel operation also reduce electricity consumption by switching the air conditioners on an hour after on-duty time and switching them off an hour before dismissal time.

2. Greenhouse Gas Emission

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tCO_2e)	Total Emission (in percentage)
Scope 1			
Direct Emission	Refrigerants	220.32	41%
	Natural Gas Consumption	463.55	
Scope 2			
Energy Indirect Emission	Purchased Electricity	979.57	58%
Scope 3			
Other Indirect Emission	Paper Consumption	2.52	1%
	Water Consumption	16.76	
	Business Air Travel	2.05	
Total		1,684.77	

Notes:

— Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

— Emission factors for combustion of natural gas for stationary source was made reference to GHG Emissions from Stationary Combustion (Chinese), provided by the Greenhouse Gas Protocol.

— Combined margin emission factors (average) of 0.76 $kgCO_2e/kWh$ and 0.70 $kgCO_2e/kWh$ were used for purchased electricity in Beijing and Shanghai of Mainland China respectively.

— tCO_2e represents tonnes of carbon dioxide equivalent greenhouse gases.

There were 1,684.77 tCO_2e (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.10 tCO_2e/m^2.

Emissions from the hotel operation (including cooking fume) comply with all applicable statutory standards concerning air pollutant emissions including the Emission Standard of Cooking Fume (GB18483-2001) of the PRC. Cooking fume emission control equipment such as mechanical exhaust ventilation and grease filters are also in place to ensure emissions meet required standards.

3. Emission Sources and Use of Resources

(i) Refrigerants

68 kg of HCFC-22 and 68 kg of HFC-134a were used in air conditioning system in the hotel operation during the reporting period, contributing to 220.32 tCO_2e emission.

(ii) Natural Gas, Electricity and Water

Natural gas was consumed for cooking, in boilers for water heating and heat generation during winter. During the reporting period, the canteen operation has been expanded, thus leading to a higher consumption of natural gas. The Group tracks monthly energy and water consumption data in order to understand how resources are used in the Hotel, identify savings and set reduction goals. It also compiles a list of plumbing fixture flow rates from guest rooms and heart of house to compare flow rates and evaluate the system. This avoids high flow rates of water fixtures (such as guestrooms showers) while maintaining a quality guest experience. In addition, the Group ensures flow rates meet the International Plumbing Code (IPC) standards, which helps creating substantial water savings with consistent guest experience provided.

Resources	Direct Consumption (the Group)	Indirect Consumption (the Group)	Intensity (Hotel operation)	Intensity (Office Operation)
Natural gas	212,050 m^3	2,096 MWh	0.13 MWh/m^2	NA
Electricity	1,393 MWh	1,393 MWh	0.08 MWh/m^2	0.04 MWh/m^2
Water	27,761 m^3	NA	1.74 $m3/m^2$	NA

Only water consumption of the Group's hotel operation is included in the data above as water consumption of its office operation is managed by the Building Management Office and respective data is not available, but it is noteworthy that water consumption of its office operation is insignificant.

(iii) Waste

The Group generates no major hazardous waste in its operation. Non-hazardous waste generated from the Group's operation were mainly commercial waste such as food waste and paper waste. A total of 4,014.4 kg of commercial waste was generated in the reporting period.

Commercial waste is regularly collected by licensed collectors to ensure a high level of hygiene in its Hotel and offices. A total of 524.4 kg of paper has been used for daily office operations such as documents printing and deliverables packaging. Disposal of the waste paper contributed to an emission of 2.52 tCO_2e emission. The Group practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit. During the reporting period, a total of 262.2 kg of paper had been recycled, contributing to a reduction of 1.26 tCO_2e emission.

The Hotel's catering operation complies with all relevant statutory requirements regarding wastewater and waste cooking oil discharge from restaurants. Grease traps are in place and wastewater containing cooking oil must pass through grease traps before discharge.

(iv) Business Air Travel

During the reporting period, employees from the office operation travelled by air between Beijing and Hong Kong for meetings and collaboration, contributing to a total of 2.04 tCO_2e emission.

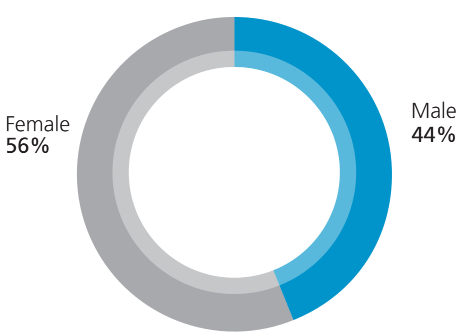
B. SOCIAL

1. Employment and Labour Practices

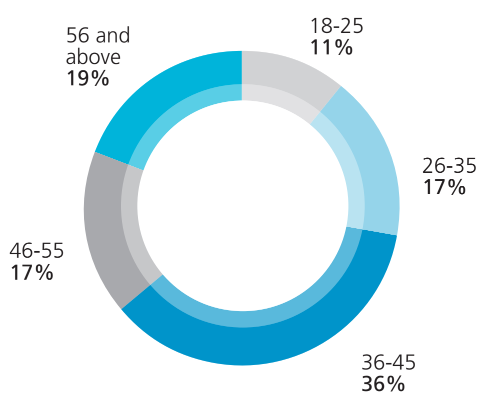
(i) Employment

The Group had a total of 70 employees as of 31 March 2018; all employees were from difference provinces in Mainland China. 89% were full time employees and 11% were part time employees.

BY GENDER



BY AGE GROUP



Compensation and Benefits

The Group places great value in employees, providing employees with competitive compensation and benefits to attract and retain talents. It has a systematic benefit matrix for employees in different positions, with more generous benefits offered to higher positions. Employees are entitled to statutory paid leave, Housing Provident Fund and basic social insurance (including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance). The Group provides free duty meals in canteens in its hotel operation and lunch allowances in its office operation. The work hours are not more than 8 hours per day and 40 hours per week. The Group has the right to extend work hours upon agreement with employees and the Labour Union if necessary. Overtime work is normally within an hour per day, and not more than three hours upon special occasions. Overtime compensation will be provided according to the statutory requirements. The Group abides by all applicable employment and labour related laws of Hong Kong and the PRC and did not note any cases of material non-compliance with laws and regulations in relation to employment during the reporting period.

Promotion and Dismissal

Employees are offered with promotion opportunities mainly based on their capabilities, personalities and performances as reflected through annual performance appraisals. During the appraisal process, managers and team members set their objectives, which are then self-evaluated and reviewed by eligible supervisors. For termination of contract, either party may terminate the contract by one month advance written notice or salary in lieu of notice.

Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws.

Human Rights

The hotel operation of the Group abides by the IHG’s policy on human rights which:

- Supports protection of human rights, particularly those of the employees, business partners and communities the Hotel operates;
- Respects employees’ right to voluntary freedom of association, under the law;
- Provides a safe and healthy working environment;
- Does not support forced and compulsory labour or the exploitation of children;
- Supports elimination of employment discrimination and promotion diversity in the workplace;
- Provides our employees with remuneration and tools for growing their careers, and takes their wellbeing into consideration;

- Promotes fair competition and does not support corruption;
- Conducts business with honesty and integrity in compliance with applicable laws; and
- Develops and implements company procedures and processes to ensure the Hotel complies with the policy.

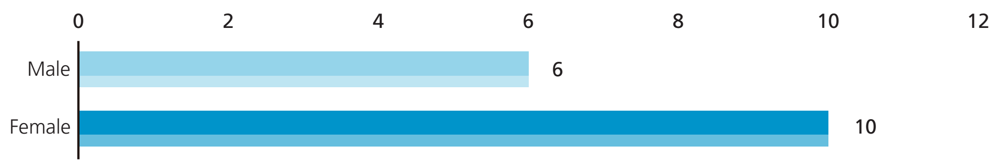
Employee Communication

All employees are welcome to use various communication channels for horizontal or vertical communication (such as email, social media platform, staff welfare meeting and employer-employee meeting). The Group also organizes annual dinner, festival-related celebrations and birthday celebrations regularly to nourish a greater sense of belonging and to provide enhanced communication channels between senior management and general staff. During the reporting period, the Group organized a trip to Hangzhou in which more than 20 employees joined the trip and received positive feedback.

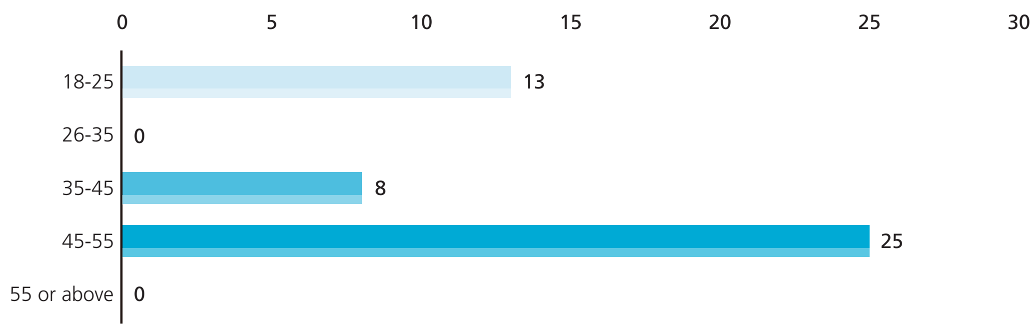
Turnover

A total number of 6 employees left the Group in 2017/18, contributing to an overall turnover rate of 9%. The annual turnover rates (categorized by gender and age groups) in the reporting period are:

ANNUAL TURNOVER RATE BY GENDER (%)



ANNUAL TURNOVER RATE BY AGE GROUP (%)



(ii) Occupational Health and Safety

The Group's policy on occupational health and safety ensures that frontline employees work in a healthy and safe environment. The Group provides necessary personal protective equipment to employees including:

- Provision of slip resistant work shoes to kitchen staff;
- Provision of hand cream and protective gloves to housekeeping staff to avoid dry skin due to frequent contact with cleaning agent; and
- Provision of insulating and safety shoes to electricians and engineering staff.

Apart from supplying adequate first aid supplies in the first aid kits, basic first aid training courses are also provided to employees to ensure employees acquire basic first aid knowledge and skills. There was no work–related fatality, work injury case nor any case of material non–compliance in relation to occupational health and safety laws and regulations noted in the reporting period.

(iii) Development and Training

Various training programs are provided to staff in its hotel operation to ensure delivery of high quality service to customers and to enhance personal development of staff. Training topics include but is not limited to induction, first aid, customer service, fire safety, emergency management and leadership.

With the Group's emphasis on food safety, there must be at least one food safety trainer who plans for or directly conducts training on food safety. Apart from compulsory food safety training, new employees must be trained on food safety knowledge and practices based on the IHG's Food Safety Management System ("FSMS") and local regulations. Staff of key departments (such as kitchen and F&B, etc.) must attend refresher training at least twice a year while other departments once a year.

The Group keeps traceable training details and participants' attendance records which are signed by departmental head.

Training and Development Data in 2017/18

Percentage of Employees trained by Gender	
— Male	87%
— Female	72%
Percentage of Employees trained by Employment Category	
— Senior Management	67%
— Middle Management	100%
— Frontline and Other Employees	77%
Average Training Hours Completed per Employee by Gender	
— Male	14.06
— Female	14.97
Average Training Hours Completed per Employee by Employee Category	
— Senior Management	5.33
— Middle Management	12
— Frontline and Other Employees	15.33

(iv) Labour Standard

Pursuant to the Labour Law of the PRC, there was no child nor forced labour in the Group's operation in the reporting period. The human resources department ensures accuracy of the candidates' provided information by checking their identity cards and relevant certificates.

2. Operating Practices

(i) Supply Chain Management

The Group established a procurement policy for its hotel operation, which controls over all purchases made by the Hotel. All purchases must be made through purchasing department which require approval from the user department head, the director (for finance and business support) and the general manager. The Hotel's suppliers must fulfil pre-qualifications including but not limited to consistency of supply, ability to meet delivery schedule, conformance to quality requirements, administration and technical competence of personnel, reasonableness in pricing compared to market prices and good references. Standard procedures are established for setting up new suppliers and emergency purchasing.

When purchasing food and related food-related products (including equipment), the purchasing manager performs screening for new suppliers, supplier evaluation and selection under technical guidance of related experienced chefs and hygienists. Supplier list is frequently updated to ensure names of suppliers, licenses and certificates are in place and valid. When purchasing office equipment, the Group gives higher priority to energy efficient equipment and installations.

(ii) Outsourcing Management

Outsourced services of the Hotel include restaurant, laundry, public area cleaning, stewarding, equipment maintenance, pest control and garbage room management etc. All outsourcing service providers must have relevant qualifications granted by the authority. When dealing with services related to food safety, the Hotel and all outsourced restaurants establish contracts with terms regarding food safety responsibilities. Initial food safety trainings are also organized to employees of outsourced restaurants to ensure that they meet the required standards.

(iii) Product Responsibility

The Group is aware of its responsibilities associated with the products and services it provides. Various policies and guidelines have been formulated for assuring quality of its products and services. No material non-compliance with laws and regulations of product and service-related health and safety, advertising, labelling and privacy matters was noted in the reporting period.

Food Safety Management

The Group's hotel operation follows guidelines on food safety laid down in the IHG FSMS Manual. The Manual covers procedures on procurement of food and food-related products, food preparation and handling, cleaning and pest management, inspections, investigations, complaints and recall, related regulation compliance and outsource management etc.

The Group selects reliable and reputable suppliers of food and food-related products which comply with the food hygiene and safety standards established by regulatory authorities. General requirements for preparing and handling food are stated in the Manual to ensure prevention of foodborne diseases and contamination. Inspections are conducted by the FSMS committee at least once a month, with cross checking by members that do not belong to the department being inspected. Corresponding corrective actions are taken after inspections with records kept. Microbial test is undertaken semi-annually by an independent and accredited laboratory on samples including food, ice, hands of ready-to-eat ("RTE") food handlers, utensils/knife/cutting board for RTW food and the tableware that are ready to use. If the test result shows unqualified, investigation and corrective actions shall be taken and filed, until retest results meet the standards. Drill of foodborne illness ("FBI") response (including report, investigation, traceability and recall) is carried out once or twice in a year to improve staff's emergency response.

Customer Services

The Hotel aims to provide the most outstanding service to its guests. The IHG provides guidelines on personal grooming and provision of quality service to employees. Employee performances are also constantly monitored and reviewed. When receiving general complaints from customers or guests, complaint cases will be recorded in the Hotel's computer system with details of complaints and follow-up actions and status recorded. All FBI, foreign materials or food-related complaints must also be recorded and reported to the Hotel's management and the food safety committee.

Consumer Data Protection

The Group is committed to protecting guest or employee data with technical measures and procedures in place. The Hotel's information is classified into three categories, namely public, confidential and restricted. Confidential information should be labelled before released outside of IHG and only then with a non-disclosure agreement in place; printed copies must be destroyed when finished with, usually by shredding. Access to the restricted information is limited only to related personnel. Restricted information should be stored only on central servers; printed copies must be destroyed when finished with and electronic copies securely disposed of.

To protect systems from malware, anti-virus software is used and updated frequently. Firewalls are used to block unnecessary and unexpected network traffic entering the hotel network. Employees are also reminded to use email cautiously and to avoid the spread of malware.

(iv) Anti-corruption

Upholding the highest level of integrity, the Group signs anti-corruption agreement with suppliers in its hotel operation, which prohibits any corruption, bribery, extortion, money laundering and misconduct in any operation processes including procurement, subcontract, leasing, marketing, planning and promotions. Suppliers shall also report to their direct supervisors or the management if any infringement to the agreement was noticed. No retaliation against persons reporting infringement is allowed. To ensure that terms in the agreement are effectively implemented, the Group also possesses a policy for receival of gifts/entertainment and whistle-blowing hotlines.

Apart from internal anti-corruption management, officials from government and regulatory agency conduct unannounced visit (namely dawn raids) to investigate potential violation of administrative or criminal laws in the aspects of anti-monopoly (eg. price-fixing), commercial bribery, false advertising, consumer rights protection and criminal offence (eg. bribery, serious food safety accident, serious pollution accident). Guidelines for dawn raids reporting had been established to ensure staff's cooperation with officials.

The Group complies with all applicable laws on prohibiting corruption and bribery in Hong Kong and the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

3. Community Investment

The Group is dedicated to helping the underprivileged and uniting different communities through various means. It sells charity products in which Holiday Inn Express Brand will donate RMB10 to the IHG Foundation for each charity product sold. The IHG Foundation aims to create employment opportunities to the local community, provide assistance to the underprivileged and contribute to environmental sustainability. The Group also donates 50% of the income from the Hotel's coin operated washing machines to Project Hope, which provides educational opportunities for the less fortunate children in China's rural area.

FUTURE DIRECTIONS FROM THE GROUP

The Group will regularly review the operation and management policies, systems and standards with the Hotel with a view to enhancing our operation efficiency and service qualities. Looking forward, the Group will continue to act responsibly in our endeavour to attain business growth while carefully managing our ecological footprints in pursuit of a better and sustainable future.

REPORT OF DIRECTORS

The Directors of the Company present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of the principal subsidiaries is set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group during the year and a discussion on the Group's future business development is shown in the "Management Statement" on pages 3 to 8 of this annual report. The Management Statement also forms part of this report of the directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss on page 46 of the annual report.

The directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 125 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 49 and note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company did not have any distributable reserves.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

Particulars of the major properties of the Group held for investment purposes at 31 March 2018 are set out on page 126 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements respectively.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 March 2018 are set out in note 29 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. Jiang Zhaobai *(Chairman)*
Mr. Lam Cheung Shing, Richard *(Chief Executive Officer)*
Mr. Chen Yi, Ethan
Mr. Shen Angang

Independent non-executive directors:
Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Lam Cheung Shing, Richard, Mr. Ho Yiu Yue, Louis and Mr. Ko Ming Tung, Edward shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the changes/update of information of Directors are as follows:

Mr. Ko Ming Tung, Edward, Independent Non-executive Director of the Company, retired as an independent non-executive director of Chinese Energy Holdings Limited on 14 August 2017. In addition, Mr. Ko was appointed as an independent non-executive director of Zioncom Holdings Limited on 18 January 2018.

DIRECTORS OF SUBSIDIARIES

A list of the names of the directors of the Group's principal subsidiaries during the year and up to the date of this report can be found in the Company's website at www.everchina202.com.hk under "Company Info".

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in Section 469 of the Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year. The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential liabilities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares and underlying shares

Name of Director	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation	1,742,300,000	28.66%
Shen Angang	Beneficial owner	392,995,000	6.47%
Lam Cheung Shing, Richard	Beneficial owner	7,700,000	0.13%

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. During the year and up to the date of this report, the Company has not granted any share options under the Share Option Scheme. Particulars of the Share Option Scheme are set out in note 32 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in shares and underlying shares

Name of Substantial Shareholders	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation (Note)	1,742,300,000	28.66%
Rich Monitor Limited	Beneficial owner	1,033,300,000	17.00%
Pengxin Holdings Company Limited	Beneficial owner	709,000,000	11.66%
Shen Angang	Beneficial owner	392,995,000	6.47%

Note: The entire issued share capital of Rich Monitor Limited and Pengxin Holdings Company Limited is held by Jiang Zhaobai. Therefore, Jiang Zhaobai is deemed to be interested in 1,742,300,000 shares of the Company under the SFO.

Save as disclosed above, as at 31 March 2018, the Company has not been notified by any other person or corporation having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

CONNECTED TRANSACTIONS

Details of connected transaction is set out in note 38 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 38 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 32%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 9%.

Due to the nature of the activities of the Group, there is no major supplier contributed significantly in the Group's purchases for the year.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers and suppliers.

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 year ended 31 March 2018.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 37 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant subsequent events of the Group are set out in note 43 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 12 to 20.

KEY RISKS FACTORS AND UNCERTAINTIES

The Group's businesses, operating results, financial position and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The Group's risk management and internal control systems are in place to ensure principal risks as well as significant emerging risks are identified, monitored and managed on a continuous basis. The principal risks and uncertainties set out below may have material impacts on the Group's businesses, operating results, financial position or business prospects, but they are by no means exhaustive or comprehensive.

Regulatory and Compliance Risk

As a listed company with diversify business in different countries, the Group is exposed to and subject to extensive government policies and regulations of mainland China, Hong Kong and Indonesia. These include the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hong Kong Companies Ordinance as well as legal, tax, environmental and any other statutory requirements for our various kinds of businesses in different jurisdictions. The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations by experienced and professional staff as well as by consultancy with external experts.

Market and Investment Risk

The Group's operations including property investment operation, hotel operation and natural resources operation are susceptible to different factors such as government policies and regulations, economic growth, social environment, customer demands, etc. The Group is kept abreast with the changes in business environment and timely assesses the impacts on the operations in order to formulate the best strategy for persisted growth. Besides. the Group sticks firmly to its prudent investment approach and expands its operating scale in an organized manner. The Group would perform comprehensive due diligence review on new business opportunities and selected cautiously the appropriate projects for investment.

Financial Risk

The Group is exposed to interest rate, credit, liquidity, currency and other price risks which arise in the normal course of the Group's businesses. The analysis of these risks is illustrated in the note 40 to the financial statements in detail.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and the efficient use of resources. The Group encouraged the employees to develop good habits, conserve resources and energy to build a green and comfortable office environment. The Group has adopted various environmental policies which include minimising consumption of electricity and paper, waste reduction and promoting the use of electronic communication and storage. They are regularly reviewed and results are closely monitored. Information on the environmental policies and performance of the Group is set out in the "Environmental, Social and Governance Report" on pages 21 to 31 of this Annual Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC. Our establishment and operations accordingly shall comply with all the applicable laws and regulations in the jurisdictions where we have operations. Meanwhile, the Company is a company listed in Hong Kong. The Group also has to comply with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong").

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, save for disclosed in the Corporate Governance Report on pages 12 to 20, there was no material breach of or noncompliance with the applicable laws and regulations by the Group.

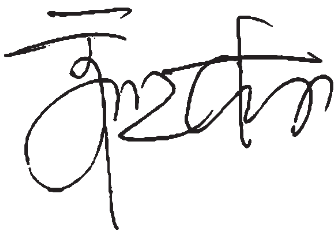
RELATIONSHIPS WITH KEY STAKEHOLDERS

Human resources are regarded as the most important and valuable assets of the Group. Competitive remuneration packages are provided to attract and motivate employees. In addition, to conform to the market standard, the Group regularly reviews the remuneration package of employees and makes necessary adjustments. Moreover, the Group understands the importance of maintaining good relationship with business partners is vital to achieve its long-term goals. Thus, management of the Group have kept good communication, promptly exchanged ideas and shared business update with them as and when appropriate. During the year, there was no material and significant dispute between the Group and its business partners.

AUDITORS

The consolidated financial statements for the year ended 31 March 2018 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Jiang Zhaobai
Chairman

Hong Kong, 29 June 2018

HLB 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

TO THE SHAREHOLDERS OF EVERCHINA INT'L HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of EverChina International Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 124, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment assessment on goodwill	
Refer to note 20 and the accounting policies in note 4 to the consolidated financial statements.	
As at 31 March 2018, the Group had goodwill of approximately HK$91,454,000. For the purpose of assessing impairment, goodwill was allocated to cash generating units ("CGUs"), hotel operation of approximately HK$45,738,000, property investment operation of approximately HK$18,069,000 and agricultural operation of approximately HK$27,647,000 and the recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessment, significant management judgement was used to appropriately identify of CGUs and to determine the key assumptions, including operating margins, terminal growth rates and discount rates, underlying the value-in-use calculations. Management has concluded that there is no impairment in respect of the goodwill.	Our procedures in relation to management's impairment assessment of the Group's key business included: • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's hotel business, property investment business and agriculture business; • Assessing the value-in-use calculations methodology adopted by management and the reasonableness of key assumptions (including operating margins, terminal growth rates and discount rates) based on our knowledge of the business and industry; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matters *(Continued)*	**How our audit addressed the key audit matters** *(Continued)*
Valuation on the Group's investment properties *Refer to note 17 and the accounting policies in note 4 to the consolidated financial statements.* As at 31 March 2018, management has estimated the fair value of the Group's investment properties of approximately HK$1,347,788,000 with a net loss on fair value changes of approximately HK$36,072,000 was recognised in the consolidated statements of profit or loss for the year ended 31 March 2018. Independent external valuations in respect of all of the portfolio of the Group's investment properties were performed in order to support the management's estimation. The valuations are dependent on certain key assumptions that require significant management judgement including reversionary yield and rental income from future reversion leases in light of current market condition.	Our procedures in relation to management's valuation of the Group's investment properties included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions and parameters based on our knowledge of the property industry and using our auditors' valuation expert; and • Checking on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matters *(Continued)*

Impairment assessment on the Group's trade and other receivables and loan receivables

Refer to notes 24 and 25 and the accounting policies in note 4 to the consolidated financial statements.

As at 31 March 2018, the Group had (i) trade and other receivables with net carrying amount of approximately HK$166,053,000 and (ii) loan receivables with net carrying amount of approximately HK$91,084,000. During the year ended 31 March 2018, impairment loss of trade and other receivables of approximately HK$73,853,000 have been charged to the consolidated statement of profit and loss.

The determination as to whether the trade and other receivables and loan receivables are collectable involved high level of management's judgement. Management should consider specific factors include the age of the balances, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management used this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

How our audit addressed the Key audit matters *(Continued)*

Our procedures in relation to management's impairment assessment on the Group's trade and other receivables and loan receivables included:

- Evaluating management's impairment assessment included testing, on a sample basis, the underlying data used by management to assess the collectability of the trade and other receivables and loan receivables;

- Assessing, validating and discussing with management of the Group and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade and other receivables and loan receivables aging analysis, collection subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the business; and

- Checking, on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade and other receivables and loan receivables.

We considered the management conclusion to be consistent with the available information.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong, 29 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	7	**89,912**	67,951
Cost of sales		**(3,497)**	(2,905)
Other income and gain, net	8	**16,520**	13,067
Staff costs	9	**(36,151)**	(32,899)
Depreciation	18	**(15,106)**	(14,723)
Administrative costs		**(66,699)**	(47,108)
Other operating expenses		**(140,408)**	—
Loss arising from change in fair value of investment properties	17	**(36,072)**	(33,703)
Loss arising from change in fair value less costs to sell on biological assets	22	**(91)**	(695)
(Loss)/gain arising from change in fair value of financial assets at fair value through profit or loss	26	**(409,850)**	223,176
(Loss)/profit from operations	10	**(601,442)**	172,161
Finance costs	11	**(79,226)**	(66,009)
Gain on disposal of a subsidiary	34	**2,032**	—
(Loss)/profit before taxation		**(678,636)**	106,152
Taxation	12	**(97,237)**	(5,386)
(Loss)/profit for the year from continuing operations		**(775,873)**	100,766
Discontinued operations			
Loss for the year from discontinued operations	13	**—**	(18,422)
(Loss)/profit for the year		**(775,873)**	82,344
(Loss)/profit for year attributable to:			
Owners of the Company		**(775,807)**	82,403
Non-controlling interests		**(66)**	(59)
		(775,873)	82,344
(Loss)/earnings per share attributable to the owners of the Company	14	**HK cents**	HK cents
From continuing and discontinued operations			
— Basic and diluted		**(12.763)**	1.356
From continuing operations			
— Basic and diluted		**(12.763)**	1.659

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
(Loss)/profit for the year		**(775,873)**	82,344
Other comprehensive income/(loss) for the year			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of overseas subsidiaries		**270,409**	(146,939)
Release of exchange reserve upon disposal of subsidiaries	34(a)	**9,176**	(11,148)
Release of exchange reserve upon deregistration of subsidiaries	34(b)	**351**	(31,319)
Total comprehensive loss for the year		**(495,937)**	(107,062)
Total comprehensive loss attributable to:			
Owners of the Company		**(495,871)**	(107,003)
Non-controlling interests		**(66)**	(59)
		(495,937)	(107,062)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	17	**1,347,788**	1,261,679
Property, plant and equipment	18	**569,177**	536,053
Mining rights	19	**271,880**	271,880
Goodwill	20	**91,454**	91,454
Deposit paid for acquisition of subsidiaries	23	**195,000**	—
		2,475,299	2,161,066
Current assets			
Inventories	21	**7**	5
Biological assets	22	**2,837**	2,883
Trade and other receivables and prepayments	24	**378,544**	446,231
Loan receivables	25	**91,084**	97,328
Financial assets at fair value through profit or loss	26	**1,393,232**	1,673,308
Tax recoverable		**—**	252
Cash and cash equivalents	27	**179,712**	492,651
		2,045,416	2,712,658
Assets classified as held for sale	13(e)	**—**	88
		2,045,416	2,712,746
Total assets		**4,520,715**	4,873,812
Capital and reserves			
Share capital	31	**2,490,454**	2,490,454
Reserves		**614,320**	1,110,191
Equity attributable to owners of the Company		**3,104,774**	3,600,645
Non-controlling interests		**42,687**	42,753
Total equity		**3,147,461**	3,643,398
Non-current liability			
Deferred tax liabilities	30	**102,492**	105,801
Current liabilities			
Trade and other payables and deposits received	28	**148,848**	71,025
Tax payable		**2,263**	7,694
Bank and other borrowings	29	**1,119,651**	1,043,893
		1,270,762	1,122,612
Liabilities classified as held for sale	13(e)	**—**	2,001
		1,270,762	1,124,613
Total liabilities		**1,373,254**	1,230,414
Total equity and liabilities		**4,520,715**	4,873,812
Net current assets		**774,654**	1,588,133
Total assets less current liabilities		**3,249,953**	3,749,199

Approved by the Board of Directors on 29 June 2018 and signed on its behalf by:

Jiang Zhaobai
Director

Lam Cheung Shing, Richard
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Equity attributable to owners of the Company								
	Share capital HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory surplus reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016	2,490,454	571,996	1,342,477	122,828	871	(820,978)	3,707,648	42,812	3,750,460
Release of exchange reserve upon disposal of subsidiaries	—	—	—	(11,148)	—	—	(11,148)	—	(11,148)
Release of exchange reserve upon deregistration of subsidiaries	—	—	—	(31,319)	—	—	(31,319)	—	(31,319)
Exchange differences on translation of overseas subsidiaries	—	—	—	(146,939)	—	—	(146,939)	—	(146,939)
Profit/(loss) for the year	—	—	—	—	—	82,403	82,403	(59)	82,344
Total comprehensive (loss)/income for the year	—	—	—	(189,406)	—	82,403	(107,003)	(59)	(107,062)
At 31 March 2017 and 1 April 2017	2,490,454	571,996	1,342,477	(66,578)	871	(738,575)	3,600,645	42,753	3,643,398
Release of exchange reserve upon disposal of a subsidiary	—	—	—	9,176	—	—	9,176	—	9,176
Release of exchange reserve upon deregistration of a subsidiary	—	—	—	351	—	—	351	—	351
Exchange differences on translation of overseas subsidiaries	—	—	—	270,409	—	—	270,409	—	270,409
Loss for the year	—	—	—	—	—	(775,807)	(775,807)	(66)	(775,873)
Total comprehensive (loss)/income for the year	—	—	—	279,936	—	(775,807)	(495,871)	(66)	(495,937)
At 31 March 2018	**2,490,454**	**571,996**	**1,342,477**	**213,358**	**871**	**(1,514,382)**	**3,104,774**	**42,687**	**3,147,461**

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 loss of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the bye-laws of the Company and all applicable laws.

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 ("PRC"). When the balance of such reserve reaches 50% of the Group's registered capital, any further appropriation is optional.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation — continuing operations		**(678,636)**	106,152
Loss before taxation — discontinued operations		**—**	(18,422)
Adjustments for:			
Depreciation of property, plant and equipment	18	**15,106**	14,723
Loss arising from change in fair value of of investment properties	17	**36,072**	33,703
Loss arising from change in fair value less costs to sell of biological assets	22	**91**	695
Reversal of impairment loss recognised of trade and other receivables and prepayments	24	**—**	(46,486)
Impairment loss recognised in respect of trade and other receivables and prepayments	24	**73,853**	19,507
Loss on written off of property, plant and equipment	18	**2,700**	203
Gain on disposal of property, plant and equipment	8	**—**	(124)
Loss/(gain) arising from change in fair value of financial assets at fair value through profit or loss	26	**409,850**	(223,176)
Interest income		**(6,038)**	(5,156)
Interest expenses	11	**79,226**	66,009
Operating cash flows before movements in working capital		**(67,776)**	(52,372)
(Increase)/decrease in inventories		**(2)**	4
Decrease in loan receivables		**6,244**	175,845
Decrease in trade and other receivables and prepayments		**38,005**	221,679
Increase/(decrease) in trade and other payables and deposits received		**67,621**	(21)
Cash generated from operating activities		**44,092**	345,135
Profits tax paid		**(109,366)**	(16,714)
Interest received		**6,038**	5,156
Net cash (used in)/generated from operating activities		**(59,236)**	333,577
INVESTING ACTIVITIES			
Deposit paid for acquisition of subsidiaries		**(195,000)**	—
Purchase of property, plant and equipment	18	**(3,075)**	(1,775)
Proceeds from disposal of biological assets	22	**749**	—
Purchase of biological assets	22	**(925)**	—
Decrease of biological assets	22	**131**	—
Purchase of investment properties	17	**—**	(493,907)
Proceeds on disposal of property, plant and equipment		**—**	240
Net cash outflow arising from acquisition of subsidiaries	35	**—**	(44,033)
Proceeds from disposal of financial assets at fair value through profit or loss		**5,632**	—
Proceeds on disposal of subsidiaries	34 (a)(ii)	**—**	19,917
Net cash used in investing activities		**(192,488)**	(519,558)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(78,931)**	(55,684)
New bank and other borrowings raised		**481,963**	976,098
Repayment of bank and other borrowings		**(455,476)**	(485,617)
Net cash (used in)/generated from financing activities		**(52,444)**	434,797
Net (decrease)/increase in cash and cash equivalents		**(304,168)**	248,816
Cash and cash equivalents at beginning of the year		**492,651**	305,451
Effect of change in foreign exchange rate		**(8,771)**	(61,616)
Cash and cash equivalents at end of the year		**179,712**	492,651
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**179,712**	492,651

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

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, 6/F., 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) financing and securities investment operation, (iv) natural resources operation and (v) agricultural operation. Details of the principal activities of its subsidiaries are set out in note 42.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are set out in note 5.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. BASIS OF PREPARATION *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and amendments to standards and interpretations (collectively referred to as the "new and amendments to HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning from 1 April 2017. A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

HKAS 7 (Amendments) *Disclosure Initiative*

The amendments to HKAS 7 Disclosure Initiative require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 39 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 39 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Except as describe above, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 7 (Amendments) *Disclosure Initiative* *(Continued)*

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment from Contracts with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[2]
HK (IFRIC) – Int 22	Foreign Currency Translations and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatment[2]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
HKAS 40 (Amendments)	Transfers of Investment Property[1]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021 or when apply HKFRS 15 and HKFRS 9.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading investments) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

The management of the Company anticipate the following potential impacts on initial application of HKFRS 9:

Classification and measurement

The financial assets held by the Group include equity instruments that are currently classified as financial assets at fair value through profit and loss. All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on loan and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 April 2018.

HKFRS 15 *Revenue from Contracts with Customers*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company have performed a preliminary assessment and expect that the application of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations based on the current business model. Meanwhile, there will be additional disclosure requirements under HKFRS 15 upon its adoption.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17 the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lease accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$7,926,000 as disclosed in note 36 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have a material impact on the Group's financial performance and financial positions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Interests in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Non-controlling interests that are presenting ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets (or disposal groups) held-for-sale and discontinued operations *(Continued)*

After the disposal takes place, the Group accounts for any retained interest in the in accordance with HKAS 39 unless the retained interest continues to be an associate, in which case the Group uses the equity method.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business net of discounts and sales related taxes and includes the following items:

(a) Rental income

Rental income, including rentals invoiced in advance, from properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(b) Sale of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered and title has passed.

(c) Finance income

Finance income is recognised as it accrues using effective interest method.

(d) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(e) Hotel income

Revenue from room rental, food and beverage sales and other ancillary services in the hotel recognised when the relevant services have been rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than properties under development and construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties under development are stated at cost, less any impairment loss. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Except for mining structures, depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method at the following principal annual rates. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Buildings — Hotel property	Over the shorter of the estimated useful lives of 50 years and the terms of the leases
Leasehold improvements	Over the terms of the leases
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

Freehold land is stated at cost less accumulated impairment losses, if any.

Mining structures (including the main and auxiliary mine shafts) are depreciated on a unit-of production basis over the economically recoverable reserves of the mine concerned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Costs to sell are incremental costs directly attributable to the disposal of an asset excluding financial cost, income tax and costs necessary to get the assets to market. The fair value of livestock is determined based on the current market price of livestock of similar age, breed and genetic merit.

The feeding costs and other related costs including the depreciation charge, utilities cost and consumables incurred for the raising of heifers and calves are capitalised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to disposal.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the unit of production method.

Exploration and evaluation expenditure

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing manganese mine and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL) and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling it in the near term; or

— on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 26.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loan receivables, bank balances and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as a default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowings and other borrowings) are subsequently measured at amortised cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related manganese. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised in the respective functional currency at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

— exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group entity in the PRC participates in defined contribution retirement benefit plans (including Housing Provident Fund) organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-employment benefits beyond the contributions made. The Group's contributions to these plans are charged to the consolidated statement of profit or loss as incurred.

Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the consolidated statement of profit or loss.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At the end of each reporting period, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss, and a corresponding adjustment to equity in the consolidated statement of financial position will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts where the share options are exercised and when the restricted are exercised and when the restricted share award are vested.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a holding company of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is apart, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the most senior executive management that makes strategic decisions.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 4. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), with adjustments to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management’s estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group's management estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

In considering the impairment losses that may be required for the Group's property, plant and equipment, the Group has to exercise judgments in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of the asset can be supported by the net present value of the future cash flows which are estimated based upon the continuing use of the asset or disposal; (iii) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions applied by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could material affect the net present value result in the impairment test.

Trade and other receivables

The aged debt profile of receivables are reviewed on a regular basis to ensure that the receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of receivables are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the receivables and past collection history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the statement of profit or loss. Changes in the collectibility of receivables for which provisions are not made could affect the results of operations.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and overseas. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgment is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Fair value of other financial assets and liabilities

The fair value of loan and receivables, financial assets and financial liabilities are accounted for or disclosed in the consolidated financial statements, the calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

Production start date

The Group assesses the stage of mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from "Properties under development to "Mining structures". Some of the criteria will include, but are not limited, to the following:

— the level of capital expenditure compared to the construction cost estimates

— completion of a reasonable period of testing of the mining plant and equipment

— ability to produce manganese in saleable form (within specifications)

— ability to sustain ongoing production of manganese

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with HKAS 16 Property, Plant and Equipment. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the profit or loss. As at 31 March 2018, no such provision is recognised as the production of the mine has not yet commenced (31 March 2017: nil).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Manganese reserve and resource estimates

Manganese reserves are estimates of the amount of manganese that can economically and legally extracted from the Group's mining properties. The Group estimates its manganese reserves and mineral resources based on reserve reports compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the manganese body, and this requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the manganese body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. As the management considered that it is not commercially viable to commence the commercial production of the mine. Therefore, no such depreciation/amortisation has been made for the year ended 31 March 2018.

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends or on whether certain companies of the Group is determined to be a Chinese resident enterprise by the PRC governing tax authorities in the future.

Fair value of cattle

The Group's cattle are valued at fair value less costs to sell. The fair value of cattle is determined based on either the market-determined prices as at the end of the reporting period adjusted with reference to the species, age, growing condition, costs incurred to reflect differences in characteristics and/or stages of growth of the cattle; or the present value of expected net cash flows from the cattle discounted at a current market-determined rate, when market-determined prices are unavailable; or the cost when appropriate. Any change in the estimates may affect the fair value of the cattle significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of cattle. Details of assumptions used are disclosed in note 22.

6. 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:

Continuing operations

Property investment operation	—	Leasing of rental property in the People's Republic of China (the "PRC") and Hong Kong
Hotel operation	—	Hotel operation in the PRC
Financing and securities investment operation	—	Provision of financing service and securities investment operation in Hong Kong
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 Republic of Indonesia ("Indonesia")
Agricultural operation	—	Cattle raising and sales of cattle in the Plurinational State of Bolivia ("Bolivia")

The Group's securities dealing and brokerage operation and environmental water treatment operation were classified as discontinued operations during the year ended 31 March 2017. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 13.

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and result

The following is an analysis of the Group's revenue and result from continuing operations by reportable and operating segment:

For the year ended 31 March 2018

	Segment revenue		Segment result	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property investment operation	**56,214**	25,211	**1,706**	(20,695)
Hotel operation	**39,072**	28,279	**1,447**	(3,151)
Financing and securities investment operation	**(5,845)**	14,461	**(482,352)**	237,449
Natural resources operation	**—**	—	**(1,951)**	(2,010)
Agricultural operation	**471**	—	**(2,404)**	—
Total for continuing operations	**89,912**	67,951	**(483,554)**	211,593
Interest income and other revenue			**16,480**	12,771
Unallocated expenses			**(134,368)**	(52,203)
(Loss)/profit from operations			**(601,442)**	172,161
Finance costs			**(79,226)**	(66,009)
Gain on disposal of a subsidiary			**2,032**	—
(Loss)/profit before taxation			**(678,636)**	106,152
Taxation			**(97,237)**	(5,386)
(Loss)/profit for the year from continuing operations			**(775,873)**	100,766

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year (2017: Nil).

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

6. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

	2018 HK$'000	2017 HK$'000
Segment assets		
Property investment operation	**1,468,964**	1,322,743
Hotel operation	**581,004**	557,195
Financing and securities investment operation	**1,484,346**	1,770,666
Natural resources operation	**272,733**	272,786
Agricultural operation	**48,284**	—
Total segment assets	**3,855,331**	3,923,390
Unallocated assets	**665,384**	950,422
Consolidated total assets	**4,520,715**	4,873,812

	2018 HK$'000	2017 HK$'000
Segment liabilities		
Property investment operation	**12,596**	7,610
Hotel operation	**11,859**	11,004
Financing and securities investment operation	**254**	176
Natural resources operation	**5,778**	5,753
Agricultural operation	**18,925**	—
Total segment liabilities	**49,412**	24,543
Unallocated bank and other borrowings	**1,119,651**	1,043,893
Unallocated liabilities	**201,928**	154,284
Tax payable	**2,263**	7,694
Consolidated total liabilities	**1,373,254**	1,230,414

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

All assets related to property investment operation, hotel operation, financing and securities investment operation, natural resources operation and agricultural operation are allocated to reportable segments other than certain properties, plant and equipment, other receivables, prepayment and deposits and cash and bank balances that are not attributable to individual segments.

All liabilities related to property investment operation, hotel operation, financing and securities investment operation, natural resources operation and agricultural operation are allocated to reportable segments other than certain other payables, deferred tax liabilities and borrowings that are not attributable to individual segments.

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 March 2018

	Property investment operation HK$'000	Hotel operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Agricultural operation HK$'000	Consolidated total HK$'000
Other segment information						
Depreciation	121	13,479	—	—	935	14,535
Unallocated amounts						571
						15,106
Capital expenditure	15	595	—	—	796	1,406
Unallocated amounts						1,669
						3,075
Written off of property, plant and equipment	—	57	—	—	273	330
Unallocated amounts						2,370
						2,700
Fair value change in investment properties	36,072	—	—	—	—	36,072
Fair value change in financial assets at fair value through profit or loss	—	—	409,850	—	—	409,850

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 March 2017

	Property investment operation HK$'000	Hotel operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Agricultural operation HK$'000	Consolidated total HK$'000
Other segment information						
Depreciation	22	13,529	—	—	—	13,551
Unallocated amounts						1,172
						14,723
Capital expenditure	527	1,240	—	—	—	1,767
Unallocated amounts						8
						1,775
Written off of property, plant and equipment	—	203	—	—	—	203
Fair value change in investment properties	33,703	—	—	—	—	33,703
Fair value change in financial assets at fair value through profit or loss	—	—	(223,176)	—	—	(223,176)

(d) Geographical information

The following table sets out information about the geographical location of the Group's revenue from continuing operations from external customers and the Group's investment properties, property, plant and equipment, mining rights, goodwill and other non-current assets ("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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Hong Kong	**(5,845)**	14,461	**30,898**	26,982
The PRC	**95,286**	53,490	**1,935,353**	1,791,986
Indonesia	**—**	—	**272,331**	272,322
Bolivia	**471**	—	**41,717**	69,776
	89,912	67,951	**2,280,299**	2,161,066

6. SEGMENT INFORMATION *(Continued)*

(e) Information from major customers

During the year, there was no revenue from sales to an external customer which accounted for 10% or more of the Group's total revenue (2017: Nil).

7. REVENUE

Revenue is analysed as follow:

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Property rental and management fee	**56,214**	25,211
Hotel income	**39,072**	28,279
Sale of financial assets at fair value through profit or loss, net	**(10,397)**	—
Interest income from loan receivables	**4,552**	14,461
Income from sales of livestock	**471**	—
	89,912	67,951

Revenue from sale of financial assets at fair value through profit or loss is recorded on a net basis, details of which are as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Proceeds from sale of financial assets at fair value through profit or loss	**5,632**	—
Carrying amounts of financial assets at fair value through profit or loss sold plus transaction costs	**(16,029)**	—
	(10,397)	—

8. OTHER INCOME AND GAIN, NET

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Bank interest income	**6,038**	5,156
Other loan interest income	**2,741**	4,333
Gain on disposal of property, plant and equipment	**—**	124
Net foreign exchange gain/(loss)	**2,809**	(215)
Investment income	**1,658**	—
Sundry income	**3,274**	3,669
	16,520	13,067

9. STAFF COSTS

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Salaries and allowances (including directors' emoluments)	**33,089**	30,107
Retirement benefit scheme contributions	**3,062**	2,792
	36,151	32,899

9. STAFF COSTS *(Continued)*

(a) Directors' emoluments and chief executive remuneration

The emoluments paid or payable to each director were as follows:

Name of directors	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Share option granted		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors										
Jiang Zhaobai	180	180	3,600	3,600	18	18	—	—	3,798	3,798
Lam Cheung Shing, Richard	180	180	4,102	4,443	480	480	—	—	4,762	5,103
Chen Yi, Ethan	180	180	1,501	1,501	18	18	—	—	1,699	1,699
Shen Angang	180	180	—	—	—	—	—	—	180	180
	720	720	9,203	9,544	516	516	—	—	10,439	10,780
Independent non-executive directors										
Ho Yiu Yue, Louis	180	180	—	—	—	—	—	—	180	180
Ko Ming Tung, Edward	180	180	—	—	—	—	—	—	180	180
Shan Zhemin	180	180	—	—	—	—	—	—	180	180
	540	540	—	—	—	—	—	—	540	540
	1,260	1,260	9,203	9,544	516	516	—	—	10,979	11,320

Mr. Lam Cheung Shing, Richard is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has agreed to waived any emoluments during the year.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2017: three) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2017: two) individuals, who are not individuals of senior management of the Company, are detailed as follows:

	2018	2017
	HK$'000	HK$'000
Salaries and allowances	5,682	4,020
Retirement benefit scheme contributions	32	36
	5,714	4,056

10. (LOSS)/PROFIT FROM OPERATIONS

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

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Continuing operations		
Depreciation (note 18)	**15,106**	14,723
Auditors' remuneration	**1,980**	1,980
Cost of inventories for hotel operation provided	**1,712**	1,129
Gain on disposal of property, plant and equipment	**—**	(124)
Written off of property, plant and equipment	**2,700**	203
Impairment loss recognised in respect of trade and other receivables and prepayments (note 24)	**73,853**	—
Operating lease rentals in respect of premises	**8,873**	8,255
Net foreign exchange (gain)/loss (note 8)	**(2,809)**	215
Fair value change in investment properties (note 17)	**36,072**	33,703
Gross rental income from investment properties (note 7)	**(56,214)**	(25,211)
Less: direct operating expenses from investment properties that generated rental income during the year	**3,987**	2,047
	(52,227)	(23,164)

11. FINANCE COSTS

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Continuing operations		
Interests on:		
Bank borrowings and overdrafts	**80**	271
Other borrowings	**79,146**	65,738
	79,226	66,009

12. TAXATION

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**—**	232
Under-provision in prior years	**109,297**	—
The PRC Enterprise Income Tax	**1,045**	17,149
	110,342	17,381
Deferred tax (note 30)	**(13,105)**	(11,995)
	97,237	5,386

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year.

At 31 March 2018, the Group had unused estimated tax losses of approximately HK$207,922,000 (2017: HK$259,914,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams.

The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at 25% of the assessable income of each company during the years ended 31 March 2018 and 2017.

During the year ended 31 March 2018, Interchina (Tianjin) Water Treatment Company Limited ("Interchina Tianjin"), a wholly-owned subsidiary of the Company, was placed under tax examination by the Tianjin Tax Bureau in respect of the PRC Enterprise Income Tax paid for the period from 1 January 2013 to 31 December 2015 (the "Relevant Periods") and found that the Group underpaid the PRC Enterprise Income Tax when disposal of certain investment securities during the Relevant Periods. The Group then recognised a provision of the PRC Enterprise Income Tax of approximately RMB88,530,000 (equivalent to approximately HK$109,296,000) in taxation and a provision of overdue fine of approximately RMB53,910,000 (equivalent to approximately HK$66,555,000) in other operating expenses in accordance with the relevant tax law and regulations in the PRC for the year ended 31 March 2018.

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in Indonesia is 25% (2017: 25%) during the year. No Indonesia Corporate Tax was recognised as the subsidiary in Indonesia has no estimated assessable profits for the year.

12. TAXATION *(Continued)*

The Bolivia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in Bolivia is 25% (2017: 25%) during the year. No Bolivia Corporate Tax was recognised as the subsidiary in Bolivia has no estimated assessable profits for the year.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Year ended 31 March 2018 HK$'000	2017 HK$'000
Continuing operations		
(Loss)/profit before taxation	**(678,636)**	106,152
Tax calculated at the domestic rates applicable in the country concerned	**(157,651)**	21,322
Tax effect of expenses not deductible for tax purpose	**143,696**	24,346
Tax effect of income not taxable for tax purpose	**(3,187)**	(29,808)
Tax effect of tax losses not recognised	**20,374**	31,290
Tax effect of utilisation of tax losses previously not recognised	**(2,187)**	(29,769)
Under provision in prior years	**109,297**	—
Tax effect of unrecognised temporary difference	**(13,105)**	(11,995)
Tax charge for the year	**97,237**	5,386

13. DISCONTINUED OPERATIONS/SUBSIDIARY HELD FOR SALE

The Group ceased (i) securities dealing and brokerage operation and (ii) environmental water treatment operation in which the relevant subsidiaries have been deregistered/disposed of during the year ended 31 March 2017.

Both securities dealing and brokerage operation and environmental water treatment operation were classified as discontinued operations and details of the results and cashflows of discontinued operations for the prior year were set out as follows:

(a) Securities dealing and brokerage operation

	Year ended 31 March 2017 HK$'000
Other income and gain, net	46,486
Staff costs	(404)
Administrative costs	(26,604)
Other operating expenses	—
Profit before taxation	19,478
Taxation	—
Profit for the year	19,478
Attributable to:	
Owners of the Company	19,478
Non-controlling interests	—
	19,478
Net cash outflows in operating activities	(19)

13. DISCONTINUED OPERATIONS/SUBSIDIARY HELD FOR SALE *(Continued)*

(b) Environmental water treatment operation

	Year ended 31 March 2017 HK$'000
Other income and gain, net	—
Staff costs	—
Administrative costs	(1,065)
Other operating expenses	(19,507)
Loss before taxation	(20,572)
Taxation	—
Loss for the year	(20,572)
Loss on disposal of the subsidiaries (note 34(a) (ii))	(17,328)
	(37,900)
Attributable to:	
Owners of the Company	(37,900)
Non- controlling interests	—
	(37,900)
Net cash outflows in operating activities	(83)

(c) Loss from discontinued operations

	Year ended 31 March 2017 HK$'000
Auditors' remuneration	150
Reversal of impairment loss in respect of trade and other receivables and prepayments (note 13(a))	46,486
Impairment loss recognised in respect of trade and other receivables and prepayments (note 13(b))	19,507

(d) Taxation of discontinued operations

No provision for both Hong Kong Profits Tax and the PRC Enterprise Income Tax have been made as the Group does not have profits derived from Hong Kong and the PRC under the discontinued operations during the year ended 31 March 2017.

13. DISCONTINUED OPERATIONS/SUBSIDIARY HELD FOR SALE *(Continued)*

(e) Subsidiary classified as held for sale

On 10 December 2016, the Group entered into a sale agreement to dispose of the entire equity interests in Shanghai Interchina Club Co. Ltd ("Shanghai IC Club"). Details of the assets and liabilities of Shanghai IC Club as at 31 March 2017 were set out as below:

Assets of the subsidiary classified as held for sale

	2017 HK$'000
Cash and cash equivalents	88

Liabilities of the subsidiary classified as held for sale

	2017 HK$'000
Other payables	2,001

As at 31 March 2017, the net assets and liabilities held for sale were recognised at the lower of the carrying amount and fair value less costs to sell.

During the year ended 31 March 2018, the Group had disposed Shanghai IC Club. Details are set out in note 34(a) (i).

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

From continuing and discontinued operations

	Year ended 31 March	
	2018 **HK$'000**	2017 HK$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(775,807)**	82,403

	Year ended 31 March	
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**6,078,669,363**	6,078,669,363

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 years ended 31 March 2018 and 2017.

14. (LOSS)/EARNINGS PER SHARE *(Continued)*

From continuing operations

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	**(775,807)**	82,403
Loss for the year from discontinued operations	—	18,422
	(775,807)	100,825

The denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share.

From discontinued operations

For the year ended 31 March 2017, basic and diluted loss per share from the discontinued operation is HK0.303 cents per share, based on the loss for the year from the discontinued operations of approximately HK$18,422,000.

The denominators used are the same as those detailed above for both basic and diluted loss per share.

15. NET (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Continuing operations		
Net unrealised (loss)/gain on financial assets at FVTPL	**(409,850)**	223,176

Note: Included in the loss arising on change in fair value of financial assets at FVTPL for the year ended 31 March 2018 of approximately HK$328,340,000 was derived from investment in Heilongjiang Water Treatment Company Limited ("Heilongjiang Interchina") (2017: gain of approximately HK$214,483,000).

16. DIVIDEND

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 March 2018 (2017: nil).

17. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Fair value		
At beginning of the year	**1,261,679**	612,549
Addition	**—**	712,631
Fair value change	**(36,072)**	(33,703)
Exchange alignment	**122,181**	(29,798)
At end of the year	**1,347,788**	1,261,679
Unrealised loss on change in fair value of investment properties	**(36,072)**	(33,703)

Notes:

(a) The Group's investment properties held under operating leases to earn rentals or for capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

(b) The fair value of the Group's investment properties at 31 March 2018 and 2017 have been arrived at on the basis of a valuation carried out on that date by Messrs. DTZ 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.

(c) The fair value was determined based on the direct comparison approach and/or income approach. Direct comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. It assumes each of these properties is capable of being sold in its existing status with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Income approach relying on the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighborhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties. There were no changes to the valuation techniques during the year.

(d) The Group's investment properties at their fair values are analysed as follows:

	2018 HK$'000	2017 HK$'000
Investment properties in Hong Kong, held on:		
Long-term leases	**26,800**	24,600
Investment properties outside Hong Kong, held on:		
Medium-term leases	**1,320,988**	1,237,079
	1,347,788	1,261,679

(e) Investment properties with the carrying amount of approximately HK$650,257,000 (2017: HK$587,522,000) have been pledged to secure facilities granted to the Group.

(f) The Group's investment properties, amounting to approximately HK$1,154,035,000 (2017: HK$542,529,000) are rented out under operating leases.

17. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(g) Fair value measurements

At the end of each reporting period, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) hold discussion with the independent valuer.

Changes in fair values are analysed at the end of each reporting period by the management of the Group.

The table below analyses recurring fair value measurements for investment properties located in Hong Kong and outside Hong Kong. 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 31 March 2018				
Hong Kong	**—**	**26,800**	**—**	**26,800**
Outside Hong Kong	**—**	**—**	**1,320,988**	**1,320,988**
	—	**26,800**	**1,320,988**	**1,347,788**
At 31 March 2017				
Hong Kong	—	24,600	—	24,600
Outside Hong Kong	—	—	1,237,079	1,237,079
	—	24,600	1,237,079	1,261,679

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The movements of the balance of investment properties measured at fair value based on Level 3 are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of the year	**1,237,079**	589,349
Addition	**—**	712,631
Fair value change	**(38,272)**	(35,103)
Exchange alignment	**122,181**	(29,798)
At end of the year	**1,320,988**	1,237,079

Information about fair value measurements based on Level 3 fair value hierarchy:

Description	2018 Fair value HK$'000	2017 Fair value HK$'000	Valuation techniques	Range of significant unobservable inputs Daily rental rate	Range of significant unobservable inputs Capitalisation rate
Commercial premises outside Hong Kong	1,320,988	1,237,079	Combination of direct comparison approach and income approach	RMB6.8 to RMB 9.7 (2017: RMB6.5 to RMB7.5) per square meter	5.8% to 6.3% (2017: 4.5% to 6%)

The fair value measurements are positively correlated to the daily rental rate and negatively correlated to the capitalisation rate.

In estimating the fair value of the properties, their current use equates to the highest and best use of the properties.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Properties under development HK$'000	Hotel property HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Total HK$'000
Cost							
At 1 April 2016	—	127	545,799	5,456	22,985	12,759	587,126
Additions	—	—	—	—	1,240	535	1,775
Disposal	—	—	—	—	—	(775)	(775)
Written off	—	—	—	—	(942)	—	(942)
Acquisition of subsidiaries (note 35)	39,980	—	—	—	—	2,142	42,122
Disposal of subsidiaries	—	—	—	—	(5,918)	(5,614)	(11,532)
Exchange alignment	—	—	(27,597)	(36)	(910)	(232)	(28,775)
At 31 March 2017 and 1 April 2017	39,980	127	518,202	5,420	16,455	8,815	588,999
Additions	—	—	—	—	2,255	820	3,075
Written off	(273)	—	—	—	(7,478)	(2,077)	(9,828)
Exchange alignment	—	—	51,180	—	905	298	52,383
At 31 March 2018	39,707	127	569,382	5,420	12,137	7,856	634,629
Accumulated depreciation and impairment							
At 1 April 2016	—	—	16,952	5,456	19,487	8,802	50,697
Charge for the year	—	—	13,311	—	926	486	14,723
Elimination upon disposal	—	—	—	—	—	(659)	(659)
Elimination upon written off	—	—	—	—	(739)	—	(739)
Elimination upon disposal of subsidiaries	—	—	—	—	(5,327)	(3,363)	(8,690)
Exchange alignment	—	—	(1,293)	(36)	(879)	(178)	(2,386)
At 31 March 2017 and 1 April 2017	—	—	28,970	5,420	13,468	5,088	52,946
Charge for the year	—	—	13,479	—	460	1,167	15,106
Elimination upon written off	—	—	—	—	(5,112)	(2,016)	(7,128)
Exchange alignment	—	—	3,530	—	765	233	4,528
At 31 March 2018	—	—	45,979	5,420	9,581	4,472	65,452
Carry amount							
At 31 March 2018	39,707	127	523,403	—	2,556	3,384	569,177
At 31 March 2017	39,980	127	489,232	—	2,987	3,727	536,053

Notes:

(a) Hotel property with the carrying amount of approximately HK$523,403,000 (2017: HK$489,232,000) have been pledged to secure other borrowings granted to the Group.

(b) During the year ended 31 March 2018 and 2017, hotel property of the Group is held under medium-term leases in the PRC.

19. MINING RIGHTS

	HK$'000
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	271,880

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

The mining rights are amortised using the unit-of-production methods based on the total proven and probable mineral reserves, under the assumption that the mining rights have a finite useful lives of 20 years and would expire on 18 November 2031, till all proven and probable mineral reserves have been mined. For the years ended 31 March 2018 and 2017, the management considered that commercial production of the mine has not yet commenced, no amortisation was provided during both years.

During the year, as a result of the steel price rebound, the selling price of manganese ore recorded significantly increase as compared to the prior years. The estimate recoverable amount of the mining rights is higher than its carrying amount as at 31 March 2018. Therefore, there was no impairment provision for the mining rights for the year ended 31 March 2018 (2017: Nil).

The recoverable amount of the mining rights was estimated by an independent valuer, Roma Appraisals Limited. The valuation was performed based on the excess earning method under the income-approach. The excess earnings were the net profit after deducting all the charges for contributory assets, including fixed assets, working capital, assembled workforce, which were then discounted at an appropriate discount rate to arrive at the fair value of the mining rights. Weighted average cost of capital plus additional premium was adopted as the discount rate for the excess earnings cash flow. There were no changes to the valuation techniques during the year. Key assumptions adopted by management in the valuation are summarised as follows:

	2018	2017
Adopted manganese ore benchmark price (US$/dmtu) (note (a))	**US$7.73**	US$2.95
Discount rate (note (b))	**13%**	12%

Notes:

(a) The adopted manganese ore benchmark price was estimated with reference to the manganese ore benchmark price (reference by 44% Mn Tianjin manganese ore index published by United Nations Conference on Trade and Development, and 44-45% Mn Tianjin manganese ore index published by Shanghai Metals Market Information & Technology Co., Ltd). The manganese ore benchmark price for valuation as at 31 March 2018 has increased by approximately 162% than that as at 31 March 2017. No growth rate was assumed to the manganese ore benchmark price estimation over a period longer than five years. The treatment was consistent among valuation as at 31 March 2018 and as at 31 March 2017.

(b) The slightly increase of 1% in discount rate (2017: decrease of 1%) was due to normal market data fluctuation.

(c) No growth rate was assumed for operating costs.

No mining rights have been pledged to secure general banking facilities granted to the Group in both 2018 and 2017.

20. GOODWILL

	HK$'000
Cost	
At 1 April 2016	75,100
Acquisition of subsidiaries (note 35)	27,647
At 31 March 2017, 1 April 2017 and 31 March 2018	102,747
Accumulated impairment losses	
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	(11,293)
Carrying amount	
At 31 March 2018	**91,454**
At 31 March 2017	91,454

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to business segment as follow:

	2018 HK$'000	2017 HK$'000
Hotel operation	**45,738**	45,738
Property investment operation	**18,069**	18,069
Agricultural operation	**27,647**	27,647
	91,454	91,454

Impairment tests for CGU containing goodwill

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors of the Company estimate discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The management considers that the recoverable amount calculated with value in use method based on a discounted future cash flow of the CGU of property investment operation, hotel operation and agricultural operation is higher than their carrying amount.

Hotel operation

During the year, the Group performed impairment test for the CGU of hotel operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is base on the estimated growth of hotel operation taking into account of industry growth rate, past experience and the medium or long-term growth target of hotel operation. The growth rate does not exceed the long-term average growth rate for the business of hotel operation. Discount rate of 14.2% (2017: 14.0%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to hotel operation.

20. GOODWILL *(Continued)*

Property investment operation

During the year, the Group performed impairment test for the CGU of property investment operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is base on the estimated growth of property investment operation taking into account of industry growth rate, past experience and the medium or long-term growth target of property investment operation. The growth rate does not exceed the long-term average growth rate for the business of property investment operation. Discount rate of 14.0% (2017: 13.9%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to property investment operation.

Agricultural operation

During the year, the Group performed impairment test for the CGU of agricultural operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. The growth rate used in preparing cash flows beyond the five-year period is based on the estimated growth of agricultural operation taking into account of industry growth rate, past experience and the medium or long-term growth target of agricultural operation. The growth rate does not exceed the long-term average growth rate for the business of agricultural operation. Discount rate of 16.3% (2017: 16.7%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to agricultural operation.

21. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Beverages	**7**	5

22. BIOLOGICAL ASSETS

Movements of the biological assets are shown below:

	Cows and bulls HK$'000	Heifers and calves HK$'000	Total HK$'000
As at 1 April 2016	—	—	—
Acquisition of subsidiaries (note 35)	2,382	1,196	3,578
Change in fair value less costs to sell	(463)	(232)	(695)
As at 31 March 2017 and 1 April 2017	1,919	964	2,883
Increase due to purchases	632	80	712
Increase due to raising (including feeding cost and others)	—	213	213
Decrease due to sales	(465)	(284)	(749)
Decrease due to deaths	(108)	(23)	(131)
Change in fair value less costs to sell	(33)	(58)	(91)
As at 31 March 2018	**1,945**	**892**	**2,837**

The quantity of biological assets are shown below:

	2018	2017
Cows and bulls	**410**	404
Heifers and calves	**458**	319
	868	723

The Group is exposed to fair value risks arising from changes in price of the cattle. The Group does not anticipate that the price of cattle will significantly decline in the foreseeable future and the directors of the Company are of the view that there is no available derivative or other contracts which the Group can enter into manage the risk of a decline in the price of the cattle.

The Group is exposed to a number of risks related to biological assets and exposed to the following operation risks:

(a) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates farming of cattle. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

22. BIOLOGICAL ASSETS *(Continued)*

(b) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

The qualification of the Valuer

The Group's biological assets were independently valued by an external valuer (the "Valuer"). The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the Valuer participated in this valuation have appraisal experiences in different kinds of assets such as property assets, industrial assets and biological assets. They have previously participated in the valuation of biological assets and agricultural produce.

Physical count of biological assets

The Group currently has self-operating cattle farm. Cows, bulls, heifers and calves of similar age or in the same stage of life cycle are moved into a curtain-barn. For administration purposes, the housekeeper of the cattle farm would keep proper warehouse records on the number of cows moved into or out of the curtain-barns from time to time throughout the farming period. To facilitate the farming process, a group of cattle within a curtain-barn are sub-divided into certain number of sub-groups of more or less the same size and each of these sub-groups are separated from each other by means of physical barriers.

The Valuer has conducted inspection of the farms to understand, among others, the species of pure breed cattle, cross breeding program being undertaken, parameters in selection and culling of cattle, caring and feeding programs for farming cattle and facilities in the farms. To ascertain the quantity of cattle, the Valuer has checked the inventory records compiled by the finance department by physical count of selected sample groups of cattle. Sample groups (with sample size not less than 25% of total quantity) of cattle in different stages of life cycle have been selected and the following steps have been taken for undertaking physical counting of the selected samples by the Valuer:

- To obtain the warehouse records reflecting the quantities of cattle as at the reporting date;
- To perform physical counting of cattle within the curtain-barns as at the reporting date;
- To obtain the warehouse records in relation to the reduction and addition on the number of cattle of the curtain-barns during the year; and
- To compare and reconcile the results with the stocktaking records prepared by the Group.

22. BIOLOGICAL ASSETS *(Continued)*

Physical count of biological assets *(Continued)*

In addition, the following principal assumptions have been adopted by the independent external Valuer:

(a) there will be no major change in the existing political, legal and economic conditions in the Bolivia;

(b) save for those proposed changes on taxation policies announced by the Tax Bureau of the Bolivia, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;

(c) the biological assets are properly fed with balance diets such that they are gaining weight in accordance under normal growth rate and are receiving appropriate veterinary care;

(d) the availability of finance will not be a constraint on the farming of the biological assets;

(e) the production facilities, systems and the technology utilised by the Group in carrying out its cattle farming operations do not infringe any relevant regulations and law;

(f) the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its cattle farming operations in the Bolivia;

(g) the biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;

(h) the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its cattle farming operations; and

(i) the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the biological assets.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy *(Continued)*

As at 31 March 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Cows and bulls	**—**	**1,945**	**—**	**1,945**
Heifers and calves	**—**	**892**	**—**	**892**
Total biological assets	**—**	**2,837**	**—**	**2,837**

As at 31 March 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Cows and bulls	—	1,919	—	1,919
Heifers and calves	—	964	—	964
Total biological assets	—	2,883	—	2,883

Type	Fair value hierarchy	Valuation technique and Key input	Significant observable input
Cows and bulls, heifers and calves	Level 2	The fair value of the cows and bulls, heifers and calves are determined with the reference to the market determined prices of items with similar age, weight and gender.	Prevailing market price of calves (US$197.77 per head) (2017: US$227.89 per head) Prevailing market price of little bulls (US$286.88 per head) (2017: US$375.99 per head) Prevailing market price of heifers (US$301.71 per head) (2017: US$479.95 per head) Prevailing market price of cows (ranging from US$524.50 to US$643.32 per head) (2017: ranging from US$539.36 to US$613.61 per head) Prevailing market price of bulls (US$524.50 per head) (2017: US$866.09 per head)

23. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

Deposit of HK$195,000,000 was paid for an acquisition of the entire equity interest in Pengxin Agricultural Holdings Company Limited and its subsidiaries. Details of which were set out in the Company's circular dated 28 June 2018.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**1,127**	748
Prepayments, deposits and other receivables	**451,272**	445,485
	452,399	446,233
Less: Impairment of trade and other receivables and prepayments	**(73,855)**	(2)
	378,544	446,231

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

	2018 **HK$'000**	2017 HK$'000
Hong Kong dollar	**34,436**	24,108
Renminbi	**340,374**	420,564
US dollar	**3,734**	1,559
	378,544	446,231

The following is an aging analysis of trade receivables based on the invoice date:

	2018 **HK$'000**	2017 HK$'000
0 to 30 days	**1,065**	673
31 to 60 days	**10**	6
61 to 90 days	**—**	1
91 to 180 days	**2**	21
Over 180 days	**50**	47
	1,127	748

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

Movement in impairment of trade and other receivables and prepayments were as follow:

	2018 HK$'000	2017 HK$'000
At beginning of the year	**2**	82,062
Written off	**—**	(35,574)
Reversal of impairment loss in respect of trade and other receivables and prepayments	**—**	(46,486)
Impairment loss recognised	**73,853**	—
At end of the year	**73,855**	2

The Group allows an average credit period of 60 days (2017: 60 days) to its trade customers.

During the year ended 31 March 2018, an impairment loss of approximately HK$73,853,000 (2017: Nil) in respect of an individual debtor of other receivables was provided in the consolidated statement of profit or loss. The impaired individual debtor of other 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. The Group does not hold any other collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are past due but not impaired was as follow:

	2018 HK$'000	2017 HK$'000
Over 60 days	**52**	69

Trade receivables within credit terms relate to a wide range of customers for whom there is no recent history of default. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of trade receivables. The Group does not hold any collateral over these balances.

The Group's prepayments, deposits and other receivables as at 31 March 2018 and 2017, inter alia, the following:

(i) other receivables of approximately HK$125,926,000 (2017: HK$114,607,000) paid for acquisition of several potential water plant projects in the PRC; and

(ii) prepayments and other receivables of approximately HK$169,321,000 (2017: HK$219,150,000) paid to various contractors for construction of environmental protection and water treatment projects in the PRC.

25. LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Loan receivables	**91,084**	97,328

The amount of approximately HK$91,084,000 (2017: HK$86,834,000) were secured by collateral providing by customers, bearing interest at 5% (2017: 5%) per annum with fixed repayment terms.

For the year ended 31 March 2017, the amount of approximately HK$10,494,000 included in loan receivables was unsecured, carrying at the prevailing interest rate of 5.25% per annum with fixed repayment terms.

There was no impairment loss recognised during both years of 2018 and 2017.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Held for trading:		
Listed equity securities — Hong Kong, at fair value	**99,516**	197,054
Listed equity securities — the PRC, at fair value	**1,293,716**	1,476,254
	1,393,232	1,673,308

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

At 31 March 2018

Stock Code	Name of investee company	Number of shares held	Percentage shareholding held by the Group	Investment cost HK$'000 (Note (1))	Market value as at 31 March 2018 HK$'000 (Note (1))	Percentage to the Group's net assets as at 31 March 2018	Unrealised (loss)/gain on change in fair value for the year ended 31 March 2018 HK$'000 (Note (1))
600187	Heilongjiang Interchina (note (2))	227,312,500	13.74%	283,016	1,293,716	41.10%	(328,340)
439	KuangChi Science Limited (note (3))	54,981,000	0.75%	296,127	99,516	3.16%	(81,510)
				579,143	1,393,232	44.26%	(409,850)

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

At 31 March 2017

Stock Code	Name of investee company	Number of shares held	Percentage shareholding held by the Group	Investment cost HK$'000 (Note (1))	Market value as at 31 March 2017 HK$'000 (Note (1))	Percentage to the Group's net assets as at 31 March 2017	Unrealised (loss)/gain on change in fair value for the year ended 31 March 2017 HK$'000 (Note (1))
600187	Heilongjiang Interchina (note (2))	227,312,500	13.74%	283,016	1,476,254	40.52%	214,483
439	KuangChi Science Limited (note (3))	57,957,000	0.79%	312,156	197,054	5.41%	8,693
				595,172	1,673,308	45.93%	223,176

Notes:

(1) The investment costs and market value as at 31 March 2018 and 31 March 2017 and unrealised (loss)/gain 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 RMB1,047,911,000 (equivalent to approximately HK$1,293,716,000) as at 31 March 2018 (2017: approximately RMB1,313,866,000 (equivalent to approximately HK$1,476,254,000)).

(2) Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services and its issued shares is listed on the Shanghai Stock Exchange. There was no movement in the number of shares held by the Group during the year ended 31 March 2018. No dividend was received during each of the years ended 31 March 2018 and 2017. According to the latest published audited financial statements of Heilongjiang Interchina, it had net asset value of approximately RMB3,656,489,000 as at 31 December 2017 (31 December 2016: approximately RMB2,562,173,000). Heilongjiang Interchina recorded revenue of approximately RMB439,782,000 and net profit of approximately RMB14,482,000 for the year ended 31 December 2017 (2016: revenue of RMB357,820,000 and net profit of approximately RMB14,696,000).

(3) KuangChi Science Limited ("KuangChi") is principally engaged in provision of in-depth space services, manufacturing and trading of paper packaging products and property investment and its issued shares is listed on the Stock Exchange. No dividend was received during each of the years ended 31 March 2018 and 2017. According to the latest published audited financial statements of KuangChi, it had net asset value of approximately HK$2,534,049,000 as at 31 December 2017 (31 December 2016: approximately HK$2,729,711,000). KuangChi recorded revenue of approximately HK$306,192,000 and net loss of approximately HK$66,612,000 for the year ended 31 December 2017 (2016: revenue of approximately HK$290,492,000 and net profit of approximately HK$596,544,000). During the year, the Company disposed of 2,976,000 shares of KuangChi at the average price of HK$1.89 per shares. The disposal recognised a loss of approximately HK$10,397,000 which is calculated on the basis of the difference between the price at the date of acquisition and the price at the date of disposal.

(4) At 31 March 2018, financial assets at fair value through profit or loss with the carrying amount of approximately HK$1,123,960,000 (31 March 2017: HK$1,495,930,000) have been pledged to secure loan facilities granted to the Group.

27. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**179,712**	492,651

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 March 2018, cash and cash equivalents of approximately HK$176,166,000 (2017: HK$484,896,000) are denominated in Renminbi ("RMB"). RMB is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

28. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2018 HK$'000	2017 HK$'000
Trade payables	**2,715**	2,252
Other payables and deposits received	**146,133**	68,773
	148,848	71,025

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

	2018 HK$'000	2017 HK$'000
Hong Kong dollar	**13,933**	6,623
Renminbi	**110,292**	36,394
Indonesian Rupiah	**18,886**	5,698
US dollar	**5,737**	22,310
	148,848	71,025

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

	2018 HK$'000	2017 HK$'000
0 to 30 days	**275**	335
31 to 60 days	**331**	253
Over 60 days	**2,109**	1,664
	2,715	2,252
Other payables and deposits received	**146,133**	68,773
	148,848	71,025

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

The Group's other payables and deposits received as at 31 March 2018 and 2017, inter alia, the following:

(i) interest expenses payable of approximately HK$2,177,000 (2017: HK$1,743,000);

(ii) the amount due to Empresa Agropecuaria Novagro S.A. ("Novagro") of approximately HK$18,355,000 (2017: approximately HK$20,771,000 following the acquisition as set out in note 35), which was unsecured, interest-free and repayable on demand; and

(iii) during the year ended 31 March 2018, Interchina (Tianjin), a wholly-owned subsidiary of the Company, was placed under tax examination by the Tianjin Tax Bureau in respect of the PRC Enterprise Income Tax paid for the Relevant Periods. As at 31 March 2018, included in other payables of approximately RMB53,910,000 (equivalent to approximately HK$66,555,000) representing the outstanding overdue fine payable to the Tianjin Tax Bureau in accordance with the relevant tax law and regulations in the PRC for the year.

29. BANK AND OTHER BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank borrowings, secured (Note (i))	—	3,759
Other borrowings, secured (Note (ii))	**1,119,651**	1,040,134
Total borrowings	**1,119,651**	1,043,893
Carrying amount repayable:		
Within one year	**1,119,651**	1,040,134
Carrying amount that are not repayable within one year from the end of the reporting period but contain a payment on demand clause (shown under current liabilities)	—	3,759
	1,119,651	1,043,893

Notes:

(i) During the year ended 31 March 2017, the bank borrowings with carrying amount of approximately HK$3,759,000 were 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% per annum. The bank borrowings were secured by the Group's investment properties. During the year ended 31 March 2018, all bank borrowings have been repaid.

29. BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(ii) The other borrowings bear interest rate ranging from 6.60% to 9.50% per annum for the year ended 31 March 2018 (2017: 6.40% to 8.0% per annum).

During the year ended 31 March 2018, the other borrowings with carrying amount of approximately HK$449,438,000 had been repaid and an agreement had been entered to raise new other borrowings of approximately HK$462,963,000. The other borrowings are secured by 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$548,148,000 (2017: HK$498,877,000) are secured by the Group's investment properties, hotel property in the PRC and corporate guarantee executed by the Company. The other borrowings with carrying amount of approximately HK$19,000,000 (2017: Nil) are secured by the Group's investment properties and shares in Jet Sources Investments Limited, a wholly-owned subsidiary of the Company with principal asset of an investment property located in Hong Kong. The remaining balance of approximately HK$89,540,000 (2017: HK$91,819,000) is a margin loan secured by securities listed in the Stock Exchange.

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

	2018 **HK$'000**	2017 HK$'000
Hong Kong Dollar	**108,540**	95,578
RMB	**1,011,111**	948,315
	1,119,651	1,043,893

30. DEFERRED TAX LIABILITIES

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

	Revaluation of property HK$'000	**Fair value adjustments arising on acquisition of subsidiaries** HK$'000	**Total** HK$'000
At 1 April 2016	68,709	48,395	117,104
Acquisition of subsidiaries (note 35)	—	6,612	6,612
Exchange alignment	(3,473)	(2,447)	(5,920)
Credit to the consolidated statement of profit or loss (note 12)	(8,777)	(3,218)	(11,995)
At 31 March 2017 and 1 April 2017	56,459	49,342	105,801
Exchange alignment	4,517	5,279	9,796
Credit to the consolidated statement of profit or loss (note 12)	(9,568)	(3,537)	(13,105)
At 31 March 2018	**51,408**	**51,084**	**102,492**

Under the New Tax Law, 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 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.

31. SHARE CAPITAL

	Number of shares		Nominal value	
	2018	2017	**2018**	2017
			HK$'000	HK$'000
Issued and fully paid ordinary shares:				
At beginning and end of the year	**6,078,669,363**	6,078,669,363	**2,490,454**	2,490,454

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.

32. SHARE OPTIONS

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 year ended 31 March 2018 and 31 March 2017.

33. STATEMENT OF FINANCIAL POSITION AND MOVEMENT IN RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	**1,556**	—
Interests in subsidiaries	**1,175,360**	1,130,120
Prepayment	**195,000**	—
	1,371,916	1,130,120
Current assets		
Other receivables and prepayments	**25,255**	188,017
Financial assets at fair value through profit or loss	**99,516**	197,054
Amounts due from subsidiaries	**1,986,310**	2,363,621
Cash and cash equivalents	**3,092**	7,286
	2,114,173	2,755,978
Total assets	**3,486,089**	3,886,098
Equity		
Share capital	**2,490,454**	2,490,454
Reserves (note 33(b))	**475,902**	645,433
	2,966,356	3,135,887
Current liabilities		
Trade and other payables and deposits received	**6,564**	4,421
Amounts due to subsidiaries	**404,629**	653,971
Other borrowings	**108,540**	91,819
Total liabilities	**519,733**	750,211
Total equity and liabilities	**3,486,089**	3,886,098
Net current assets	**1,594,440**	2,005,767
Total assets less current liabilities	**2,966,356**	3,135,887

Approved by the Board of Directors on 29 June 2018 and signed on its behalf by:

Jiang Zhaobai
Director

Lam Cheung Shing, Richard
Director

33. STATEMENT OF FINANCIAL POSITION AND MOVEMENT IN RESERVES OF THE COMPANY *(Continued)*

(b) Movement in reserves of the Company

The changes in the reserves of the Company during the years ended 31 March 2018 and 2017 are as follows:

	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	1,342,477	(1,008,158)	334,319
Net profit for the year	—	311,114	311,114
Total comprehensive income for the year	—	311,114	311,114
At 31 March 2017 and 1 April 2017	1,342,477	(697,044)	645,433
Net loss for the year	—	(169,531)	(169,531)
Total comprehensive loss for the year	—	(169,531)	(169,531)
At 31 March 2018	**1,342,477**	**(866,575)**	**475,902**

34. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) Disposal of subsidiaries

(i) On 10 December 2016, the Group entered into a sale and purchase agreement with an independent third party to disposal of 100% equity interest and a shareholder's loan of approximately HK$98,103,000 in Shanghai IC Club, a wholly-owned subsidiary of the Group, at a total consideration of RMB1. The disposal was completed on 31 May 2017, on which date control of Shanghai IC Club was passed to the acquirer.

Analysis of liabilities over which control was lost:

	HK$'000
Other payables	(11,208)
Amount due to ultimate holding company	(98,103)
Net liabilities of Shanghai IC Club	(109,311)
Sales of shareholder's loan	98,103
Release of Exchange reserve	9,176
Gain on disposal of Shanghai IC Club	2,032
Consideration	—
Net cash outflow arising from disposal	
Cash consideration received	—

34. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES *(Continued)*

(a) Disposal of subsidiaries *(Continued)*

(ii) On 26 October 2016, the Group entered into a sale and purchase agreement to disposal of 100% equity interest and a shareholder's loan of approximately HK$92,446,000 in Interchina Environmental Protection Company Limited and its wholly owned subsidiary, Beijing Guoqing Environmental Technology Company Limited (collectively referred as the "IC Environmental Group") at a total consideration of HK$20,000,000. The disposal was completed on 26 October 2016, on which date control of the IC Environmental Group passed to the acquirer.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	2,843
Other non-current asset	25,701
Trade and other receivables and prepayments	23,183
Cash and cash equivalents	83
Trade and other payables and deposits received	(3,334)
Amount due to the ultimate holding company	(92,446)
Net liabilities of the IC Environmental Group	(43,970)
Sales of shareholder's loan	92,446
Release of exchange reserve	(11,148)
Loss on disposal of the IC Environmental Group (note 13(b))	(17,328)
Consideration	20,000
Net cash inflow arising from disposal	
Cash consideration received	20,000
Cash and cash equivalent disposal of	(83)
	19,917

The impact of the IC Environmental Group on the Group's results and cash flows in the prior year is disclosed in note 13(b) to the consolidated financial statements.

(b) Deregistration of subsidiaries

During the year ended 31 March 2018, the Group deregistered a directly wholly-owned subsidiary, Guoze Water Treatment Company Limited ("Guoze"), which was inactive during the year.

The Group recognised a gain of approximately HK$7,000 on deregistration of Guoze.

During the year ended 31 March 2017, the Group deregistered indirectly wholly-owned subsidiaries including United Star Assets Limited (BVI), Equal Smart Profits Limited (BVI) and Interchina Water Treatment Limited (BVI) (collectively referred as the "Deregistration Group"), which were inactive during the prior year.

The Group recognised a loss of approximately HK$726,000 on deregistration of the Deregistration Group.

35. ACQUISITION OF SUBSIDIARIES

On 26 October 2016, the Group entered into the sale and purchase agreement with three independent third parties (the "Vendors"), regarding the acquisition of (i) the entire equity interests in Total Victor Investments Limited, Tableland Global Limited, Widely Reliable Limited and their subsidiary (the "Agrotanto Group") and (ii) the amount owing by the Agrotanto Group to the Vendors at the consideration of HK$45,240,000, (the "Acquisition"). The Acquisition was completed in December 2016.

Analysis of assets and liabilities recognised at fair value at the date of acquisition:

	HK$'000
Property, plant and equipment (note 18)	42,122
Biological assets (note 22)	3,578
Trade and other receivable and prepayments	1,438
Cash and cash equivalents	1,207
Trade and other payables	(24,140)
Deferred tax liabilities (note 30)	(6,612)
Net assets acquired	17,593
Goodwill (note 20)	27,647
Consideration satisfied by cash	45,240
Net cash outflow arising from acquisition	
Cash consideration paid	(45,240)
Less: Cash and cash equivalent acquired	1,207
	(44,033)

Since the acquisition, the Agrotanto Group did not contribute any revenue to the Group and recorded a loss of HK$3,253,000 to the consolidated loss for the year ended 31 March 2017.

Had the combination taken place at the beginning of the prior year, no effect would have been in revenue from continuing operations of the Group. However, the Group's profit for the prior year would have been decreased by approximately HK$3,253,000.

Acquisition-related costs amounting to approximately HK$784,000 have been excluded from the consideration transferred and have been recognised as an expense, within "administrative operating expenses" line item in the consolidated statement of profit or loss.

The fair value of trade and other receivables and prepayments at the date of Acquisition is approximately HK$1,438,000. The gross contractual amount for trade and other receivables and prepayments due is approximately HK$1,438,000 of which the best estimate at the date of the Acquisition of the contractual cash flows are expected to be fully collectable.

Included in other payables were amount of approximately HK$20,771,000 due to Empresa Agropecuaria Novagro S.A. ("Novagro"), a company owned as to 99% by Mr. Jiang Zhaobai, the chairman and executive director of the Company, of which approximately HK$13,260,000 was carried at interest rate of 3% per annum while the remaining balances are interest-free. Immediately upon completion of the Acquisition, the balances were unsecured, interest-free and repayable on demand.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2018 and 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	2,372	8,663
In the second to fifth year inclusive	5,554	10,668
	7,926	19,331

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases for the office properties are negotiated for an average term of three years.

The Group as lessor

Property rental income earned during the year was approximately HK$56,214,000 (2017: HK$25,211,000). Some of the properties held have committed tenants for one to three years.

At 31 March 2018, the Group had contracted with tenants for the following future minimum lease payments:

	2018 HK$'000	2017 HK$'000
Within one year	26,891	20,779
In the second to fifth year inclusive	53,022	17,832
After fifth year	54,494	—
	134,407	38,611

37. RETIREMENT BENEFITS SCHEMES

(a) The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates, subject to relevant income levels. Contributions of the Group to the MPF Scheme are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

(b) The employees of subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

(c) Employees employed by the Group outside Hong Kong are covered by the appropriate local retirement benefits schemes pursuant to the local labour rules and regulations.

38. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, during the year ended 31 March 2018 and 31 March 2017, the Company had entered into the following material transactions with related parties:

(a) During the year ended 31 March 2018, the rental income amounted to approximately HK$688,000 (2017: HK$1,252,000) was received from Heilongjiang Interchina. As at 31 March 2018, the relevant rental deposit of approximately HK$7,023,000 (2017: HK$6,392,000) was received from Heilongjiang Interchina.

(b) Compensation of key management personnel

Compensation for key management personnel, including amounts paid to the Company's directors and the senior executives are as follow:

	2018	2017
	HK$'000	HK$'000
Salaries and other short-term benefits	**10,463**	10,804
Pension scheme contributions	**516**	516
	10,979	11,320

(c) Loans with related parties

The Company has entered into the following significant loan agreements with related parties, which in the opinion of the directors of the Company:

	2018	2017
	HK$'000	HK$'000
Other payables		
Novagro (note (i))	**18,355**	20,771
Loan interest income		
Heilongjiang Interchina (note (ii))	**—**	1,171

Notes:

(i) As disclosed in notes 27 and 35, included in other payables were amount of approximately HK$18,355,000 (2017: HK$20,771,000) due to Novagro were unsecured, interest-free and repayable on demand.

(ii) During the year ended 31 March 2017, the Group granted loans to Heilongjiang Interchina carried at interest rate of 4.35%. The loans have been settled by Heilongjiang Interchina as at 31 March 2017.

38. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Rental income from a related company

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

	2018	2017
	HK$'000	HK$'000
Rental income		
Wo Hua Commercial Management (Shanghai) Co., Ltd ("Wo Hua") (note)	**24,007**	—

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

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities:

	Bank borrowings (note 29)	Other borrowings (note 29)	Interest payable (note 28)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	3,759	1,040,134	1,743	1,045,636
Exchange alignment	—	49,271	139	49,410
Interest expense			79,226	79,226
Interest paid	—	—	(78,931)	(78,931)
New other borrowings raised	—	481,963	—	481,963
Repayment of bank and other borrowings	(3,759)	(451,717)	—	(455,476)
At 31 March 2018	**—**	**1,119,651**	**2,177**	**1,121,828**

40. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances, cash and cash equivalents, loan receivables, financial assets at fair value through profit or loss, trade and other payables and bank and other borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**436,849**	591,894
Financial assets at fair value through profit or loss	**1,393,232**	1,673,308
Financial liabilities		
Amortised cost	**1,262,616**	1,099,183

Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk, which result from both its operating and investing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly both in the PRC and Hong Kong and majority of transactions are denominated in RMB and Hong Kong dollars. It results the Group exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars.

Sensitivity analysis

The sensitivity at the end of the reporting period to a reasonably possible change of 5% in the exchange rate of Hong Kong dollars against the RMB, with all other variables held constant, of the Group's loss before tax and the Group's equity would be increased or decreased by approximately HK$24,491,000 (2017: HK$46,300,000).

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss which are measured at fair value at each of the reporting period. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments have been 5% higher/lower, loss before taxation for the Group would be increased/decreased by approximately HK$69,661,600 (2017: profit increased/decreased by approximately HK$83,665,000) as a result of the changes of fair value of financial assets at fair value through profit or loss.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2018 in relation to each class of recognised financial assets is the carrying amount of those assets. With respect to credit risk arising from loan receivables, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment. The Group's time deposits are deposited with banks of high credit quality in Hong Kong.

The Group made transactions with counterparties with acceptable credit quality in conformance to the Group treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for nonrated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transactions. The Group reviews its financial counterparties periodically in order to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty and ensure that adequate impairment losses are made for irrecoverable amounts.

In an attempt to forestall adverse market movement, the Group also monitors potential exposures to each financial institution counterparty.

Other than concentration of credit risk on the loan receivables, the Group does not have any other significant concentration of credit risk.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and considering of obtaining banking facilities to support the Group's short, medium and long-term funding and liquidity management requirements. In addition, the management of the Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on weighted average effective interest rates) and the earliest date the Group can be required to pay:

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2018						
Trade and other payables and deposits received	**—**	**148,848**	**—**	**—**	**148,848**	**148,848**
Bank and other borrowings	**6.60%-9.50%**	**1,119,651**	**—**	**—**	**1,119,651**	**1,119,651**
		1,268,499	**—**	**—**	**1,268,499**	**1,268,499**

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2017						
Trade and other payables and deposits received	—	71,025	—	—	71,025	71,025
Bank and other borrowings	2.45%-8.00%	1,127,405	—	—	1,127,405	1,043,893
		1,198,430	—	—	1,198,430	1,114,918

Bank and other borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 March 2018, the aggregate undiscounted principal amounts of the Group's bank and other borrowings amounted to HK$19,000,000 (2017: HK$3,759,000).

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(d) Cash flow and fair value interest rate risk

Bank and other borrowings at variable interest rate expose the Group to cash flow interest rate and those at fixed rates expose the Group to fair value interest risk. The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2018 would increase/decrease by approximately HK$5,598,000 (2017: profit increase/decrease HK$5,219,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Fair value measurement

HKFRS 7 (Amendment) 'Financial Instruments — Disclosures' requires disclosure of fair value measurements for financial instruments by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2018 and 2017:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2018				
Financial assets at fair value through profit or loss	**1,393,232**	**—**	**—**	**1,393,232**
As at 31 March 2017				
Financial assets at fair value through profit or loss	1,673,308	—	—	1,673,308

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value measurement *(Continued)*

Details of the Group's non-financial assets that are measured at fair value at 31 March 2018 and 2017 were set out in the note 26 to the consolidated financial statement.

There have been no significant transfers between level 1, 2 and 3 in the reporting period.

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

Capital risk management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from prior year.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or sell assets to reduce debts.

The Group monitors its capital on the basis of the gearing ratio of borrowings over total equity. This ratio is calculated as borrowings less cash and cash equivalent divided by total equity. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios at the end of the reporting period are as follows:

	2018 **HK$'000**	2017 HK$'000
Total borrowings (note 29)	**1,119,651**	1,043,893
Less: Cash and cash equivalents (note 27)	**(179,712)**	(492,651)
	939,939	551,242
Total equity	**3,147,461**	3,643,398
Gearing ratio	**29.86%**	15.13%

41. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had no major non-cash transactions during the years ended 31 March 2018 and 2017.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Interchina (Tianjin) Water Treatment Company Limited	PRC	RMB900,000,000	100	—	Investment holding
Action Investments Limited	Hong Kong	100	100	—	Property investment
Jet Source Investments Limited	Hong Kong	2	100	—	Property investment
External Fame Limited	The British Virgin Island (the "BVI")	US$1	—	100	Investment holding
Success Flow International Limited	BVI	US$1	100	—	Investment holding
Long Bao Property Limited	Hong Kong	100	—	100	Investment holding
北京龍堡物業管理有限公司	PRC	RMB45,000,000	—	100	Property investment
北京博雅宏遠物業管理有限公司	PRC	RMB20,000,000	—	100	Property investment
Omnigold Resources Limited	BVI	US$1	—	100	Property investment
Interchina Finance (H.K.) Limited	Hong Kong	10,000	—	100	Provision for financial services
Interchina Resources Holdings Limited	Hong Kong	100	100	—	Investment holding
Universe Glory Limited	BVI	US$50,000	—	100	Natural resources investment
P.T. Satwa Lestari Permai	Indonesia	RP5,000,000,000	—	95	Exploration, mining processing and sale of manganese resources
EverChina Hotel Investment Limited	BVI	US$10,000	100	—	Investment holding
Loyal Rich International Investment Limited	Hong Kong	10,000	—	100	Hotel investment
天富（上海）酒店管理有限公司	PRC	RMB2,000,000	—	100	Hotel management
Interchina Corporate Services Limited	Hong Kong	10,000	100	—	Corporate management
All Yield Investments Limited	BVI	US$50,000	—	100	Natural resources investment
上海欣竑投資有限公司	PRC	RMB650,000,000	—	100	Property investment
Sociedad Argopecuaria Argotanto S.A.	Bolivia	BOB12,000	—	100	Cattle raising and sales of cattle

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests

The following table lists out the information relating to P.T. Satwa Lestari Permai, the only subsidiary of the Group which has material non-controlling interests. The summarised financial information of P.T. Satwa Lestari Permai is set out below:

	2018 HK$'000	2017 HK$'000
Non-controlling interests percentage	**5%**	5%
Current assets	**193**	289
Non-current assets	**272,325**	272,322
Current liabilities	**(16,927)**	(15,811)
Net assets	**255,591**	256,800
Equity attributable to owners of the Company	**212,904**	214,047
Non-controlling interests	**42,687**	42,753

	Year ended 31 March 2018 HK$'000	 2017 HK$'000
Turnover	**—**	—
Loss for the year	**(1,209)**	(1,184)
Loss for the year attributable to:		
Owners of the Company	**(1,143)**	(1,125)
Non-controlling interests	**(66)**	(59)
	(1,209)	(1,184)
Total comprehensive loss attributable to:		
Owners of the Company	**(1,143)**	(1,125)
Non-controlling interests	**(66)**	(59)
Total comprehensive loss for the year	**(1,209)**	(1,184)
Net cash (used in)/generated from operating activities	**(181)**	67
Net (decrease)/increase in cash and cash equivalents	**(181)**	67

The information above is the amount before inter-company eliminations.

43. EVENTS AFTER THE REPORTING PERIOD

On 13 June 2017, the Company entered into a sale and purchase agreement with Mr. Jiang Zhaobai ("Mr. Jiang"), an executive Director, the Chairman and a substantial shareholder of the Company, pursuant to which the Company will purchase and Mr. Jiang will sell the entire equity interest in Pengxin Agricultural Holdings Company Limited at the consideration of US$46,000,000 (equivalent to approximately HK$358,800,000), subject to adjustment set out in the paragraph headed "Consideration and the Adjustment" in the Company's announcement dated 13 June 2017. The transaction constitutes major and connected transaction for the Company under the Listing Rules. Details of the transaction was set out in the Company's circular dated 28 June 2018.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2018.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2018 (in HK Dollars)

RESULTS

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**89,912**	67,951	86,811	51,544	40,785
(Loss)/profit from ordinary activities before taxation	**(678,636)**	106,152	(682,959)	(401,899)	121,932
Taxation	**(97,237)**	(5,386)	(1,591)	(54,009)	58,579
(Loss)/profit for the year from continuing operations	**(775,873)**	100,766	(684,550)	(455,908)	180,511
Loss for the year from discontinued operations	**—**	(18,422)	(1,320)	(29,678)	(1,696)
(Loss)/profit for the year	**(775,873)**	82,344	(685,870)	(485,586)	178,815
Owners of the Company	**(775,807)**	82,403	(685,672)	(403,159)	177,124
Non-controlling interests	**(66)**	(59)	(198)	(82,427)	1,691
(Loss)/profit for the year	**(775,873)**	82,344	(685,870)	(485,586)	178,815

ASSETS AND LIABILITIES

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Restated)
Total assets	**4,520,715**	4,873,812	4,477,067	5,900,132	6,033,557
Total liabilities	**(1,373,254)**	(1,230,414)	(726,607)	(919,398)	(574,673)
Non-controlling interests	**(42,687)**	(42,753)	(42,812)	(303,162)	(384,055)
Shareholders' funds	**3,104,774**	3,600,645	3,707,648	4,677,572	5,074,829

PARTICULARS OF MAJOR PROPERTIES

Location	Use	Lease term
Flat No. 17 on 27/F, Apartment Tower, Western Side of Convention Plaza, Wan Chai, Hong Kong	Residential premises for rental	Long-term lease
Retail portion on basement Level 1, Level 1 to Level 2 and 88 office units from Level 3 to Level 12 And 164 carparking spaces on basement, Level 2 and 3 situation at Interchina Commercial Building 33, Dengshikou Street, Dong Cheng District, Beijing, PRC	Commercial premises for rental	Medium-term lease
Level 1-20, 1729 Huangxing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, PRC	Hotel operation	Medium-term lease
B2 & B3, 1737 Huangxing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, PRC	Car parking space for rental	Medium-term lease
14 retail units at Levels 1-3 of Above the Bund Square No. 948 Dongdaming Road, Hongkou District, Shanghai, PRC	Commercial premises for rental	Medium-term lease