EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國際控股有限公司

Stock Code: 202

ANNUAL REPORT 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Lau Chi Lok, Freeman

LISTING INFORMATION

Stock Code: 202
Board Lot: 5,000 shares

REGISTERED OFFICE

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

WEBSITE

www.everchina202.com.hk

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SOLICITORS

K&L Gates
Patrick Mak & Tse

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

INVESTOR RELATIONS CONSULTANT

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

MANAGEMENT STATEMENT

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 2020.

For the year ended 31 March 2020, the Group's revenue amounted to approximately HK$137,199,000 (2019: HK$78,064,000), representing an increase of approximately 75.8% as compared to last year. The loss for the year attributable to the shareholders of the Company was approximately HK$529,070,000 (2019: HK$600,252,000), representing a decrease of approximately 11.9% as compared to last year. The basic and diluted loss per share amounted approximately to HK7.253 cents for the year ended 31 March 2020 (2019: HK8.993 cents).

BUSINESS REVIEW

During the year, the Group is mainly engaged in property investment operation, hotel operation, agricultural operation and securities investment and financing operation.

Property Investment Operation

The Group's property investment operation mainly comprise two investment properties located in the centre of Beijing and Shanghai respectively. The total floor area of the entire portfolio is approximately 28,200 sq. m. including retail properties, office properties and carparking space. At 31 March 2020, the Group's investment property was valued at an aggregate value of approximately HK$1,155,100,000 (31 March 2019: HK$1,282,094,000). Based on the independent valuation performed, loss on changes in fair value of investment properties of approximately HK$57,256,000 was recorded for the year (2019: HK$3,529,000).

During the year, the Group recorded rental income of approximately HK$47,831,000 from property investment operation (2019: HK$53,249,000), which accounted for 34.9% of total revenue. The decrease in rental income was mainly result of devaluation of RMB against HKD incurred during the year. The overall occupancy rate for the property investment portfolio remaining high at approximately 94% as of 31 March 2020. The segment loss amounted to approximately HK$40,337,000 (2019: profit of approximately HK$35,623,000). The turnaround to loss was mainly attributable to (i) an increase in the loss arising on change in fair value of the Group's investment properties as a result of the deteriorated retail market condition and (ii) recognised an impairment loss on goodwill of approximately HK$18,069,000 (2019: Nil) as a result of the epidemic of the novel coronavirus ("COVID-19"). The goodwill arose from acquisition of External Fame Limited and its subsidiaries (the "External Fame Group") which engaged in properties investment in the PRC in July 2011. As the recoverable amount of the cash-generating unit in relation to External Fame Group which is determined based on the value in use calculation covering a 5-year period, is lower than the carrying amount of the goodwill, the goodwill was fully impaired during the year. Should the loss arising on change in fair value of the investment properties and the impairment loss on goodwill be excluded, segment profit for the year would be approximately HK$34,988,000.

It expects this segment will keep generating a stable rental income stream and capturing potential appreciation.

Hotel Operation

The sole hotel property held by the Group, is the Express by Holiday Inn Wujiaochang Shanghai (the "Hotel") located in Yangpu District, Shanghai, the PRC, which is a 20-storey hotel with total gross floor area of approximately 15,900 sq. m., and 296 guest rooms. At 31 March 2020, the average occupancy rate was around 62% for the year (2019: 80%).

During the year, the Group recorded revenue of approximately HK$27,734,000 from the Hotel (2019: HK$35,242,000), which accounted for 20.2% of total revenue. Decrease in revenue was mainly due to keen completion in the Yangpu District as well as the travel restriction caused by the outbreak of COVID-19 in early 2020. Occupancy rate and average room rate had dropped by 18% and 4%, respectively. Gross profit for the year amounted to HK$21,576,000 (2019: HK$28,302,000). Profit before depreciation, impairment on goodwill, finance costs and tax for the year was HK$9,724,000 (2019: HK$12,003,000). The hotel property is subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the hotel property for the year amounted to HK$12,915,000 (2019: HK$13,482,000) which, although not affecting cash flow, have nevertheless impacted the reported profit. Besides, the epidemic of COVID-19 has had and is expected to continue to have material impact on this segment. The segment recorded impairment loss on goodwill of approximately HK$45,738,000. The goodwill arose from acquisition of Loyal Rich International Limited and its subsidiaries (the "Loyal Rich Group") which engaged in investment and operation of the Hotel in December 2014. As the recoverable amount of the cash-generating unit which is determined based on the value in use calculation covering a 5-year period, is lower than the carrying amount of the goodwill, the goodwill was fully impaired during the year. As a result, segment loss for the year increased from approximately HK$1,441,000 to approximately HK$49,317,000 from 2019 to 2020.

The Group will continue to review its marketing strategies. In terms of operation, the Group will continue to take actions of both short term and longer term to control costs and drive efficiency as the tourism sentiment may take some time to improve.

Agricultural Operation

The Group's agricultural operation engages in agricultural farming and cattle raising in Bolivia. As at 31 March 2020, the Group totally owns approximately 17,500 hectares of farmland in Bolivia with carrying value of approximately HK$371,962,000 (31 March 2019: HK$368,087,000).

During the year, the Group recorded revenue of approximately HK$61,634,000 from agricultural operation (2019: HK$48,168,000), which accounted for 44.9% of total revenue. The increase in revenue was mainly due to the acquisition of agricultural farming business was completed in October 2018. The major crops of the farm is soybean. During the year, approximately 10,000 hectares of soybeans were planted, the average yield was 2.5 ton per hectare with a grain production of approximately 25,400 tonnes. The average selling price of soybean dropped by 11.3% to US$266/MT as compared to the same period of last year. The US-China trade dispute was the major key factor to the volatility of the market price of soybean. During the year, the scale of operation of the cattle farm has progressively increased. As at 31 March 2020, the number of cattle increased by approximately 90% to 1,925 as compared to the same period of last year. Since the Group acquired the cattle raising business in November 2016, this business has continued to suffer loss because of it has been in the start-up stage. It expects it will need a longer time to turnaround this business to profit. Therefore, approximately of HK$27,647,000 of goodwill in relation to the cattle raising business is fully impaired for the year. The segment loss amounted to approximately HK$20,018,000 (2019: profit HK$15,125,000). The loss was mainly due to the impairment on goodwill. Should the impairment loss on goodwill be excluded, segment profit for the year would be approximately HK$7,629,000.

In view of the global demand and supply of soybean have been rising, we are confident that this segment will continue to make stable contribution to the Group's revenue and cash-flow stream in the time ahead.

Securities Investment and Financing Operation

During the year, the Group did not grant any new loan nor make any new securities investment. This segment did not contribute any revenue to the Group for the year (2019: negative HK$58,595,000). The segment loss amounted to approximately HK$292,775,000, as compared to the loss of approximately HK$407,847,000 with the last year. The decrease in loss was mainly due to the decrease in loss arising on change in fair value of the financial asset at fair value through profit or loss.

As at 31 March 2020, total securities investment, which was booked under financial asset at fair value through profit or loss amounted to approximately HK$578,384,000 (31 March 2019: HK$911,924,000), representing 29.1% (31 March 2019: 35.3%) of the Group's net assets of HK$1,989,547,000 (31 March 2019: HK$2,584,656,000) and total loan receivable under financing operation amounted to approximately HK$42,781,000 (31 March 2019: HK$52,475,000).

As at 31 March 2020, the Group solely held 227,312,500 shares of Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina", whose shares are listed on Shanghai Stock Exchange, stock code: 600187), representing 13.74% Heilongjiang Interchina's total issued shares. The cost of investment in Heilongjiang Interchina was approximately RMB243,394,000 (equivalent to approximately HK$270,437,000) at 31 March 2020. Heilongjiang Interchina and its subsidiaries are principally engaged in the provision of sewage water treatment, water supply and the provision of environmental technology services. The stock price of Heilongjiang Interchina decreased from RMB3.41 per share as at 31 March 2019 to RMB2.29 per share as at 31 March 2020. The Group recorded an unrealised loss of investment at fair value through profit or loss of HK$282,878,000 for the investment in Heilongjiang Interchina for the year.

As disclosed in the latest annual report of Heilongjiang Interchina for the year ended 31 December 2019, Heilongjiang Interchina recorded revenue of approximately RMB537,836,000 (equivalent to approximately HK$597,596,000), profit for the year of approximately RMB22,445,000 (equivalent to approximately HK$24,939,000) and net assets of approximately RMB3,452,081,000 (equivalent to approximately HK$3,835,646,000). Heilongjiang Interchina operates thirteen sewage and water supply projects with aggregate daily processing capacity of approximately 1,200,000 tonnes. Under the background of environmental protection policies and industry development trends, Heilongjiang Interchina focused on environmental protection areas such as water supply and sewage and was proactively deploying the development of energy conservation and environmental protection project.

As at 31 March 2020, the Group's loan receivables included two individual borrowers and they were overdue and not repaid on the maturity date. The loans were secured by collateral providing by the borrowers. After numerous negotiations between the Company and the borrowers, the Group has obtained authorisation to disposal the collateral/security and use the proceeds from the disposal to repay the outstanding loan receivables. The Company would start the procedures for the disposal of the security at the appropriate time. Independent professional valuer has been appointed to evaluate the recoverable amount and impairment loss of HK$9,694,000 on the loan receivables was recognised in profit or loss for the year ended 31 March 2020 (2019: HK$25,949,000).

The Group adopts a prudent investment strategy for securities investment operation and will closely monitor the market changes and realise its investment to enhance the Group's working capital if necessary and when timing is appropriate. Besides, the Group has decided to suspend the financing operation in order to allocate more resources in other segment of the Group.

OUTLOOK

In the past year, we faced business challenges and market uncertainties due to certain macro-economic factors including but not limit to the US-China trade war, the slowdown of China GDP growth and the outbreak of COVID-19. We expect that the business outlook for this year would not be optimistic. The Group will continue its cautious and disciplined approach in managing the Group's existing operations with a view to reduce its exposure to market fluctuations.

Meanwhile, we will actively restructure all underperforming business to enhance the financial performance of the Group and seize investment opportunities with good prospects, aiming to enhance the returns to the shareholders of the Company.

FINANCIAL REVIEW

Overall Performance

For the year ended 31 March 2020, the Group's revenue increased by 75.8% to approximately HK$137,199,000 (2019: HK$78,064,000), which mainly due to (i) none of the net loss was recognised from sale of financial assets at FVTPL for the year (2019: negative HK$58,595,000) and (ii) increase of revenue generated by the Group's agricultural operation. The revenue of agricultural operation was approximately HK$61,634,000 representing an increase of 28% as compared to last year.

The Group recorded a loss of approximately HK$529,111,000, representing a decrease of approximately 12.5% as compared to the loss of approximately HK$604,960,000 of last year. The decrease in loss was mainly attributable to the net effect of:

(i) a decreased in unrealised fair value loss on financial assets at fair value through profit and loss by approximately 11.9% to HK$282,878,000 (2019: HK$320,912,000) as a result of the change in the stock market sentiment;

(ii) no impairment loss on mining rights was recognised for the year (2019: HK$93,216,000);

(iii) recognised an impairment loss on goodwill of approximately HK$91,454,000 (2019: Nil) as a result of the COVID-19 outbreak affecting the business outlooks of the relevant business of the Group;

(iv) an increase in loss arising on change in fair value of the Group's investment properties by approximately 15.2 times to HK$57,256,000 (2019: HK$3,529,000);

(v) a decreased in allowance for expected credit losses on trade and other receivables and prepayments and loan receivables by approximately 66.6% to HK$14,431,000 (2019: HK$43,238,000);

(vi) a decrease in administrative cost by 57% to HK$34,632,000 (2019: HK$80,541,000) as a result of strict control on expense imposed by the management; and

(vii) an increase in finance cost by approximately 13.2% to HK$98,035,000 (2019: HK$86,594,000) as a result of increase in interest for other borrowings.

Liquidity and Financial Resources

At 31 March 2020, the equity reached approximately HK$1,989,547,000 (31 March 2019: approximately HK$2,584,656,000). At 31 March 2020, the Group's cash on hand and deposits in bank was approximately HK$16,188,000 (31 March 2019: approximately HK$79,975,000), mainly denominated in Renminbi ("RMB") and Hong Kong dollars. At 31 March 2020, the Group's net current assets were approximately HK$44,882,000 (31 March 2019: approximately HK$274,705,000). The current ratio of the Group as at 31 March 2020 was 1.06 (31 March 2019: 1.28). The gearing ratio (total outstanding borrowings over total assets) of the Group as of 31 March 2020 was 27.3% (31 March 2019: 24.2%).

The Group had no particular seasonal pattern of borrowing. At 31 March 2020, the Group's total borrowings amounted to approximately HK$818,232,000 (31 March 2019: approximately HK$893,906,000) of which approximately HK$675,594,000 (31 March 2019: HK$888,158,000) were repayable within one year and approximately HK$142,638,000 (2019: HK$5,748,000) were repayable within six to eight years. As at 31 March 2020, the Group's borrowings were denominated in RMB, HKD and USD, amounting to approximately RMB702,140,000 (31 March 2019: approximately RMB740,000,000), approximately HK$27,000,000 (31 March 2019: approximately HK$16,525,000) and approximately US$1,420,000 (31 March 2019: approximately US$871,000) respectively.

During the year, the Group has borrowed RMB311,500,000 (equivalent to approximately HK$346,111,000) from Shanghai Pengxin (Group) Company Limited ("Shanghai Pengxin"), a company owned as to 99% by Mr. Jiang Zhaobai, an executive Director, the Chairman and a substantial shareholder of the Company. It is unsecured, interest free and repayable on 31 December 2021. As at 31 March 2020, the carrying amount due to Shanghai Pengxin is approximately RMB124,142,000 (equivalent to approximately HK$137,935,000).

There has been no change in the share capital of the Company during the year. As at 1 April 2019 and 31 March 2020, the number of issued shares of the Company was 7,294,369,363.

Pledged of Assets

At 31 March 2020, the Group's investment properties with carrying amounts of approximately HK$631,766,000 (31 March 2019: approximately HK$655,294,000), freehold land with carrying amounts of approximately HK$145,860,000 (31 March 2019: approximately HK$145,860,000) and hotel property with carrying amounts of approximately HK$442,385,000 (31 March 2019: approximately HK$485,235,000) were pledged as security for its liabilities. In addition, 227,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited held by the Group with carrying amounts of approximately HK$577,589,000 (31 March 2019: approximately HK$910,671,000) were also pledged to lender(s) to secure loan facilities granted to the Group.

Material Acquisition and Disposal

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

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 2020, the Group had no material contingent liabilities (31 March 2019: Nil).

Capital Commitment

As at 31 March 2020, the Group had no material capital commitment (31 March 2019: Nil).

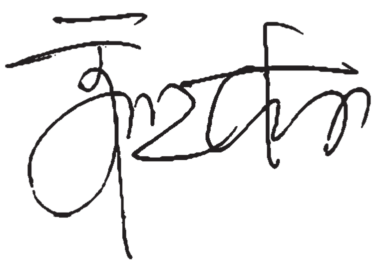
Human Resources

As at 31 March 2020, the Group employed approximately 158 employees (31 March 2019: 160). The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus. The Group maintained a share option scheme in place for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the year ended 31 March 2020.

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 2020

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. JIANG Zhaobai, Executive Director and Chairman

Mr. JIANG Zhaobai, aged 57, 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. ("Shanghai Pengxin"). Mr. Jiang is the founder of Shanghai Pengxin and Shanghai Pengxin Real Estate Development Co., Ltd. ("Pengxin Real Estate"). He was the chairman of Shanghai Pengxin 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 62, 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, China Water Industry Group Limited, whose shares are listed on the GEM Board and the Main Board of the Stock Exchange respectively. Besides, Mr. Lam was appointed as either an independent non-executive director or an executive director in various companies whose shares are listed on the Main Board of the Stock Exchange during the period from 2001 to July 2014, including Eagle Legend Asia Limited, Kai Yuan Holdings Limited and Softpower International Limited (previously known as China Pipe Group Limited)

Mr. CHEN Yi, Ethan, Executive Director

Mr. CHEN Yi, Ethan, aged 37, 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 64, 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 72 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 Softpower International Limited (previous known as 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 59, 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 27 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, Chia Tai Enterprises International Limited and Sterling Group Holdings Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Ko was an independent non-executive director of Chinese Energy Holdings Limited and Zioncom Holdings Limited, whose shares are listed on the GEM Board of the Stock Exchange.

Professor SHAN Zhemin, Independent Non-executive Director

Professor SHAN Zhemin, aged 48, 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 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 LBX Pharmacy Chain Joint Stock Co., Limited (listed on Shanghai Stock Exchange, stock code: 603883). She was an independent director of Shanghai Metersbonwe Fashion and Accessories Co., Ltd (listed on Shenzhen Stock Exchange, stock code: 002269).

The board (the "Board") of directors (the "Directors") is pleased to report to the shareholders of the Company (the "Shareholders") the corporate governance of the Company for the year ended 31 March 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the maintenance of good standard of corporate governance and 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. The Board and the management believe that a good corporate governance practices is essential to enhance transparency and accountability to the shareholders of the Company (the "Shareholders").

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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) The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. Currently, all Directors (including independent non-executive Directors) was not appointed for a specific term but all Directors are subject to retirement by rotation and re-election at the annual general meeting ("AGM") in accordance with the Articles of Association ("Articles"). Moreover, according to the Articles, all Directors newly appointed to fill a casual vacancy are subject to election at the next following general meeting following their appointments. Code provision D.1.4 of the CG Code stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. All Directors, except independent non-executive Directors, have formal letters of appointment. The independent non-executive Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. The independent non-executive Directors clearly understand role and responsibilities of independent non-executive Directors. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those prescribed by code provisions A.4.1 and D.1.4 of the CG Code and therefore does not intend to take any steps in this regard at the moment.

(ii) The code provision E.2.1 of the CG Code stipulates that the chairman of the board should attend the AGM to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2019 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive Director of the Company, attended the AGM on 29 August 2018 and was delegated to make himself available to answer questions if raised at the meeting.

(iii) The code provision A.2.7 stipulates that the chairman of the board should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present. Due to the various other business engagement, the Chairman of the Board did not meet up with the independent non-executive directors during the year. Although the Chairman did not hold any formal meeting with the non-executive Directors without the presence of executive Directors during the year, he delegated the Company Secretary to gather any opinions/questions that the non-executive Directors might have and report to him for follow up. As such, the non-executive Directors of the Company were given opportunities to voice their concerns to the Chairman directly.

Notwithstanding the aforesaid deviations, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 2020.

THE BOARD

The Company is headed by an effective Board which oversees the Company and its subsidiaries' (the "Group") businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

Board composition

The Board currently comprises seven Directors, consisting of four executive Directors and three independent non-executive Directors, as follows:

Executive Directors

Mr. Jiang Zhaobai *(Chairman of the Board)*
Mr. Lam Cheung Shing, Richard *(Chief Executive Officer ("CEO") and member of Remuneration Committee and Nomination Committee)*
Mr. Chen Yi, Ethan
Mr. Shen Angang

Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis *(Chairman of Audit Committee and Remuneration Committee and member of Nomination Committee)*
Mr. Ko Ming Tung, Edward *(Chairman of Nomination Committee and member of Audit Committee and Renuneration Committee)*
Professor Shan Zhemin *(Member of Audit Committee)*

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship amongst the Directors. Details of the backgrounds and qualifications of the Directors are set out in pages 9 to 11 under the section headed "Biographies of Directors and Senior Management".

The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board meetings

During the year under review, four Board meetings and an AGM were held. The attendance of each Director at the Board meetings and the AGM is set out as follows:

Name of Directors	Attendance/Number of Board Meetings	AGM
Executive Directors		
Mr. Jiang Zhaobai *(Chairman)*	4/4	0/1
Mr. Lam Cheung Shing, Richard *(CEO)*	4/4	1/1
Mr. Chen Yi, Ethan	4/4	1/1
Mr. Shen Angang	2/4	0/1
Independent Non-executive Directors		
Mr. Ho Yiu Yue, Louis	4/4	1/1
Mr. Ko Ming Tung, Edward	4/4	1/1
Professor Shan Zhemin	3/4	0/1

During the year, the Board has dealt with matters covering mainly the Group's overall strategy, annual and interim results, internal control and risk management, corporate governance and financial matters.

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.

Responsibilities of the Board

The Board is responsible for leading and controlling the Company, overseeing as well as the supervision of its business, approval of strategic plans and monitoring the Company's performance. The Board delegates the day-to-day operations to the management, while reserving certain key matters for its approval. 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, Remuneration Committee and Nomination Committee, oversees particular aspects of the Group's affairs. All Committees have specific functions and authority to examine issues and report to the Board with recommendations. The final decisions are rested with the Board, unless otherwise provided in terms of reference of the relevant Committees.

Each Director keeps abreast of his responsibility as the Director and of the conduct, business activities and development of the Company. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in other continuous professional development programmes for Directors. In addition, the Company has arranged appropriate Directors and Officers Liability Insurance coverage on Directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

Corporate Governance Functions

The Board is also responsible for performing corporate governance functions as set out in the code provision D.3.1 of the CG Code. During the year ended 31 March 2020, the Board has reviewed the compliance with the CG Code and disclosure in Corporate Governance Report.

Chairman and Chief Executive Officer

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

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 ("Mr. Ho") 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 are independent.

The Board has noticed that each of 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. In this regard, the re-appointment of each of Mr. Ho and Mr. Ko as independent non-executive Director of the Company were approved by Shareholders in separate resolution at the AGM of the Company held on 30 August 2018. In assessing the independence of Mr. Ho and Mr. Ko, the Board took into account the fact that Mr. Ho and Mr. Ko have not engaged in any executive management of the Group; and have demonstrated their ability to provide independent view to the Company's matters during their terms of office with the Company. The Board believes that Mr. Ho and Mr. Ko are independent with the Company and have complied with the independence requirements of Rule 3.13 of the Listing Rules.

Continuous Professional Development

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors are continuously updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged at the expenses of the Company where necessary. For the year ended 31 March 2020, the Company has received confirmation from all Directors in respect of their training records, in detail 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, C

Notes:

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

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

(C) Giving talks

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 Stock Exchange.

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. The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and ensuring that no Director or any of his associates is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 March 2020, the Remuneration Committee held one meeting with full attendance of its members. At the meeting, the Remuneration Committee has reviewed and made recommendation to the Board on the remuneration package of executive Directors to be re-election at the AGM. The attendance records of the members of the Remuneration Committee are as follows:

Name of Directors	Attendance/ Number of Meetings
Mr. Ho Yiu Yue, Louis *(Chairman)*	1/1
Mr. Lam Cheung Shing, Richard	1/1
Mr. Ko Ming Tung, Edward	1/1

The Directors' remunerations are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the remuneration of Directors, who are also the senior management during the year ended 31 March 2020 are set out below:

Annual Remuneration	Number of Persons
Below HKD1,000,000	1
HKD1,000,000 to HKD2,000,000	0
HKD2,000,001 to HKD3,000,000	1
Over HKD3,000,001	2

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. The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under its terms of reference, the Nomination Committee is responsible for reviewing the Board composition and identifying and nominating candidates of new directors for appointment to the Board. In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 March 2020, the Nomination Committee held one meeting with full attendance of its members. 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 AGM. The attendance records of the members of the Nomination Committee are as follows:

Name of Directors	Attendance/ Number of Meetings
Mr. Ko Ming Tung, Edward *(Chairman)*	1/1
Mr. Lam Cheung Shing, Richard	1/1
Mr. Ho Yiu Yue, Louis	1/1

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at GMs. During the year ended 31 March 2020, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Board Diversity Policy

The Board adopted 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 including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company.

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. Under its terms of reference, the Audit Committee is required, among other things, to oversee the relationship with the independent auditor, to review the Group's interim and annual consolidated financial statements, to monitor compliance with statutory and listing requirements, to ensure adequacy of resources, qualifications, experience and training programs and budget of the financial staff, and to engage independent legal or other advisers if necessary to perform investigations. The terms of reference of the Audit Committee are available on the Company's website.

During the year ended 31 March 2020, the Audit Committee held two meetings with full attendance of its members, at which the members of Audit Committee principally reviewed and discussed with the independence of external auditors of the Company about the Group's annual results and audited consolidated financial statements for the year ended 31 March 2019, the interim results for the six months ended 30 September 2019 and discussed with the management about the effectiveness of the risk management and assessment, financial controls system and internal control system, respectively. The attendance records of the members of the Audit Committee are as follows:

Name of Directors	Attendance/ Number of Meetings
Mr. Ho Yiu Yue, Louis *(Chairman)*	2/2
Mr. Ko Ming Tung, Edward	2/2
Professor Shan Zhemin	2/2

ACCOUNTABILITY AND AUDIT

Preparation of Financial Statements

The Board acknowledged responsibility for reviewing the accounts of the Company prepared by the executive board for the year ended 31 March 2020 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 54 to 61 of this annual report.

Auditors' Remuneration

The remuneration paid to HLB Hodgson Impey Cheng Limited ("HLB"), the external auditors of the Company, in respect of audit services and non-audit services for the year ended 31 March 2020 amounted to HK$2,500,000 (2019: HK$2,000,000) and HK$268,000 (2019: HK$1,200,000) respectively. An analysis of the remuneration paid payable to the HLB, in respect of audit services and non-audit services for the year ended 31 March 2020 is set out below:

Service Categories	Fee Paid/ Payable
Audit Services	HK$2,500,000
Non-audit Services	
— assisting in reviewing the disclosure of interim financial report	HK$268,000
	HK$2,768,000

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 of Hong Kong in June 2012.

During the year, the Board has engaged external professional consultants to review and assess 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 report 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.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the CEO and is responsible for advising the Board on governance matters. During the year ended 31 March 2020, Mr. Lau Chi Lok, Freeman is the Company Secretary of the Company, he has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholders' Communication Policy to ensure that Shareholders can exercise their powers in an informed manner, and to allow Shareholders and potential investors to improve communications with the Company. The Company uses GM, annual report, interim report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group. Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Tricor Tengis Limited, the share registrar of the Company, in case of enquiries about shareholdings. AGM is one of the channels on which the Directors meet with the Shareholders whose views can be addressed to the Board directly. At the AGM, separate resolution will be proposed by the chairman in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The chairman of the AGM ensures that an explanation is provided of the detailed procedures for conducting voting by poll and answers any questions from the Shareholders. The notice of AGM is distributed to the Shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company respectively on the day of the AGM. Executive Directors, members of the Audit Committee and the Remuneration Committee and Nomination Committee, and the external auditors will be available to attend the AGM to answer questions from the Shareholders and to gain and develop a balanced understanding of the views of from the Shareholders.

SHAREHOLDERS' RIGHTS

Convening general meeting and putting forward proposal at general meetings

Pursuant to article 62 of the Articles and Section 566 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) ("CO"), shareholder(s) of the Company holding at least 5% of the total voting rights of the Company may request the Board of Directors of the Company to convene a general meeting by way of depositing a written request at the registered office of the Company. The objects of the meeting must be stated in the related requisition which 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 shareholder(s) of the Company holding at least 2.5% of the total voting rights or at least 50 shareholders who have a right to vote on the resolution at the annual general meeting may request the Company to give notice of a resolution that may properly be moved and is intended to be moved at that meeting by way of depositing a written notice authenticated by the person or persons making it at the registered office of the Company or in electronic form not less than six weeks before the annual general meeting. The notice shall contain a description of the proposed resolution desired to be put forward at the annual general meeting, the reasons for such proposal and any material interest of the proposing shareholder(s) in such proposal.

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 Company Secretary by mail at Suites 601-603, 6/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong. The Company Secretary 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 CEO of the Company.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

INVESTORS RELATIONS

The Company's website (www.everchina202.com.hk) provides comprehensive and accessible news and information of the Company to the Shareholders, other stakeholders and investors. The Company will update the website information from time to time to inform the Shareholders and investors of the latest development of the Company.

Constitutional Document

During the year ended 31 March 2020, no change was made to the constitutional documents of the Company. An up to date version of the Company's Articles is also available on the website of the Company and the Stock Exchange.

SCOPE AND REPORTING PERIOD

This is the third 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 to the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall environmental and social performances of the four principal activities ("key operations") of the Group from 1 April 2019 to 31 March 2020 ("reporting period"), unless otherwise stated. The four business operations are as follows,

i. the soybean and rice cultivating operation at Empresa Agropecuaria Novagro S.A. ("Novagro S.A.") in the Plurinational State of Bolivia ("Bolivia"), the soybean plantation of which adopts a 20% rotation with corn or sorghum grows through June till March, and the rice paddy field grows through August till March, the whole farm accumulated has a land area of 123,857,345 m^2, and produced approximately 28,145,580 kg of crops during the reporting period;

ii. the cattle raising operation at Sociedad Argopecuaria Argotanto S.A. ("Argotanto") in Bolivia, with a land area of 51,257,010 m^2, which had more than 1,500 beef cattle and several dairy cattle, and produced approximately 9,000 kg of beef cattle during the reporting period, (together with Novagro S.A. as the "agriculture operation");

iii. the hotel operation of Holiday Inn Wujiaochang Shanghai (the "Hotel", or the hotel operation"), a 20-storey hotel located in Yangpu District, Shanghai, the People's Republic of China ("PRC"), with a building area of 15,997 m^2; and

iv. the property investment operation in the office located in Beijing, the PRC (the "Office", or "property investment operation"), occupying 131 m^2.

Compared to the previous reporting period, the agricultural operation in Bolivia is newly included in this reporting period.

The abovesaid operations contributed to the Group's major ESG concerns during the reporting period, thus are included in the reporting scope. Other operations that have no significant environmental and social impacts generated are excluded from the reporting scope.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

The Group is aware that climate change directly affects living standards and hinders social development around the globe. It also understands that the whole society has high expectation on public companies' sustainability performance. Therefore, it is committed to developing the business with minimum adverse impact on the environment, taking social and environmental impacts as central issues to address, and creating shared sustainable values with its stakeholders and community. It believes that upholding a high standard of such aspects can contribute to building a sustainable future.

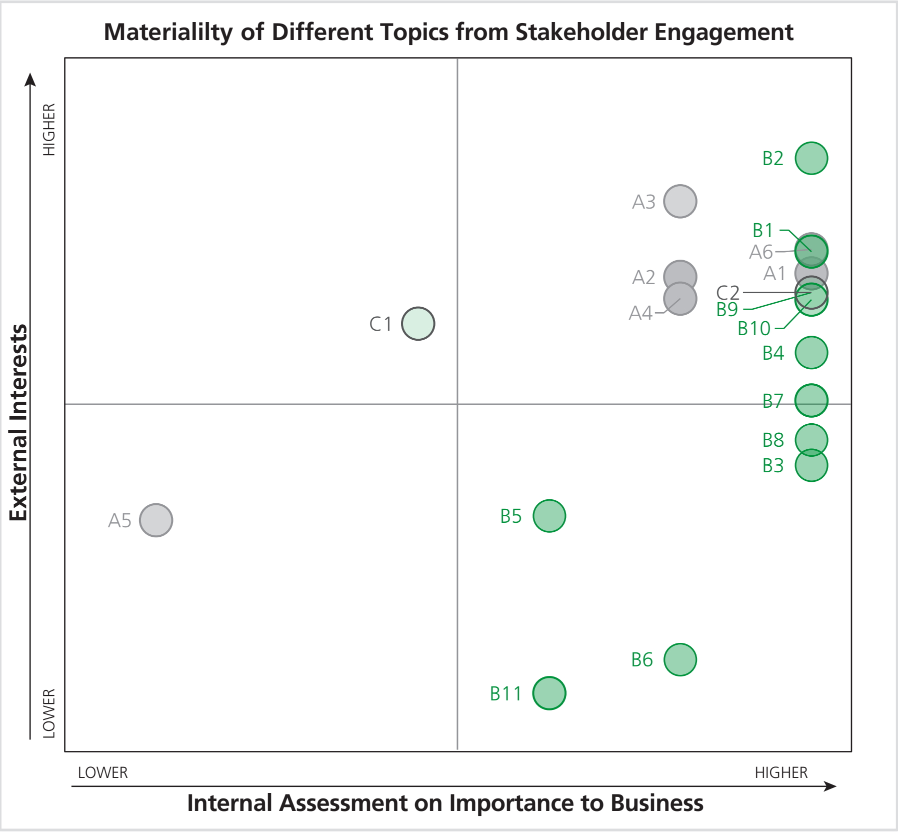
Thus, sustainability will be given more consideration and responsible business practices will be carried out when the Group makes investment decisions in the future. This way, the Group will not be compromising development opportunities while still showing concern to sustainability. The Group endeavours to work together with all stakeholders to strive for a continual and sustained improvement in the long run.

For the agriculture operation, it is expected that climate change may bring about a shift of climatic zones. Yet, it has not been demonstrated how the pattern will be. It is therefore important that the Group keeps monitoring the change and seizes opportunities that come by or prepares for the risks that it may face. The agriculture operation is also determined in increasing the frequency it studies the health of its field to protect the biodiversity of respective areas.

For the hotel operation especially, as it is operated by the InterContinental Hotels Group ("IGH"), which has made unremitting efforts in improving its sustainability standard, the Group puts much effort in implementing policies that complement with the Hotel's practices.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects of the Group, key stakeholders including senior management, frontline employees, suppliers, clients of the Group have been involved in regular engagement sessions through communication channels such as meetings, liaison groups, telephone conference, email and phone call to discuss and review areas of attention. An analysis has been made as presented in the matrix as follow.



	Environmental		Social		Others
A1	Energy	**B1**	Employment	**C1**	Plantation/Ranching Activities
A2	Water	**B2**	Health and Safety	**C2**	Safety of food products
A3	Emissions	**B3**	Development and Training		
A4	Effluents and Waste	**B4**	Labour Standards		
A5	Other Raw Materials Consumption	**B5**	Supply Chain Management		
A6	Environmental Protection Policies	**B6**	Intellectual Property Rights		
		B7	Data Protection		
		B8	Customer Service		
		B9	Product/Service Quality		
		B10	Anti-corruption		
		B11	Community Investment		

According to the assessment, the top five material aspects identified for the Group's operations are,

1. Occupational Safety and Health

2. Employment

3. Environmental Protection Policies

4. Energy

5. Safety of Food Products

Obtaining material topics via the above methods helps the Group address its key potential obstacles and be prepared for future challenges. Details on how such key issues are addressed will be discussed in the following sections.

STAKEHOLDERS' FEEDBACK

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

A. ENVIRONMENTAL

The agriculture operation, 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 commercial waste (including food waste), paper waste and wastewater. The agriculture operation especially, was also responsible for emission induced by enteric fermentation, manure management, rice cultivation, and the usage of fertilisers. There was no noted non-compliance with laws and regulations relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group during the reporting period.

A1. Emissions

A1.1 Air Emissions

During the reporting period, the agriculture operation and hotel operation emitted a total of 9.07 kg SOx and 20.70 kg of NOx. They were contributed by the agriculture operation's farm machinery, such as tractors and harvesters, as well as its vehicles, such as motorcycles, vans, and heavy good vehicles, and the hotel operation's kitchen usage.

A1.2 Greenhouse Gas Emissions

During the reporting period, the key operations contributed to 5,823.47 tonnes of carbon dioxide equivalent (tCO_2e) of greenhouse gas ("GHG"), consisting of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, and perfluorocarbons. The emission intensity was 0.03 $kgCO_2e/m^2$ of land area, and 41.60 tCO_2e/employee.

Table 1 Sources of Greenhouse Gas Emissions

Scope and Operation of Emissions	Emission Sources	GHG Emissions (tCO_2e)	% of Total Emission
Scope 1 Direct Emission		**4,991.55**	**85.71%**
Agriculture Operation	Combustion of diesel for electricity	15.57	81.33%
	Combustion of diesel in mobile sources	1,318.26	
	Combustion of petrol in mobile sources	156.44	
	Enteric fermentation	1,938.05	
	Manure management	36.24	
	Rice cultivation	754.60	
	Fertilisers	336.24	
	Refrigerants	180.85	
Hotel Operation	Combustion of natural gas in stationary sources	255.30	4.38%
Scope 2 Energy indirect emission		**811.11**	**13.93%**
Agriculture Operation	Purchased electricity	40.76	0.70%
Hotel Operation	Purchased electricity	767.10	13.17%
Property Investment Operation	Purchased electricity	3.25	0.06%
Scope 3 Other indirect emission		**20.81**	**0.36%**
Agriculture Operation	Paper disposed at landfills	1.43	0.05%
	Electricity used for processing fresh water and sewage by government departments	0.34	
	Business air travel by employees	1.16	
Hotel Operation	Paper waste disposed at landfills	0.09	0.27%
	Electricity used for processing fresh water and sewage by government departments	15.59	
Property Investment Operation	Business air travel by employees	2.20	0.04%
Total **Intensity: 0.03 $kgCO_2e/m^2$ total area; 41.60 tCO_2e/employee**		**5,823.47**	**100%**
Agriculture Operation **Intensity: 0.03 $kgCO_2e/m^2$ land area; 71.34 tCO_2e/employee**		**4,779.94**	**82.08%**
Hotel Operation **Intensity: 64.89 $kgCO_2e/m^2$ building area; 18.54 tCO_2e/employee**		**1,038.08**	**17.83%**
Property Investment Operation **Intensity: 41.61 $kgCO_2e/m^2$ office area; 0.32 tCO_2e/employee**		**5.45**	**0.09%**

Notes:

— Emission factors were made reference to Appendix 27 to 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.

— The calculation of intensity in terms of area is based on the following: agriculture land area is 175,114,355 m^2, made up of 123,857,345 m^2 of Novagro S.A., and 51,257,010 m^2 of Argotanto; building area of the hotel operation is 15,997 m^2; the area of the property investment operation office is 131 m^2; and altogether 175,130,483 m^2 as total area of the Group.

A1.3. Hazardous Waste

During the reporting period, the Group generated 4.70 tonnes of hazardous waste in its operation. They were all contributed by machinery and fumigation from the agriculture operations. The intensity is 0.27 kg/ha of total land area, and 33.57 kg/Group employee.

Table 2 Sources of Hazardous Waste

Source of Hazardous Waste	Amount (tonnes)
Agriculture Operation	
Intensity: 0.27 kg/ha total area; 70.15 kg/employee	**4.70**
Used oil from machinery	2.60
Used pesticides drum	1.50
Used batteries from machinery	0.60

A1.4. Non-hazardous Waste

A total of 8.96 tonnes of non-hazardous waste was generated by the Group's operations during the reporting period. Waste generated were mainly composed of food waste from kitchen and dining halls, and daily waste from the hotel's operations. The intensity is 0.51 kg/ha of total land area, and 64.01 kg/Group employee.

Table 3 Sources of Non-hazardous Waste

Sources of Non-hazardous Waste	Amount (tonnes)
Agriculture Operation	
Intensity: 0.31 kg/ha land area; 81.33 kg/employee	**5.45**
Organic waste from dining hall	5.15
Paper waste for paperwork	0.30
Hotel Operation	
Intensity: 0.22 kg/m^2 building area; 62.71 kg/employee	**3.51**
Food waste from kitchen	2.16
Daily waste from hotel rooms	1.33
Paper waste for paperwork	0.02

A1.5. Measures to Mitigate Emissions

The Group endeavours to identify sources of high energy consumption, resources consumption and environmental pollution, and comply with all applicable laws and regulations to mitigate emissions.

For the agriculture operation, Novagro S.A. plants trees to re-order farm lots whenever required by law to alleviate the environmental impacts caused by the operation. Similarly, Argotanto plants trees when necessary under the same law. In addition, it feeds only grass to their cattle but not grain, and does not use cypermethrin to infest cattle, as both will contribute to higher amounts of methane emission.

As for the hotel operation, it is especially careful in choosing vehicles that are relatively more environmentally friendly and safe. All emissions from the Hotel (including cooking fume) complied 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 in place to ensure that emissions meet required standards. The Group has also implemented the IHG Green Engage System within the Hotel and was awarded the level one Green Engage Certificate, indicating its improvement in lighting efficiency.

A1.6. Waste Handling and Reduction Initiatives

In respect of waste management, the Group strongly encourages waste segregation and recycling. It designates waste collectors and recyclers when possible to help with the Group's waste treatment regularly. The Group encourages paper-saving practices and purchases remanufactured cartridges for cartridges refill to minimise amount of waste generated. During the reporting period, the Group recycled a total of 325 kg of paper.

Within the agriculture operation specifically, various recyclers are appointed by Novagro S.A. and Argotanto to collect their both their hazardous wastes, such as used batteries, used oil and agrochemical plastic drums. These collectors will direct the wastes to appropriate recycling process. Non-hazardous wastes are buried in their old fields.

The Hotel has strict policies on waste treatment as improper management can create a huge amount of waste. The Group practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit. It established guidelines for procedural recycling, provided ample waste recycling facilities in the Hotel public area and collected food waste separately for recycling. The Hotel also puts effort into reducing food waste as much as possible by using its room occupancy level as a reference to estimate the amount of food ingredients it has to purchase, prepare, and serve. It motivates its employees to exercises efficient distribution of meals to guests and control unnecessary food waste by linking the cost on food to the food and beverage department's performance ratings. The Hotel also uses reusable utensils and printing cartilages in employees' canteen and office.

A2. Use of Resources

A2.1. Energy Consumption

During the reporting period, a total of 8,168,896 kWh of energy was used for the Group's operations. The intensity was 0.05 kWh/m^2 total area, and 58,349 kWh/Group employee. Consumption of energy was contributed by electricity, diesel, petrol, and natural gas used across the three operations of the Group.

Table 4 Usage of Energy Consumption

Usage of Energy Consumption	Direct Consumption (unit)	Consumption (kWh)
Agriculture Operation		
Intensity: 332 kWh/ha land area; 86,868 kWh/employee		**5,820,159**
Electricity	153,963 kWh	153,963
Diesel	508,632 litres	5,126,969
Petrol	59,160 litres	539,227
Hotel Operation		
Intensity: 147 kWh/m^2 building area; 41,860 kWh/employee		**2,344,179**
Electricity	1,182,975 kWh	1,182,975
Natural gas	135,111 m^3	1,161,204
Property Investment Operation		
Intensity: 35 kWh/m^2 office area; 268 kg/employee		**4,558**
Electricity	4,558 kWh	4,558

A2.2. Water Consumption

During the reporting period, the freshwater consumption of the agriculture operation and hotel operation was 26,013 m^3, with an intensity of 1.49 m^3/ha total land area, and 186 m^3/Group employee. The water usage in the property investment operation was unavailable as it was managed by the management company of the office. It is noteworthy that such consumption is was insignificant.

Table 5 Usage of Water Consumption

Usage of Water Consumption	Consumption (m^3)
Agriculture Operation	
Intensity: 0.05 m^3/ha land area; 13.43 m^3/employee	**900**
Hotel Operation	
Intensity: 1.57 m^3/ha building area; 448.45 m^3/employee	**25,113**

Wastewater Discharge

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.

A2.3. Energy Use Efficiency Initiatives

The Group tracks monthly energy consumption data in order to understand how resources are used to identify savings and set reduction goals.

The agriculture operation is aware that its use of diesel is a major contributor of its energy usage. Thus, it consumes the energy only whenever necessary.

It 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. The Hotel also places environmental reminder cards in guestrooms and invites guests to join their energy-saving initiative. If guests choose to opt in, they will be reusing their bed linens for three nights before they will be changed again, instead of being changed every day. This contributes to a reduction in energy consumption used in the washing process.

A2.4. Sources of Water and Efficiency Initiatives

The agriculture operation sourced water from municipal water suppliers, underground water, and rivers. It also relies on rain, its amount of which is not recorded, for cattle raising and rice cultivation. The hotel operation used municipal freshwater supplier. There was no issue in sourcing water that is fit for purpose.

The Group tracks monthly water consumption data to understand how resources are used, identify savings, and set reduction goals.

In the rice cultivation operation, there is a reservoir which stores water sourced for later use. When needed, the water will be diverted to the fields. This ensures that water is used efficiently, is available whenever necessary, and minimise the water lost potentially if other processes have been taken.

In the Hotel, it 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 from guestrooms showers) while maintaining a quality guest experience. In addition, the Group ensures flow rates meet the International Plumbing Code (IPC) standards, which helps create substantial water savings with consistent guest experience provided. Urinal flushing sensors and water-saving shower heads are also installed to avoid water wastage. Like its energy saving initiatives, the lower frequency of changing bed linens also helps save water used during the washing process.

A2.5. Packaging Materials

During the reporting period, the agriculture operation used 200 kg of plastic bags for packaging its rice seeds seasonally. Bags that were used were recyclable.

Table 6 Usage of Packaging Materials

Usage of Plastic Packaging Materials	Consumption (kg)
Agriculture Operation	
Intensity: 0.04 kg/ha land area; 11.11 kg/employee	200

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

Environmental protection policies is one of the top concerns identified from the stakeholder engagement process. The Group works wholeheartedly to mitigate the environmental impact on the operation. The Group is aware that its business operation consumes natural resources and poses certain impact on the environment.

Ecology

As the Group makes use of large pieces of lands to carry out their agriculture operation, it is aware that the health of soil is one of the important aspects that it should pay attention to, be it of the agriculture operation, or the cattle raising operation. Hence, a range of measures are taken to conserve the soil and strike a balance.

At Novagro S.A., crop rotation is practised at the soybean plantation. 20% of Novagro S.A.'s production is contributed by corn and sorghum plantation preceding soybean's growing season. It is believed that such method will help maintain soil fertility. To maintain soil from depleting and eroding, Novagro S.A. also uses roller machines to level soil, or fertilise soil according to the nutrients they require. Before rainy seasons in particular, soil is channelled and levelled such that soil is not flooded or eroded; similarly, when expecting drought seasons, soil is rolled to create better water reception, and sorghum plantation is covered to reduce evaporation. Aside from the above protection methods, it also has remedial measures in case anything goes out of the track. Samples of 10% of the land's soil are taken regularly to be examined and studied with regards to their nutrient content and health. When it is found that particular contents are lacking, fertilisers will be applied. A list of fertilisers used in the agriculture operations is shown on Table 11 in Section B6.2.

Both Novagro S.A. and Argotanto's operations involve the removal of trees. Having said that, they keep in mind to leave a fixed ratio of trees and forest areas untouched to maintain biodiversity. They also avoid being invasive and do not remove trees that are more than 30cm in diameter. Government's requirement to plant trees are followed whenever necessary to lessen the potential harm on the environment and biodiversity.

The Atmosphere

At the cattle raising operation, cattle contribute to large amounts of methane. While it is inevitable that greenhouse gases are generated, Argotanto tries its best to minimise its volume produced to make the least harm to the atmosphere. Its main measure of achieving it is by feeding cattle only grass, and avoid grain, which will increase methane induced from enteric fermentation. Cypermethrin is also avoided as an application to infest cattle, as methane will also be contributed by such application.

The Hotel also contributes to greenhouse gases emissions, the major source of which is electricity consumption, followed by natural gas used for cooking. Hence, the Group makes sure it follows the Green Engage system initiated by the InterContinental Hotels Group that tracks energy, waste, water, and carbon used. The system guides the Hotel to use electricity only when necessary, for instance, by utilising natural lighting, using energy-saving lamps, letting guests choose to reuse amenities to reduce laundry volume, hence energy consumption, etc. The kitchen also plans out the amount of food required in advance for buffet, such that no energy is wasted for preparing food that do not end up been eaten at the end. Such energy-saving measures are important in reducing the direct or indirect greenhouse gas emitted. The Hotel also plants on the building's facades in attempt to contribute to alleviating emissions from itself and its surroundings.

Pressure on Landfills

The Hotel contributes a certain amount of waste, mainly contributed by food waste, which puts a certain amount of pressure on the landfills. To minimise food wastage, the Hotel estimates the amount of food ingredients necessary according to reservations made. In general, there is also a preventative maintenance routine that spots potential problems which may lead to wastage within the Hotel. This minimises the burden that the operations put onto landfills.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

Employment is one of the most material topics identified in the stakeholder engagement process. The Group has also always been aware that its employees is core to its operations. Therefore, policies are in place to ensure that employees' interests are safeguarded.

Employee Benefits and Welfare

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. Depending on employees' positions and experience, they are entitled to different levels of statutory paid leave, Housing Provident Fund, and social insurance (including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance).

In the agriculture operation, most employees are entitled to transportation subsidy, complementary meals, and accommodation. In Novagro S.A. especially, bonus is also paid for every 6 months. The soybean and rice cultivation, and cattle raising fields follow all labour laws as regulated by the government. They are also ensuring compliance with the recently imposed paid sick and safe time law.

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.

There was no non-compliance with laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare that have a significant impact on the Group during the reporting period.

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 especially has policies 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 Relations and Channels of Communication

The Hotel's 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). Events such as annual dinner, festival-related celebrations, and birthday celebrations, are also regularly organised to nourish a greater sense of belonging and to provide enhanced communication channels between senior management and general staff. If employees have any concerns, for example, relating to discrimination and harassment, health and safety of working environment, or human rights, they are encouraged to speak up and raise the matter to their managers, human resources, or other members of management, online, or via their hotline.

B1.1 Total Workforce

The Group had a total of 146 employees as of 31 March 2020; they either worked for the agriculture operations in Bolivia (46%), or the hotel operation (42%) or property investment operation (12%) in Mainland China. 86.3% of them were full time employees, 60.3% were male, and frontline employees made up 91.1% of the workforce. The age group with the most employees is 36-45, contributing to 32.2% of the Group's employees, followed by 26-35, making up 26.8%.

Table 7 Total Workforce

Total Workforce	Number/ratio of employees
Agriculture operation	**67**
Full-time: part-time (ratio)	9:1
Male: female (ratio)	10:1
Frontline: Management (ratio)	21:3
18-25: 26-35: 36-45: 46-55: above 55	1:7:5:3:1
Hotel operation	**62**
Full-time: part-time (ratio)	9:1
Male: female (ratio)	1:2
Frontline: Management (ratio)	6:1
18-25: 26-35: 36-45: 46-55: above 55	1:2:3:2:1
Property Investment operation	**17**
Full-time: part-time (ratio)	1:1
Male: female (ratio)	3:1
Frontline: Management (ratio)	1:16
18-25: 26-35: 36-45: 46-55: above 55	0:1:4:2:2

B1.2 Turnover Rate

A total of 39 employees left the Group during the reporting period, contributing to an overall turnover rate of 26.7%. The respective turnover rate in terms of country was 43.3% in Bolivia, and 12.7% in China.

B2. Health and Safety

Occupational health and safety is identified as the most material topic of the Group from stakeholder engagement. The Group has the following policies in place to ensure that a safe working environment is provided and that employees are protected from occupational hazards.

B2.1 Number and Rate of Work-related Fatalities

During the reporting period, there was no work-related fatalities.

B2.2 Lost Days Due to Work Injury

An accumulation of 112 workdays were lost due to employees' injuries, contributed by 4 injury cases.

Table 8 Work injuries and fatalities

Work injury cases >3 days (cases)	**2**
Work injury cases ≤3 days (cases)	2
Lost days due to work injury (days)	112

B2.3 Occupational Health and Safety Measures

In the agriculture operation, employees are provided with appropriate workwear according to their work positions. Aside from distributing protective items, training is also arranged, and medical aid is sought in case of any potential poisoning cases. The measures in brief are as follows:

- Employees who work outdoors are provided with mosquito repellent, first aid kits, boots, eye protections, etc.
- Employees who may contact any chemical or biological agents, like herbicides or pesticides, are provided with body protectors, and safety gloves and masks
- Training on the proper operation of a fumigation machine are provided to prevent undesirable consequences resulting from faulty application
- Detection and evaluation of occupational diseases relevant to the operation, such as poisoning from chemical agents are carried out; when symptoms of these diseases are identified, employees are sent for professional medical treatment

At the soybean, corn, and rice plantation, Novagro S.A. also has a pre-harvest interval guideline that employees have to follow after applying fertilisers, herbicides, and insecticides, to make sure employees do not inhale toxic chemicals and that their health is protected. General speaking, the interval between application and harvest is 20-25 days for fertilisers, and 6-8 days for herbicides. In the future, the agriculture operation plans to expand their occupational safety measures to areas such as strategies on ergonomics and accident prevention.

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

- slip resistant work shoes to kitchen staff,
- hand cream and protective gloves to housekeeping staff to avoid dry skin due to frequent contact with cleaning agent, and
- 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 non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group during the reporting period.

B3. Development and Training

The agriculture operation arranges training for its employees who operate fumigation machines. Such training is usually conducted by the suppliers of these machines. In Novagro S.A., employees are also trained to understand the procedures of harvesting and using pesticides and herbicides, and the days required after application and before harvest. The details of these procedures were not recorded during the reporting period, but those trained included a farm manager and technicians.

For the hotel operation, various training programs are provided to staff 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, must attend refresher training at least twice a year while other departments once a year. The Hotel keeps traceable training details and participants' attendance records which are signed by departmental heads as shown in Table 9-10.

B3.1 Percentage of Employees Trained

Table 9 Percentage of Employees Trained in the Hotel

Number of employees trained	56
Percentage of employees trained (%)	**71**
— male employees trained (%)	78
— female employees trained (%)	68
— senior management employees trained (%)	67
— middle management employees trained (%)	100
— frontline employees trained (%)	68

B3.2 Average Training Hours Completed Per Employee

Table 10 Average Training Hours Received by the Hotel's Employees

Total hours of training received by employees (hours)	1,066
Average hours of training received per employee	**13**
— a male employee received (hours)	14
— a female employee received (hours)	13
— a senior management employee received (hours)	16
— a middle management employee received (hours)	18
— a frontline employee received (hours)	13

B4. Labour Standards

The Group strictly follows applicable laws and regulations and does not recruit child labour or forced labour.

In the agriculture operation, instead of using contractors, all employees are recruited directly, minimising the chance of child or forced labour being made to work. Management also regularly visits the farms to check that no employees of such type are present or working within the operation.

In pursuant to the Labour Law of the PRC, the human resources department ensures accuracy of the information provided by candidates by checking their identity cards and relevant certificates.

There was no material non-compliance with laws and regulations regarding prevention of child and forced labour that have a significant impact on the Group during reporting period.

2. Operating Practices

B5. Supply Chain Management

B5.1 Number of Suppliers

During the reporting period, the agriculture operation engaged 131 suppliers that were all based in Bolivia. They mostly provided resources for farming and machinery, and services relating to agriculture production. The hotel operation engaged 5 major suppliers that gave services on advertising, internet, media, electronics, and programming, respectively. The property investment operation did not record the number of suppliers they engaged.

B5.2 Practices Relating to Engaging Suppliers

The Group has a procurement policy for its hotel operation which controls all purchases made by the Hotel. All purchases must be made through the procurement department with approval from the user's 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.

The Group has developed a rating and scoring system to select its supplies. All potential suppliers are subject to a gruelling selection process, which includes passing more than 20 pre-set criteria and requirements. 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.

Outsourcing Management

The Hotel outsources a range of services, including, food and beverage, laundry, public area cleaning, stewarding, equipment maintenance, pest control, garbage room management, etc. All outsourced services providers must hold relevant qualifications granted by the government. 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 organised to employees of outsourced restaurants to ensure that they meet the required standards.

B6. 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 regarding product and service-related health and safety, advertising, labelling and privacy matters that have a significant impact on the Group was noted in the reporting period.

B6.1 Complaints on products and services

In the Hotel, there are various circumstances where guests may make complaints. During daily operations, guests may make a complaint through phone calls or going to the front desk. When a complaint is received, the manager on duty will take care of the complaints and designate personnel to follow up correspondingly. Guests may also make complaints via the Hotel's online flatform. Similar to complaints made within the hotel, the Hotel will contact guests and provide solutions to resolve the problems.

B6.2 Quality Assurance Process

To further ensure food safety, the Group has developed a stringent product assurance procedure. All the food related complaints are handled with ultra-care.

Farm Product Quality Management

As the products of the agriculture operation will end up being consumed by human, both Novagro S.A. and Argotanto are careful with ensuring the health and safety of its crops and cattle especially on the use of agrichemicals and medication. While the Bolivian government barely regulates such application, both farms employ agronomists who decides the types, concentration, and volume of agricultural chemicals used to ensure the safety of its products. In the soybean cultivation, guidelines established in Bolivia are followed throughout the growing period. Application of pesticides and herbicides are given great care, using only those that were legally imported into Bolivia, and harvesting only 20-25 days after application of pesticides and 6-8 days after application of herbicides for consumers' safety. In Argotanto, only legal and authorised medicine are used on cattle to prevent negative health impacts. Refer to Table 11 for a list of selected agrichemicals used in the agriculture operation, and Table 12 for a list of medication and injections used on cattle.

For the cattle raising farm, Argotanto keeps record of the conditions and details of each batch of cattle. If the farm is told of problems with the cattle by its clients, such as the slaughtering house, it will be able to trace and identify the respective cattle that are involved.

Table 11 Major Types of Agrochemicals used in Agriculture Operation

Agrochemicals Used	Application	Total Consumption (kg)
MAP (Fertiliser)	Soybean field	240,000
UREA (Fertiliser)	Rice paddy field	150,000
Glyphosate (Herbicide)	Crops field	35,000
Paraquat (Herbicide)	Crops field	30,000
2,4-Dichlorophenoxyacetic acid (Herbicide)	Cattle pasture	5,000
Picloram (Herbicide)	Cattle Pasture	3,000
Fluroxypyr (Herbicide)	Soybean field	2,650
Clethodim (Herbicide)	Soybean field	800
Mancozeb (Fungicide)	Crops field	14,000
Cyproconazole (Fungicide)	Crops field	3,840
Abamectin (Insecticide)	Crops field	8,580
Thiamethoxam (Insecticides)	Crops field	7,760
Emamectin benzoate (Insecticide)	Crops field	3,010

Table 12 Medication Fed/Injected in Cattle Raising Operation

Medication/Injection Used on Cattle	Amount per dosage
Antibiotics against aphthous fever (half-yearly vaccine)*	1884 units
Antibiotics against anthrax (annual vaccine)	800 units
Brucellosis control (lifetime vaccine for 1-2-year-old female calves)	800 units
External parasites control (half-yearly dosage)	20 ml
Internal parasites control (half-yearly dosage)	2-20 ml, depending on age
Mineral salts (supplement when necessary)	3 ml/calve
Antibiotics against neonatal diarrhoea (monthly during partition period)	3 ml/calve
Rabia vaccine (half-yearly vaccine)*	1884 units
Gas gangrene and gram stain vaccine (annual vaccine)	800 units

* *Mandatory under law*

Food Safety Management

As food quality and safety is an important aspect of the Hotel's product, also suggested by the stakeholder engagement, they follow stringent 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. As mentioned in section B3, employees of the operation are also required to attend training on food management and safety, even if their duties may not be completely related to providing food-related services. When employees of receive complaints regarding foreign material in food and allegation of food borne illness, they must report all incidents. Detail handling process and procedure must be followed, and the report must be filed to the management for long term record and for further evaluation and improvement.

In terms of procuring food and food-related products, when selecting a new supplier, only reliable and reputable suppliers that comply with the food hygiene and safety standards established by regulatory authorities are considered. Guidance of experienced chefs and hygienists is also sought from to perform more in-depth screening and evaluation. When the food is purchased, strict requirements as stated on the Manual in food storage, preparation, and handing are also followed to prevent foodborne diseases and contamination. The Food Safety Management System Committee also conducts inspections at least once a month, which is then cross checked by members that do not belong to the department being inspected. Corresponding corrective actions are taken after inspections with records kept. Microbial test is also undertaken semi-annually by an independent and accredited laboratory to make sure all utensils and food that are used do not contain components that may cause food hazards. If the result does not qualify the standards, 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 also carried out once or twice 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 the Hotel receives complaints or comments from guests, it strives to follow up promptly and make records to improve future performances. For food-related complaints especially, they shall be taken with great care and reported to senior management for further review and actions.

B6.3 Information Security

The Group is committed to protecting guests' or employees' 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, 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 the task is finished, and electronic copies must be 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.

The Group conducts information privacy training and information security training regularly to ensure the staff have full knowledge of this area.

B6.4 Advertising and Labelling

The Group conducts training on advertising law in accordance with the Advertising Law of the People's Republic of China to the management team in China.

The Advertising Law prohibits false or misleading content. Advertisements featuring a commodity or service that does not exist, or one that contains incorrect information in relation to function, origin, usage, quality, ingredients, or price, are all deemed misleading by the Advertising Law. The Law also prohibits superlatives such as "national", "highest" and "best".

In terms of online advertising, internet advertisements must not interfere with the users' normal use of the internet. A user must be given clear instructions on how to close a pop-up advertisement. Electronically sent advertisements via emails must include the sender's identity and the contact details of the sender. Further, children younger than the age of 10 cannot serve as an endorser of a product or service.

B7. Anti-corruption

B7.1 Concluded legal cases regarding corrupt practices

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.

B7.2 Preventive measures

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. Employees 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 the receipt of gifts/entertainment and whistle-blowing hotlines.

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

B8. Community Investment

The Group is dedicated to helping the underprivileged and uniting different communities through various means.

The agriculture operation is keen on supporting local communities, hence, donates irregularly for community annual parties. It is also welcoming of people who would like to know more about the agriculture industry in Bolivia and has received university students to visit and get to know the farm in the past.

The Hotel sells charity products in which the 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 aid 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.

The 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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of the principal subsidiaries is set out in note 41 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

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 2020 are set out in the consolidated statement of profit or loss on page 62 of the annual report.

The Directors did not recommend the payment of a dividend for the year ended 31 March 2020 (2019: Nil).

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 32 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 65 and note 34 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2020, 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 16 to the consolidated financial statements. Particulars of the major properties of the Group held for investment purposes at 31 March 2020 are set out on page 156 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 17 to the consolidated financial statements respectively.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 March 2020 are set out in note 30 to the consolidated financial statements.

DIRECTORS

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

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") from all the three independent non-executive Directors namely, Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin. As at the date of this report, the Company still considers these independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 9 to 11 of this annual report.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the Directors' terms of office for the period from the date of publication of the Company's latest interim report up to the date of this Annual Report are set out below:

Mr. Ko Ming Tung Edward, Independent Non-Executive Director of the Company, resigned as an independent non-executive director of Zioncom (Hong Kong) Technology Limited (stock code: 8287) on 1 January 2020.

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. Details of directors' remuneration are set out in note 9 to the consolidated financial statements.

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' 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2020, 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 Hong Kong 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 Directors	Number of shares in the Company: Beneficial owner	Interest in controlled corporation	Total	Approximate percentage of shareholding
Jiang Zhaobai	–	1,742,300,000 (Note 1)	1,742,300,000	23.89%
Shen Angang	7,865,000	641,135,000 (Note 2)	649,000,000	8.9%
Lam Cheung Shing, Richard	7,700,000	–	–	0.11%

Notes:

(1) As at 31 March 2020, of the 1,742,300,000 shares, 1,033,300,0000 shares are held by Rich Monitor Limited and 709,000,000 shares are held by Pengxin Holdings Company Limited, all of which are wholly and beneficially owned by Jiang Zhaobai ("Mr. Jiang). Therefore, Mr. Jiang is deemed to be interested in 1,742,300,000 shares of the Company under SFO.

(2) As at 31 March 2020, these 641,135,000 shares are held by Ansheng Holdings Company Limited, which is wholly and beneficially owned by Mr. Shen Angang ("Mr. Shen). Therefore, Mr. Shen is deemed to be interested in 641,135,000 shares of the Company under SFO.

Save as disclosed above, as at 31 March 2020, 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or were such rights exercised by them; nor was the Company or any of the Subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme in August 2011 ("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.

As at 31 March 2020, the total number of ordinary shares available for issue pursuant to the grant of share options under the Share Option Scheme was 607,866,936, representing approximately 8.33% of the ordinary shares in issue as at 31 March 2020 and the date of this Annual Report. Particulars of the Share Option Scheme are set out in note 33 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, to the best knowledge of the Directors of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short position in the ordinary shares and underlying Shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares and underlying shares

	Number of shares in the Company			
Name of Shareholder	**Beneficial owner**	**Interest in controlled corporation**	**Total**	**Approximate percentage of shareholding**
Rich Monitor Limited	1,033,300,000 (Note 1)	–	1,033,300,000	14.17%
Pengxin Holdings Company Limited	709,000,000 (Note 2)	–	709,000,000	9.72%
Ansheng Holdings Company Limited	641,135,000 (Note 3)	–	641,135,000	8.79%

Notes:

(1) Rich Monitor Limited is wholly and beneficially owned by Mr. Jiang. The interests of Mr. Jiang and Rich Monitor Limited in the Company are stated under section headed "Directors' and Chief Executive's interests and short position in shares" above.

(2) Pengxin Holdings Company Limited is wholly and beneficially owned by Mr. Jiang. The interests of Mr. Jiang and Pengxin Holdings Company Limited in the Company are stated under section headed "Directors' and Chief Executive's interests and short position in shares" above.

(3) Ansheng Holdings Company Limited is wholly and beneficially owned by Mr. Shen. The interests of Mr. Shen and Ansheng Holdings Company Limited in the Company are stated under section headed "Directors' and Chief Executive's interests and short position in shares" above.

Save as disclosed above, as at 31 March 2020, 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 which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

(i) Guarantee of Rental Income

As disclosed in the announcement of the Company dated 24 December 2015 and the circular of the Company dated 19 February 2016, the Group should enter into a leasing agent and operating services agreement with Wo Hua and a property service agreement with Shanghai Chun Chuan upon the completion of the acquisition of the Shanghai Property.

The acquisition of the Shanghai Property was completed in August 2016. Pursuant to the leasing agent and operating services agreement (the "Leasing Agreement") entered into between Shanghai Xinhong Investment Company Limited (上海欣竑投資有限公司) ("Shanghai Xinhong"), an indirect wholly-owned subsidiary of the Company and Wo Hua, (i) Wo Hua provides leasing agency services of the Shanghai Property to Shanghai Xinhong for a term of three years till 11 August 2019 with annual agency services fee not exceed RMB1,800,000 per annum; and (ii) Wo Hua guaranteed that the rental income of the Shanghai Property for each year during the term of three years commencing till 11 August 2019 shall not less than 3.5% of the Consideration, which is equivalent to RMB21,560,000 (the "Rental Guarantee"). For any shortfall, the Wo Hua shall pay Shanghai Xinhong the shortfall on a dollar-for-dollar basis. According to the guarantee agreement (the "Guarantee Agreement") entered into between Shanghai Xinhong and Shanghai Lai Yin Si Zhiye Company Limited (上海萊因思置業有限公司), being the Vendor to the Shanghai Property, the Vendor guaranteed that if Wo Hua fails to pay the shortfall, the Vendor shall pay Shanghai Xinhong the shortfall on a dollar-for-dollar basis. Besides, pursuant to the property service agreement (the "Service Agreement") entered into between Shanghai Xinhong and Shanghai Chun Chuan in relation to providing management services to the Shanghai Property for a term of three years till 31 August 2019, the total services fee paid and/or payable to Shanghai Chun Chuan shall not exceed RMB1,600,000 per annum. Since Mr. Jiang and his brother Mr. Jiang Lei are the beneficial owner of Wo Hua and Shanghai Chun Chuan, the Leasing Agreement and the Service Agreement constituted continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios are less than 5% and the total fees payables is less than RMB3,000,000 under each of the Leasing Agreement and the Service Agreement, both of the Leasing Agreement and the Service Agreement are exempted continuing connected transaction under Chapter 14A of the Listing Rules.

The following financial performance of the Shanghai Property is disclosed pursuant to Rule 14A.63 of the Listing Rules:

During the year ended 31 March 2020, the actual rental income received by Shanghai Xinhong was approximately RMB8,015,000 (equivalent to approximately HK$8,906,000). As the actual rental income did not meet the guarantee income of RMB21,560,000 (equivalent to approximately HK$23,956,000), Wo Hua should compensate the shortfall of approximately RMB13,545,000 (equivalent to approximately HK$15,050,000) to Shanghai Xinhong. On 20 September and 27 September 2019, Shanghai Xinhong received from Wo Hua approximately RMB13,545,000 (equivalent to approximately HK$15,050,000) in aggregate.

Pursuant to Rule 14A.63 of the Listing Rules, the independent non-executive directors of the Company are of the view that Wo Hua has fully performed its obligations under the Rental Guarantee for the year ended 31 March 2020.

(ii) Financial Assistance Received by the Group

During the year, the Group has borrowed RMB311,500,000 (equivalent to approximately HK$346,111,000) from Shanghai Pengxin (Group) Company Limited ("Shanghai Pengxin"), a company owned as to 99% by Mr. Jiang Zhaobai, an executive Director, the Chairman and a substantial shareholder of the Company. The aforesaid financial assistance is unsecured and interest-free and therefore is fully exempted under Chapter 14A.90 of the Listing Rules.

As at 31 March 2020, the carrying amount due to Shanghai Pengxin is approximately HK$137,935,000 represents an unsecured and unguaranteed interest-free with principal amount of approximately HK$170,580,000 which will mature and become repayable on 31 December 2021. The amount is carried at amortised cost using effective interest rate of12.9% per annum. For the year ended 31 March 2020, the imputed interest amounted to approximately HK$4,122,000 (2019: Nil).

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.

RETIREMENT BENEFITS SCHEMES

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

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 155 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 58%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 38%.

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.

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 Hong Kong Stock Exchange 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 22.

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, Indonesia and Bolivia. These include 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 agricultural 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 organised manner. The Group would perform comprehensive due diligence review on new business opportunities and selected cautiously the appropriate projects for investment.

Business and operational Risk

Distinctive risks factors in the Group's businesses such as default of tenants, customers, buyers and strategic business partners, and inadequacies or failures of internal processes, people and systems may have different levels of negative impact on the results of the Group's operation. Unexpected accidents may happen although precautionary measures are established, which may cause financial loss to the Group.

The Company engages external professional to review key activities of the Group annually and ensures all material controls, including financial and operational, are functioning effectively. Precautionary and contingency measures are also set up to ensure the Group is protected against major potential loss, damage or impact to our operations. Insurance coverage against accidental losses and/or other hazards is used in protecting our assets against any potential liabilities.

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 consolidated financial statements in detail. The Group closely monitors the financial risks and when appropriate will adopt measures to manage and hedge corresponding risks by using of derivatives such as interest rate and currency swaps.

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 23 to 43 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 Listing Rules on the Hong Kong Stock Exchange. 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 22, there was no material breach of or noncompliance with the applicable laws and regulations by the Group.

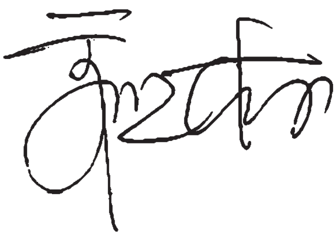
RELATIONSHIPS WITH KEY STAKEHOLDERS

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 2020 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the reappointment 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 2020

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 Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 154, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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

Key audit matters	How our audit addressed the key audit matters
Valuation on the investment properties	
Refer to note 16 and the accounting policies in note 4 to the consolidated financial statements.	
As at 31 March 2020, management has estimated the fair value of the Group's investment properties of approximately HK$1,155,100,000 with a net loss on fair value changes of approximately HK$57,256,000 was recognised in the consolidated statements of profit or loss for the year ended 31 March 2020. 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 used by management for valuation of investment properties were supported by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of mining rights	
Refer to note 19 and the accounting policies in note 4 to the consolidated financial statements.	
As at 31 March 2020, the Group had mining rights of approximately HK$178,664,000. The delay of production schedule, change of development plan and volatile of manganese mine price were considered impairment indicators of the mining rights. Management of the Group engaged an independent professional qualified valuer to perform an impairment test on the mining rights by using an excess earnings method under the income approach as at 31 March 2020. Based on the outcome of the impairment test, no impairment loss was recognised during the year ended 31 March 2020. This conclusion was based on the adoption of valuation technique that required significant management judgement.	Our procedures in relation to management's impairment assessment of mining rights included: • evaluating the independent valuer's competence, capabilities and objectivity; • assessing the valuation methodology used by management and the independent valuer; • reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the fair value estimation; • engaging an auditors' expert to assist us to assess the appropriateness of the valuation methodology and the reasonableness of the inputs, assumptions and estimations used by management and the independent valuer which underpin the fair value estimation; and • checking the accuracy and the relevance of the input data used. We found that the management conclusion to be supportable by available evidence.

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.	
Management performs impairment testing annually for the cash generating units ("CGUs") to which the goodwill was allocated. For the purpose of assessing impairment, goodwill was allocated to CGUs. 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. Independent external valuation were obtained in order to support management's estimates. Management has concluded impairment loss on goodwill of approximately HK$91,454,000 was recognised.	Our procedures in relation to management's impairment assessment of goodwill allocated to each of the Group's key business included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • 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 using our valuation expects; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions used by management for impairment assessment were supported by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Allowance for expected credit losses ("ECL") on the trade and other receivables and prepayments and loan receivables	
Refer to notes 23 and 24 and the accounting policies in note 4 to the consolidated financial statements.	
As at 31 March 2020, the Group had (i) trade and other receivables and prepayments with carrying amount of approximately HK$136,879,000 (net of allowance for ECL of approximately HK$93,416,000); and (ii) loan receivables with carrying amount of approximately HK$42,781,000 (net of allowance for ECL of approximately HK$18,225,000). As set out in note 5 to the consolidated financial statements, the measurement of ECL requires estimation of the amount and timing of future cash flows and the assessment of significant increase in credit risk. The estimations and assumptions applied in the ECL model include (i) the selection of inputs which the entity used in the ECL model including loss given default and possibility of default; and (ii) the selection of forward looking information. We focused on this area due to the allowance for ECL assessment under the ECL model involved the use of significant management judgements and estimates.	Our procedures in relation to management's allowance for ECL on the Group's trade and other receivables and prepayments and loan receivables included: • Obtaining an understanding of the Group's credit loss policy and methodology for allowance for ECL in relation to the application of ECL model under HKFRS 9 including the formulation of the model and inputs used in the ECL model; • Evaluating management's allowance for ECL included testing, on a sample basis, the underlying data used by management to assess the collectability of the trade and other receivables and prepayments 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 prepayments 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 allowance for ECL of trade and other receivables and prepayments and loan receivables. We found the management judgement and estimates used to assess the recoverability of trade and other receivables and prepayments and loan receivables and determine the ECL provision to be supportable by available evidence.

OTHER INFORMATION

The directors 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 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.

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

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 Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Kwok Tsz Chun
Practising Certificate Number: P06901
Hong Kong, 29 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	**137,199**	78,064
Cost of sales		**(54,896)**	(39,819)
Gross profit		**82,303**	38,245
Other income and gain, net	8	**1,923**	9,871
Staff costs	9	**(33,838)**	(35,416)
Depreciation	17,18	**(16,393)**	(15,722)
Administrative costs		**(34,632)**	(80,541)
Other operating expenses		**(91,454)**	(93,216)
Allowance for expected credit losses on trade and other receivables and prepayments and loan receivables, net		**(14,431)**	(43,238)
Loss arising on change in fair value of investment properties	16	**(57,256)**	(3,529)
Gain arising on change in fair value less costs to sell on biological assets	22	**1,123**	2,282
Loss arising on change in fair value of financial asset at fair value through profit or loss	14	**(282,878)**	(320,912)
Loss from operations	10	**(445,533)**	(542,176)
Finance costs	11	**(98,035)**	(86,594)
Loss before taxation		**(543,568)**	(628,770)
Tax credit	12	**14,457**	23,810
Loss for the year		**(529,111)**	(604,960)
Attributable to:			
Owners of the Company		**(529,070)**	(600,252)
Non-controlling interests		**(41)**	(4,708)
		(529,111)	(604,960)
Loss per share attributable to the owners of the Company	13		
— Basic and diluted		**HK7.253 cents**	HK8.993 cents

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 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(529,111)**	(604,960)
Other comprehensive loss		
Items that maybe reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	**(102,765)**	(114,308)
Total comprehensive loss for the year	**(631,876)**	(719,268)
Total comprehensive loss attributable to:		
Owners of the Company	**(631,835)**	(714,560)
Non-controlling interests	**(41)**	(4,708)
	(631,876)	(719,268)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investment properties	16	**1,155,100**	1,282,094
Property, plant and equipment	17	**858,811**	890,326
Right-of-use assets	18	**2,957**	–
Mining rights	19	**178,664**	178,664
Goodwill	20	**–**	91,454
		2,195,532	2,442,538
Current assets			
Inventories	21	**6,463**	7,664
Biological assets	22	**20,501**	17,951
Trade and other receivables and prepayments	23	**136,879**	176,522
Loan receivables	24	**42,781**	52,475
Financial asset at fair value through profit or loss	25	**578,384**	911,924
Cash and cash equivalents	26	**16,188**	79,975
		801,196	1,246,511
Total assets		**2,996,728**	3,689,049
Capital and reserves			
Share capital	32	**2,664,298**	2,664,298
Reserves		**(712,689)**	(117,621)
Equity attributable to owners of the Company		**1,951,609**	2,546,677
Non-controlling interests		**37,938**	37,979
Total equity		**1,989,547**	2,584,656
Non-current liabilities			
Lease liabilities	18	**757**	–
Bank borrowings	30	**4,703**	5,748
Amount due to a related company	28	**137,935**	–
Deferred tax liabilities	31	**107,472**	126,839
		250,867	132,587
Current liabilities			
Trade and other payables and deposits received	27	**71,009**	76,919
Contract liabilities	29	**1,255**	443
Lease liabilities	18	**2,197**	–
Tax payable		**6,259**	6,286
Bank and other borrowings	30	**675,594**	888,158
		756,314	971,806
Total liabilities		**1,007,181**	1,104,393
Total equity and liabilities		**2,996,728**	3,689,049
Net current assets		**44,882**	274,705
Total assets less current liabilities		**2,240,414**	2,717,243

Approved by the Board of Directors on 29 June 2020 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 2020

	Equity attributable to owners of the Company									
	Share capital HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Statutory surplus reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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
Impact on initial application of HKFRS 9	–	–	–	–	–	–	(17,381)	(17,381)	–	(17,381)
At 1 April 2018, as restated	2,490,454	571,996	1,342,477	–	213,358	871	(1,531,763)	3,087,393	42,687	3,130,080
Loss for the year	–	–	–	–	–	–	(600,252)	(600,252)	(4,708)	(604,960)
Exchange differences on translation of overseas subsidiaries	–	–	–	–	(114,308)	–	–	(114,308)	–	(114,308)
Total comprehensive loss for the year	–	–	–	–	(114,308)	–	(600,252)	(714,560)	(4,708)	(719,268)
Placement of new shares	173,844	–	–	–	–	–	–	173,844	–	173,844
At 31 March 2019 and 1 April 2019	2,664,298	571,996	1,342,477	–	99,050	871	(2,132,015)	2,546,677	37,979	2,584,656
Loss for the year	–	–	–	–	–	–	(529,070)	(529,070)	(41)	(529,111)
Exchange differences on translation of overseas subsidiaries	–	–	–	–	(102,765)	–	–	(102,765)	–	(102,765)
Total comprehensive loss for the year	–	–	–	–	(102,765)	–	(529,070)	(631,835)	(41)	(631,876)
Deemed capital contribution arising from a substantial shareholder	–	–	–	36,767	–	–	–	36,767	–	36,767
At 31 March 2020	**2,664,298**	**571,996**	**1,342,477**	**36,767**	**(3,715)**	**871**	**(2,661,085)**	**1,951,609**	**37,938**	**1,989,547**

Special reserve

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

Contributed surplus

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

Capital reserve

The capital reserve represents the deemed capital contribution from a substantial shareholder. It was aroused from the provision of an unsecured and unguaranteed interest-free loan with the principal amount of approximately HK$170,580,000. The fair value of the loan at initial recognition was approximately HK$133,813,000. The balance of capital reserve of approximately HK$36,767,000 represented the difference between the principal and the fair value of the loan at initial recognition.

Exchange reserve

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

Statutory surplus reserve

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(543,568)**	(628,770)
Adjustments for:			
Depreciation of property, plant and equipment	17	**14,243**	15,722
Depreciation of right-of-use assets	18	**2,150**	–
Gain on lease cancellation	8	**(2)**	–
Impairment loss recognised in respect of mining rights	19	**–**	93,216
Impairment loss recognised on goodwill	20	**91,454**	–
Loss arising from change in fair value of of investment properties	16	**57,256**	3,529
Gain arising from change in fair value less costs to sell of biological assets	22	**(1,123)**	(2,282)
Allowance for expected credit losses recognised on trade and other receivables and prepayment, net	23	**4,737**	17,289
Allowance for expected credit losses recognised on loan receivables	24	**9,694**	25,949
Loss arising from change in fair value of financial asset at fair value through profit or loss	25	**282,878**	320,912
Loss on disposal of financial asset at fair value through profit or loss		**–**	60,725
Interest income	8	**(687)**	(1,695)
Finance costs	11	**98,035**	86,594
Operating cash flows before movements in working capital		**15,067**	(8,811)
Decrease in inventories		**1,201**	2,593
Decrease in loan receivables		**–**	22,701
Decrease in trade and other receivables and prepayments		**30,296**	167,691
Increase in contract liabilities		**749**	443
Decrease in trade and other payables and deposits received		**(3,900)**	(71,929)
Cash generated from operating activities		**43,413**	112,688
Profits tax paid		**(2,446)**	(8,637)
Tax refund		**1,759**	25,498
Interest received		**687**	1,695
Net cash generated from operating activities		**43,413**	131,244
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17	**(13,053)**	(6,048)
Proceeds from sale of biological assets	22	**22,070**	8,694
Purchase of biological assets	22	**(23,636)**	(3,007)
Decrease of biological assets	22	**139**	129
Net cash outflow arising from acquisition of subsidiaries	35	**–**	(163,340)
Proceeds from disposal of financial asset at fair value through profit or loss		**–**	38,790
Net cash used in investing activities		**(14,480)**	(124,782)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	173,844
Interest paid		**(96,952)**	(69,906)
New bank and other borrowings raised		**359,939**	1,250,912
Amount due arising from a related company		**170,580**	–
Repayment of bank and other borrowings		**(524,658)**	(1,451,346)
Repayment of lease liabilities		**(2,362)**	–
Net cash used in financing activities		**(93,453)**	(96,496)
Net decrease in cash and cash equivalents		**(64,520)**	(90,034)
Cash and cash equivalents at beginning of the year		**79,975**	179,712
Effect of change in foreign exchange rate		**733**	(9,703)
Cash and cash equivalents at end of the year		**16,188**	79,975
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**16,188**	79,975

The accompanying note 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) securities investment and financing operation and (iv) agricultural operation. Details of the principal activities of its subsidiaries are set out in note 41.

In the opinion of the directors of the Company, as at 31 March 2020, Mr. Jiang Zhaobai is the ultimate controlling party of the Company.

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, biological assets 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 accounted for in accordance with HKFRS 16 Leases (since 1 April 2019) or HKAS 17 Leases (before application of HKFRS 16 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.

2. BASIS OF PREPARATION *(Continued)*

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatment
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS16 Leases

The Group has applied HKFRS 16 leases ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS16 in assessing whether a contract contains a lease.

As a lessor

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by approximately HK$5,272,000 by applying HKFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to lease previously classified as operating lease under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for lease with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment;

(iv) relied on the assessment of whether lease are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review; and

(v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS16 Leases *(Continued)*

As a lessee *(Continued)*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	8,294
Lease liabilities discounted at relevant incremental borrowing rate	5,555
Less: Recognition exemption — short-term lease	(283)
Lease liabilities recognised as at 1 April 2019	5,272
Analysed as:	
— Current lease liabilities	2,175
— Non-current lease liabilities	3,097
	5,272

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	HK$'000
Right-of-use assets recognised as at 1 April 2019	5,272
The recognised right-of-use assets relate to the following type of assets:	
— Offices	5,272

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS16 Leases *(Continued)*

As a lessee *(Continued)*

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application, 1 April 2019. Line items that were not affected by the changes have not been included.

Summary of effects arising from initial application of HKFRS 16

	Right-of-use assets HK$'000	Lease liabilities HK$'000	Accumulated losses HK$'000
Closing balance at 31 March 2019	–	–	(2,132,015)
Effect arising from initial application of HKFRS 16:			
Adjustment	5,272	(5,272)	–
Opening balance at 1 April 2019	5,272	(5,272)	(2,132,015)

New and amendments to HKFRS in issue but not yet effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards" will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 affect its 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.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

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

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 acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

- 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; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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.

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.

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

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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

— the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue from contracts with customers *(Continued)*

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group has elected to apply the practical expedient such that the transaction price allocated to unsatisfied contracts is not disclosed when the remaining performance obligation to be satisfied under contracts that had an original expected duration of one year or less.

A contract cost represents the incremental costs of obtaining a contract with a customer if the Group expects to recover these costs.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (hotel room revenue and other ancillary services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

Revenue from contracts with customers *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The Group recognises revenue under the following accounting policies:

(a) Sale of goods

Revenue from the sales of cattles and agricultural produce 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.

(b) Hotel income

Hotel room revenue are recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Income from food and beverage sales of hotel operation is recognised at a point in time when the food and beverage are served.

(c) Rental income

Operating lease rental income is recognised on a straight-line basis over the period of the lease.

(d) Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

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

Property, plant and equipment *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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%

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.

The agricultural produce is initially measured at fair value less costs to sell at the time of harvest. The fair value of agricultural produce is determined based on market prices in the local market. The fair value less costs to sell at the time of harvest represents the cost of agricultural produce for further processing.

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.

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

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, 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.

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.

Lease (Upon application of HKFRS 16 in accordance with transition in Note 3)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

Lease (Upon application of HKFRS 16 in accordance with transition in Note 3) *(Continued)*

The Group as a lessee

Allocations of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate standalone price of the non-lease components.

Short-term lease and lease of low-value assets

The Group applies the short-term lease recognition exemption to leases of Staff dormitory and photo copier that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term lease and lease of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS9 Financial Instruments ("HKFRS9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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

Lease (Upon application of HKFRS 16 in accordance with transition in Note 3) *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease;

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in market rental rates following a market rent review expected payment under a guaranteed residual value, in which cases the related lease liabilities is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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

Lease (Upon application of HKFRS 16 in accordance with transition in Note 3) *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 3)

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the commencement date at amounts equal to the Group's net investment in the leases, measured using the interest rate implicit in the respective lease. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest 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 in profit or loss 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 such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

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

Lease (Upon application of HKFRS 16 in accordance with transition in Note 3) *(Continued)*

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 3) *(Continued)*

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Leasing (prior to adoption of HKFRS 16 on 1 April 2019)

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.

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

Leasing (prior to adoption of HKFRS 16 on 1 April 2019) *(Continued)*

The Group as lessee *(Continued)*

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.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the other revenue line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and other receivables and prepayments, loan receivables and cash and cash equivalent). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m-ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m-ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade and other receivables and loan receivables are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bill receivables, other receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Financial instruments *(Continued)*

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, deposit received, bank and other borrowings, amount due to a related company and lease liabilities subsequently measured at amortised cost, using the effective interest method.

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.

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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 of financial liabilities

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.

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/(loss) 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.

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

Taxation *(Continued)*

Deferred tax *(Continued)*

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.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributes to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributes to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

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

Trade and other receivables and prepayments

Trade and other receivables and prepayments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for allowance for ECL on trade and other receivables and prepayments 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.

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.

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

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).

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.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

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.

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

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.

(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.

Impairment losses for property, plant and equipment and right of-use assets

In considering the impairment losses that may be required for the Group's property, plant and equipment and right-of-use assets, 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; and (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.

Impairment assessment of trade and other receivables and prepayments and loan receivables

The Group applies the simplified approach for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables and prepayments and loan receivables. The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated loss on loan receivables and other receivables. The measurement of impairment losses under HKFRS 9 requires management's estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

In determining impairment allowances, management applied the ECL model with a number of estimations and assumptions including:

- The selection of inputs which the entity used in the ECL model including loss given default and possibility of default; and

- The selection of forward-looking information.

The management regularly review the estimation and assumptions used in the ECL calculation to reduce any differences between loss estimates and actual loss experience. The impairment allowance is sensitive to changes in estimates.

Determination on discount rates of lease contracts

The Group applies incremental borrowing rates as the discount rates of lease liabilities, which require financing spread adjustments and lease specific adjustments based on the relevant market rates. The assessments of the adjustments in determining the discount rates involved management's judgment, which may significantly affect the amount of lease liabilities and right-of-use assets.

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

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.

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.

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

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 2020, no such provision is recognised as the production of the mine has not yet commenced (31 March 2019: nil).

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 2020.

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.

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

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 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 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.

Fair value of agricultural produce

The Group's agricultural produce are valued at fair value less costs to sell. The fair value of agricultural produce 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 and costs incurred in characteristics and/or stages of growth of the agricultural produce; or the present value of expected net cash flows from the agricultural produce 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 agricultural produce significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of agricultural produce. 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:

Property investment operation	—	Leasing of rental property in the PRC
Hotel operation	—	Hotel operation in the PRC
Agricultural operation	—	Agricultural farming and sale of crops and cattle raising and sales of cattle in the Plurinational State of Bolivia ("Bolivia")
Securities investment and financing operation	—	Provision of securities investment and financing operation in Hong Kong and the PRC

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

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and result

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

	Segment revenue		Segment result	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property investment operation	**47,831**	53,249	**(40,337)**	35,623
Hotel operation	**27,734**	35,242	**(49,317)**	(1,441)
Agricultural operation	**61,634**	48,168	**(20,018)**	15,125
Securities investment and financing operation	**–**	(58,595)	**(292,775)**	(407,847)
Other operations	**–**	–	**(1,385)**	(95,314)
Total	**137,199**	78,064	**(403,832)**	(453,854)
Interest income and other revenue			**1,923**	9,871
Unallocated expenses			**(43,624)**	(98,193)
Loss from operations			**(445,533)**	(542,176)
Finance costs			**(98,035)**	(86,594)
Loss before taxation			**(543,568)**	(628,770)
Tax credit			**14,457**	23,810
Loss for the year			**(529,111)**	(604,960)

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year (2019: Nil).

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

6. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

	2020 HK$'000	2019 HK$'000
Segment assets		
Property investment operation	**1,257,795**	1,340,729
Hotel operation	**451,052**	541,956
Securities investment and financing operation	**621,178**	964,412
Agricultural operation	**463,407**	451,192
Other operations	**179,648**	179,679
Total segment assets	**2,973,080**	3,477,968
Unallocated assets	**23,648**	211,081
Consolidated total assets	**2,996,728**	3,689,049

	2020 HK$'000	2019 HK$'000
Segment liabilities		
Property investment operation	**60,318**	67,593
Hotel operation	**44,869**	47,545
Securities investment and financing operation	**180**	180
Agricultural operation	**66,590**	61,078
Other operations	**5,965**	5,871
Total segment liabilities	**177,922**	182,267
Unallocated bank and other borrowings	**642,222**	887,113
Unallocated liabilities	**180,778**	28,727
Tax payable	**6,259**	6,286
Consolidated total liabilities	**1,007,181**	1,104,393

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

All assets related to property investment operation, hotel operation, securities investment and financing operation, agricultural operation and other operations are allocated to reportable segments other than certain property, plant and equipment, certain right-of-use assets, certain other receivables, certain prepayments and certain cash and cash equivalents that are not attributable to individual segments.

All liabilities related to property investment operation, hotel operation, securities investment and financing operation, agricultural operation and other operations are allocated to reportable segments other than certain other payables, certain bank and other borrowings, certain lease liabilities and amount due to a related company that are not attributable to individual segments.

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 March 2020

	Property investment operation HK$'000	Hotel operation HK$'000	Securities investment and financing operation HK$'000	Agricultural operation HK$'000	Other operations HK$'000	Consolidated total HK$'000
Other segment information						
Depreciation of property, plant and equipment	106	12,916	–	973	–	13,995
Depreciation of right-of-use assets	63	–	–	–	–	63
Unallocated amounts						2,335
						16,393
Capital expenditure (Note)	–	–	–	13,053	–	13,053
Loss arising on change in fair value of investment properties	57,256	–	–	–	–	57,256
Loss arising on change in fair value of financial asset at fair value through profit or loss	–	–	282,878	–	–	282,878
Gain arising on change in fair value less costs to sell on biological assets	–	–	–	(1,123)	–	(1,123)

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

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 March 2019

	Property investment operation HK$'000	Hotel operation HK$'000	Securities investment and financing operation HK$'000	Agricultural operation HK$'000	Other operations HK$'000	Consolidated total HK$'000
Other segment information						
Depreciation of property, plant and equipment	133	13,426	–	1,880	–	15,439
Unallocated amounts						283
						15,722
Capital expenditure (Note)	15	40	–	5,975	18	6,048
Loss arising on change in fair value of investment properties	3,529	–	–	–	–	3,529
Loss arising on change in fair value of financial asset at fair value through profit or loss	–	–	320,912	–	–	320,912
Gain arising on change in fair value less costs to sell on biological assets	–	–	–	(2,282)	–	(2,282)

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

6. SEGMENT INFORMATION *(Continued)*

(d) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's investment properties, property, plant and equipment, right-of-use assets, mining rights and goodwill (collectively referred to as "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset or the location of the operation to which they are allocated.

	Revenue from external customers		Specified non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	(58,595)	**29,115**	55,754
The PRC	**75,565**	88,491	**1,576,819**	1,805,808
Bolivia	**61,634**	48,168	**410,465**	401,842
Indonesia	**–**	–	**179,133**	179,134
	137,199	78,064	**2,195,532**	2,442,538

(e) Information about major customers

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 58% (2019: 66%). The percentage of turnover attributable to the largest customer to the total turnover during the year was 38% (2019: 55%).

Revenue from a major customer for the years ended 31 March 2020 and 2019 contributing over 10% of the Group's revenue are as follows:

	2020	2019
	HK$'000	HK$'000
Agricultural operation — Customer A	**50,983**	42,874

7. REVENUE

Revenue is analysed as follow:

	Year ended 31 March 2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from contracts with customers		
Hotel income	**27,734**	35,242
Agricultural operation	**61,634**	48,168
	89,368	83,410
Timing of revenue recognition		
A point in time:		
Agricultural operation	**61,634**	48,168
Hotel income — food and beverage	**2,309**	2,925
	63,943	51,093
Over time:		
Hotel income — hotel room income	**25,425**	32,317
	89,368	83,410
Revenue from other sources		
Property rental income	**47,831**	53,249
Loss from sales of financial asset at fair value through profit or loss, net	**–**	(60,725)
Interest income from loan receivables	**–**	2,130
	47,831	(5,346)
	137,199	78,064

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

7. REVENUE *(Continued)*

Revenue is analysed as follow: *(Continued)*

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

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Proceeds from sale of financial asset at fair value through profit or loss	**–**	38,790
Carrying amounts of financial asset at fair value through profit or loss sold plus transaction costs	**–**	(99,515)
	–	(60,725)

8. OTHER INCOME AND GAIN, NET

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Bank interest income	**687**	1,695
Other loan interest income	**975**	6,767
Net foreign exchange loss	**(325)**	(2,939)
Investment income	**518**	944
Gain on lease cancellation (Note 18)	**2**	–
Sundry income	**66**	3,404
	1,923	9,871

9. STAFF COSTS

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Salaries and allowances (including directors' emoluments)	**32,021**	33,687
Retirement benefit scheme contributions	**1,817**	1,729
	33,838	35,416

9. STAFF COSTS *(Continued)*

(a) Directors' emoluments and chief executive remuneration

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

	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors								
Jiang Zhaobai	**240**	240	**3,600**	3,600	**29**	18	**3,869**	3,858
Lam Cheung Shing, Richard	**240**	240	**4,534**	4,653	**480**	480	**5,254**	5,373
Chen Yi, Ethan	**240**	240	**2,250**	1,751	**26**	18	**2,516**	2,009
Shen Angang	**240**	240	**–**	–	**–**	–	**240**	240
	960	960	**10,384**	10,004	**535**	516	**11,879**	11,480
Independent non-executive directors								
Ho Yiu Yue, Louis	**240**	240	**–**	–	**–**	–	**240**	240
Ko Ming Tung, Edward	**240**	240	**–**	–	**–**	–	**240**	240
Shan Zhemin	**240**	240	**–**	–	**–**	–	**240**	240
	720	720	**–**	–	**–**	–	**720**	720
	1,680	1,680	**10,384**	10,004	**535**	516	**12,599**	12,200

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

The five individuals with the highest emoluments in the Group, three (2019: three) were directors of the Company whose emoluments are included in the disclosures in note 9(a) above. The emoluments of the remaining two (2019: two) individuals, who are neither a director nor chief executive of the Company are detailed as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and allowances	**3,290**	4,109
Retirement benefit scheme contributions	**184**	73
	3,474	4,182

9. STAFF COSTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The number of the highest paid employees who are neither a director nor chief executive of the Company whose remuneration fell within the following bands are as follows:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$3,000,000	**1**	1

10. LOSS FROM OPERATIONS

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

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Depreciation of property, plant and equipment (note 17)	**14,243**	15,722
Depreciation of right-of-use assets (note 18)	**2,150**	–
Auditors' remuneration	**2,768**	3,200
Cost of inventories for hotel operation provided	**6,158**	6,939
Allowance for ECL on trade, other receivables and prepayments and loan receivables, net	**14,431**	43,238
Impairment loss recognised on mining rights (note 19)	**–**	93,216
Impairment loss recognised on goodwill (note20)	**91,454**	–
Short-term lease payment	**259**	–
Expenses relating to leases of low value assets	**35**	–
Operating lease rentals in respect of premises	**–**	3,146
Net foreign exchange loss (note 8)	**325**	2,939
Fair value change in investment properties (note 16)	**57,256**	3,529
Gain arising on change in fair value less costs to sell on biological assets	**(1,123)**	(2,282)
Gross rental income from investment properties (note 7)	**(47,831)**	(53,249)
Less: direct operating expenses from investment properties that generated rental income during the year	**1,784**	1,892
	(46,047)	(51,357)

11. FINANCE COSTS

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Interests on:		
— Bank borrowings	**981**	365
— Other borrowings	**92,720**	86,229
— Lease liabilities (note 18)	**212**	–
Imputed interest on amount due to a related company	**4,122**	–
	98,035	86,594

12. TAX CREDIT

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
PRC Enterprise Income Tax		
— Current tax (expense)/credit	**(2,419)**	23,529
— Over provision in prior years	**1,759**	–
Bolivia Corporate Tax	**–**	(3,972)
	(660)	19,557
Deferred tax (note 31)	**15,117**	4,253
	14,457	23,810

Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for taxation in Hong Kong has been made as the Group has no assessable profit for Hong Kong Profits Tax (2019: Nil).

12. TAX CREDIT *(Continued)*

The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are either subject to the PRC Enterprise Income Tax at 25% of the assessable income of each company or preferential enterprise income tax rate of the assessable income of each company during the years ended 31 March 2020 and 2019, as determined in accordance with the relevant PRC income tax rules and regulations.

During the year ended 31 March 2019, the overdue fine had been settled. The Group had received a tax refund of approximately RMB22,183,000 (equivalent to approximately HK$25,498,000) for tax paid in prior years.

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in the Indonesia is 25% (2019: 25%) during the year. No Indonesia Corporate Tax was recognised as the subsidiary in the Indonesia has no estimated assessable profits for the both years.

The Bolivia Corporate Tax

The corporate tax rate applicable to the subsidiaries which are operating in Bolivia is 25% (2019: 25%) during the year.

At 31 March 2020, the Group had unused estimated tax losses of approximately HK$306,454,000 (2019: HK$236,602,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Tax losses arising from the PRC may be carried forward for 5 years.

Tax credit for the years is reconciled to loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Loss before taxation	**(543,568)**	(628,770)
Tax calculated at the domestic rates applicable in the country concerned	**(126,464)**	(145,912)
Tax effect of expenses not deductible for tax purpose	**93,525**	123,213
Tax effect of income not taxable for tax purpose	**(740)**	(7,063)
Tax effect of tax losses not recognised	**17,463**	11,367
Tax effect of utilisation of tax losses previously not recognised	**–**	(1,162)
Over provision in prior years	**1,759**	–
Tax effect of unrecognised temporary difference	**–**	(4,253)
Tax credit for the year	**(14,457)**	(23,810)

13. LOSS PER SHARE

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

	Year ended 31 March 2020 HK$'000	Year ended 31 March 2019 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**529,070**	600,252

	Year ended 31 March 2020	Year ended 31 March 2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,294,369,363**	6,674,861,966

The diluted loss per share is the same as the basic loss per share as the Company has no dilutive potential shares outstanding for the years ended 31 March 2020 and 2019.

14. NET LOSS ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Year ended 31 March 2020 HK$'000	Year ended 31 March 2019 HK$'000
Net unrealised loss on financial asset at FVTPL (Note 25)	**(282,878)**	(320,912)

15. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

16. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
Fair value		
At beginning of the year	**1,282,094**	1,347,788
Fair value change	**(57,256)**	(3,529)
Exchange alignment	**(69,738)**	(62,165)
At end of the year	**1,155,100**	1,282,094
Unrealised loss on change in fair value of investment properties	**(57,256)**	(3,529)

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 2020 and 2019 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 respectively, 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:

	2020 HK$'000	2019 HK$'000
Investment properties in Hong Kong, held on:		
Long-term leases	**25,100**	26,800
Investment properties in the PRC, held on:		
Medium-term leases	**1,130,000**	1,255,294
	1,155,100	1,282,094

(e) Investment properties with the carrying amount of approximately HK$631,766,000 (2019: HK$655,294,000) have been pledged to secure facilities granted to the Group.

(f) The Group's investment properties, amounting to approximately HK$1,040,597,000 (2019: HK$1,255,294,000) are rented out under operating leases.

16. 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 the PRC. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2020				
Hong Kong	**–**	**25,100**	**–**	**25,100**
The PRC	**–**	**–**	**1,130,000**	**1,130,000**
	–	**25,100**	**1,130,000**	**1,155,100**
At 31 March 2019				
Hong Kong	–	26,800	–	26,800
The PRC	–	–	1,255,294	1,255,294
	–	26,800	1,255,294	1,282,094

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:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**1,255,294**	1,320,988
Fair value change	**(55,556)**	(3,529)
Exchange alignment	**(69,738)**	(62,165)
At end of the year	**1,130,000**	1,255,294

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

Description	2020 Fair value HK$'000	2019 Fair value HK$'000	Valuation techniques	Range of significant unobservable inputs Daily rental rate	 Capitalisation rate
Commercial premises in the PRC	**1,130,000**	1,255,294	Combination of direct comparison approach and income approach	RMB7.5 to RMB10.7 (2019: RMB8.2 to RMB11.9) per square meter	2.75% to 6.25% (2019: 2.75% to 4.25%)

The fair value measurements are positively correlated to the daily rental rate and negatively correlated to the capitalisation rate. Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the capitalisation rate, the lower the fair values. The higher the daily rental rate, the higher the fair values.

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

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Construction in progress HK$'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 2018	39,707	–	127	569,382	5,420	12,137	7,856	634,629
Additions	–	5,103	–	–	–	40	905	6,048
Transfer	–	127	(127)	–	–	–	–	–
Acquisition of subsidiaries (note 35)	328,380	–	–	–	–	–	27,600	355,980
Exchange alignment	–	–	–	(26,794)	(35)	(477)	(147)	(27,453)
At 31 March 2019 and 1 April 2019	368,087	5,230	–	542,588	5,385	11,700	36,214	969,204
Additions	3,875	–	–	–	4,231	–	4,947	13,053
Exchange alignment	–	–	–	(30,144)	(40)	(539)	(166)	(30,889)
At 31 March 2020	371,962	5,230	–	512,444	9,576	11,161	40,995	951,368
Accumulated depreciation and impairment								
At 1 April 2018	–	–	–	45,979	5,420	9,581	4,472	65,452
Charge for the year	–	–	–	13,482	–	299	1,941	15,722
Exchange alignment	–	–	–	(2,108)	(35)	(36)	(117)	(2,296)
At 31 March 2019 and 1 April 2019	–	–	–	57,353	5,385	9,844	6,296	78,878
Charge for the year	–	–	–	12,915	–	249	1,079	14,243
Exchange alignment	–	–	–	(209)	(40)	(174)	(141)	(564)
At 31 March 2020	–	–	–	70,059	5,345	9,919	7,234	92,557
Carrying amount								
At 31 March 2020	**371,962**	**5,230**	**–**	**442,385**	**4,231**	**1,242**	**33,761**	**858,811**
At 31 March 2019	368,087	5,230	–	485,235	–	1,856	29,918	890,326

Notes:

(a) Hotel property with the carrying amount of approximately HK$442,385,000 (2019: HK$485,235,000) have been pledged to secure other borrowings granted to the Group.

(b) During the years ended 31 March 2020 and 2019, hotel property of the Group is held under medium-term leases in the PRC.

(c) Freehold land with the carrying amount of approximately HK$145,860,000 (2019: HK$145,860,000) have been pledged to secure bank borrowing granted to the Group.

18. LEASE

The Group as a lessee

(a) Right-of-use assets

	At 31 March 2020 HK$'000
Offices	**2,957**
	2,957

(b) Lease liabilities payable

	At 31 March 2020 HK$'000
— Within one year	**2,197**
— More than one year but not more than two years	**757**
	2,954

The Group obtains right to control the use of the offices for a period of time through lease arrangements. Rental contracts are from one to two years.

During the year ended 31 March 2020, total cash outflow for leases of approximately HK$2,362,000 was included in net cash used in financing activities.

Amounts recognised in the consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended 31 March 2020 are as follow:

	Right-of-use assets HK$'000	Lease liabilities HK$'000
At 1 April 2019	5,272	5,272
Depreciation expense	(2,150)	–
Interest expense	–	212
Payments	–	(2,362)
Lease cancellation	(153)	(155)
Exchange alignment	(12)	(13)
At 31 March 2020	**2,957**	**2,954**

19. MINING RIGHTS

	HK$'000
Cost	
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,227,344
Accumulated amortisation and impairment	
At 1 April 2018	955,464
Impairment	93,216
At 31 March 2019, 1 April 2019 and 31 March 2020	1,048,680
Carrying amount	
At 31 March 2020	**178,664**
At 31 March 2019	178,664

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 2020 and 2019, the management considered that commercial production of the mine has not yet commenced, no amortisation were provided during both years.

The directors of the Company reviewed the carrying amount of the mining rights, there were no impairment loss recognised (2019: approximately HK$93,216,000) in the consolidated statement of profit or loss for the year ended 31 March 2020.

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 and 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:

	2020	2019
Adopted manganese ore benchmark price (USD/ton) (note (a))	**USD158.00**	USD158.00
Discount rate (note (b))	**14%**	12%

19. MINING RIGHTS *(Continued)*

Notes:

(a) For the year ended 31 March 2020 and 2019, the adopted manganese ore benchmark price was estimated with reference to the sale and purchase agreement entered between PT. Satwa Lestaris Permai, a 95% owned subsidiary of the Company, as seller and an independent third party as buyer. The manganese ore benchmark price for valuation as at 31 March 2020 are same as at 31 March 2019. 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 2020 and as at 31 March 2019.

(b) The slightly increase of 2% in discount rate (2019: increase 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 the both years.

20. GOODWILL

	HK$'000
Cost	
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	102,747
Accumulated impairment losses	
At 1 April 2018, 31 March 2019 and 1 April 2019	11,293
Impairment	91,454
At 31 March 2020	102,747
Carrying amount	
At 31 March 2020	**–**
At 31 March 2019	91,454

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

	2020 **HK$'000**	2019 HK$'000
Hotel operation	–	45,738
Property investment operation	–	18,069
Agricultural operation	–	27,647
	–	91,454

20. GOODWILL *(Continued)*

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.

During the year ended 31 March 2020, in light of the serious economic impacts under COVID-19 pandemic in the coming years, and hence the directors of the Company considered an unfavorable impact on the cash flow projections for impairment testing of the goodwill across the three CGUs. Accordingly, the recoverable amounts of the three CGUs of hotel operation, property investment operation and agricultural operation were below the carrying amounts. As a result, the Group made fully impairment provision for the goodwill amounting to approximately HK$91,454,000 (2019: HK$Nil).

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. Discount rate of 15.7% (2019: 15.1%) 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. Another key assumption and input for the value-in-use calculation is the gross margin rate, which are determined based on an estimated performance, management's expectations and market conditions.

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. Discount rate of 16.3% (2019: 14.8%) 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. Another key assumption and input for the value-in-use calculation is the budgeted revenue growth rate, which is determined based on an estimated performance, management's expectations and market conditions.

20. GOODWILL *(Continued)*

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. Discount rate of 16.8% (2019: 14.8%) 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. Other key assumption and input for the value-in-use calculation related to the estimation of cash inflows/outflows which include expected revenue and direct cost, which are determined based on an estimated performance, management's expectations and future business plan.

21. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Finished goods	**6,463**	7,664

22. BIOLOGICAL ASSETS

Movements of the biological assets are shown below:

	Cows and bulls HK$'000	**Heifers and calves** HK$'000	**Soybean** HK$'000	**Rice** HK$'000	**Total** HK$'000
At 1 April 2018	1,945	892	–	–	2,837
Acquisition of subsidiaries (note 35)	–	–	15,662	2,986	18,648
Increase due to purchases	687	124	–	–	811
Increase due to raising/plantation (including feeding cost and others)	381	776	958	81	2,196
Decrease due to sales/harvest	(547)	(1,186)	(4,854)	(2,107)	(8,694)
Decrease due to deaths	(98)	(31)	–	–	(129)
Change in fair value less costs to sell	206	1,093	676	307	2,282
At 31 March 2019 and 1 April 2019	2,574	1,668	12,442	1,267	17,951
Increase due to purchases	742	1,742	11,795	771	15,050
Increase due to raising/plantation (including feeding cost and others)	–	574	7,375	637	8,586
Decrease due to sales/harvest	(350)	–	(19,816)	(1,904)	(22,070)
Decrease due to deaths	(97)	(42)	–	–	(139)
Change in fair value less costs to sell	2,506	(2,849)	1,011	455	1,123
At 31 March 2020	**5,375**	**1,093**	**12,807**	**1,226**	**20,501**

22. BIOLOGICAL ASSETS *(Continued)*

The quantity of biological assets are shown below:

	2020	2019
Cows and bulls	**1,321**	675
Heifers and calves	**604**	340
	1,925	1,015
Soybean (in hectares)	**4,178**	4,234
Rice (in hectares)	**400**	479
	4,578	4,713

The Group is exposed to fair value risks arising from changes in price of the biological assets. The Group does not anticipate that the price of biological assets 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 biological assets.

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 and plantations. 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.

(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.

22. BIOLOGICAL ASSETS *(Continued)*

Value of cattles

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.

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;

22. BIOLOGICAL ASSETS *(Continued)*

Value of cattles *(Continued)*

(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).

As at 31 March 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Cows and bulls	–	5,375	–	5,375
Heifers and calves	–	1,093	–	1,093
Soy bean	–	–	12,807	12,807
Rice	–	–	1,226	1,226
Total biological assets	–	6,468	14,033	20,501

22. BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy *(Continued)*

As at 31 March 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Cows and bulls	–	2,574	–	2,574
Heifers and calves	–	1,668	–	1,668
Soy bean	–	–	12,442	12,442
Rice	–	–	1,267	1,267
Total biological assets	–	4,242	13,709	17,951

There were no transfer between Level 2 and Level 3 during the current and prior year.

Valuation Methodology of Biological Assets

i. Valuation techniques and assumptions

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 at USD203.90 per head (2019: USD242.33 per head) Prevailing market price of little bulls at USD418.10 per head (2019: N/A) Prevailing market price of heifers at USD466.60 per head (2019: USD450.25 per head) Prevailing market price of cows ranging from USD568.00 to USD660.80 per head (2019: ranging from USD483.91 to USD680.45 per head) Prevailing market price of bulls at USD775.00 per head (2019: USD732.43 per head) Prevailing market price of ox at USDN/A per head (2019: USD732.43 per head)

22. BIOLOGICAL ASSETS *(Continued)*

Valuation Methodology of Biological Assets *(Continued)*

i. Valuation techniques and assumptions *(Continued)*

The valuation technique for soybean and rice used is the discounted cash flow method under income approach it requires to assess a series of variables, which include the discount rate, market prices of rice and soybean yield, planting costs, etc. The values of such variables are determined by the independent valuers using information supplied by the Group, proprietary and third-party data as well as under some assumptions.

There were no changes to the valuation techniques during the period. Major assumptions adopted for valuation are listed below:

a. The soybean and rice are a perennial crop with a half-year crop cycle and the crop is reaped exactly half year after planting;

b. The soybean and rice experiences linear growth; and

c. The economic life of the soybean and rice is half year.

ii. Significant unobservable inputs

The major inputs for the above valuation models are discount rate, soybean and rice yield per hectare, market prices of soybean and rice and estimated maturity of soybean and rice. The values of such inputs are as follows:

1) The discount rate applied for the year ended 31 March 2020 was 6% (2019: 6%).

2) The estimated soybean and rice yield per hectare represents the harvest level of the soybean and rice, the expected yield are 2.4 tons per hectares (2019: 2.2 tons per hectares) and 3.5 tons per hectares (2019: 4.0 tons per hectares) respectively.

3) The market price variables represent the estimated market price for soybean and rice produced by the Group.

	2020		2019	
	Soybean	**Rice**	Soybean	Rice
Estimated market price (equivalent to approximately)	**USD290 (HK$2,262)**	**USD250 (HK$1,950)**	USD290 (HK$2,262)	USD250 (HK$1,950)

22. BIOLOGICAL ASSETS *(Continued)*

Valuation Methodology of Biological Assets *(Continued)*

ii. Significant unobservable inputs *(Continued)*

The yield of soybean and rice is affected by the age, species, the climate, location, soil conditions, topography and agricultural infrastructure.

The higher the discount rate, the lower the fair value. The higher the estimated crop yield per hectare, market prices variables and average maturity of soybean and rice, the higher the fair value.

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

Reconciliation of fair value measurement categorised within level 3 of the fair value hierarchy:

	Soy bean	Rice
	HK$'000	HK$'000
Carrying amount at 1 April 2018	–	–
Acquisition of subsidiaries (note 35)	15,662	2,986
Increase due to raising/plantation (including feeding cost and others)	958	81
Decrease due to sales/harvest	(4,854)	(2,107)
Change in fair value less costs to sell	676	307
Carrying amount at 31 March 2019 and 1 April 2019	12,442	1,267
Increase due to purchases	11,795	771
Increase due to raising/plantation (including feeding cost and others)	7,375	637
Decrease due to sales/harvest	(19,816)	(1,904)
Change in fair value less costs to sell	1,011	455
Carrying amount at 31 March 2020	**12,807**	**1,226**

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	HK$'000	HK$'000
Trade receivables	**10,091**	7,087
Other receivables and prepayments	**220,204**	263,203
	230,295	270,290
Less: allowance for ECL	**(93,416)**	(93,768)
	136,879	176,522

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

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

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	**19,691**	30,271
Renminbi ("RMB")	**92,191**	115,507
US dollar ("USD")	**24,997**	30,744
	136,879	176,522

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

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**1,361**	6,756
31 to 60 days	**64**	196
61 to 90 days	**1,141**	–
91 to 180 days	**6,709**	37
Over 180 days	**816**	98
	10,091	7,087

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

	2020	2019
	HK$'000	HK$'000
At 1 April	**93,768**	78,576
Allowance for ECL, net	**4,737**	17,289
Exchange alignment	**(5,089)**	(2,097)
At 31 March	**93,416**	93,768

The average credit period granted to customers is 60 to 90 days (2019: 60 to 90 days).

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

During the year ended 31 March 2020, an allowance for ECL of approximately HK$40,000 (2019: HK$16,266,000) in respect of an individual debtor of other receivables was considered as credit impaired under lifetime ECL provided in the consolidated statement of profit or loss. The impaired individual debtor of other receivables and prepayments 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.

Details of allowance for ECL assessment for the years ended 31 March 2020 and 2019 are set out in note 40.

The Group's prepayments and other receivables as at 31 March 2020 and 2019, inter alia, the following:

(i) other receivables of approximately HK$104,049,000 (2019: HK$110,169,000) paid for acquisition of several potential water plant projects in the PRC; and

(ii) prepayments of approximately HK$35,833,000 (2019: HK$37,940,000) paid to various contractors for construction of environmental protection and water treatment projects in the PRC.

24. LOAN RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Loan receivables	**61,006**	61,006
Less: allowance for ECL	**(18,225)**	(8,531)
	42,781	52,475

The amount of approximately HK$61,006,000 (2019: HK$61,006,000) were secured by collateral providing by customers with fixed repayment terms.

24. LOAN RECEIVABLES *(Continued)*

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

	2020 **HK$'000**	2019 HK$'000
At 1 April	**8,531**	12,660
Allowance for ECL	**9,694**	25,949
Amounts written-off	**–**	(30,078)
At 31 March	**18,225**	8,531

The impaired individual debtor of loan receivables related to the debtor that was in financial difficulties and management of the Company considered only part of the outstanding balances could be recovered.

Details of allowance for ECL assessment for the year ended 31 March 2020 are set out in note 40.

25. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 HK$'000
Held for trading:		
Listed equity securities — the PRC, at fair value	**578,384**	911,924

Movement in the financial asset at fair value through profit or loss were as follow:

	2020 **HK$'000**	2019 HK$'000
At 1 April	**911,924**	1,293,716
Exchange alignment	**(50,662)**	(60,880)
Net unrealised loss arising on change in fair value (Note 14)	**(282,878)**	(320,912)
At 31 March	**578,384**	911,924

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

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

At 31 March 2020

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

At 31 March 2019

Stock Code	Name of investee company	Number of shares held	Percentage shareholding held by the Group	Investment cost HK$'000 (Note (1))	Market value as at 31 March 2019 HK$'000 (Note (1))	Percentage to the Group's net assets as at 31 March 2019	Unrealised loss on change in fair value for the year ended 31 March 2019 HK$'000 (Note (1))
600187	Heilongjiang Interchina (note (2))	227,312,500	13.74%	286,346	911,924	35.28%	(320,912)

Notes:

(1) The investment costs and market value as at 31 March 2020 and 31 March 2019 and unrealised loss of the investments in the above table have been subject to foreign exchange adjustments and rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them. The fair value of investment for Heilongjiang Interchina is approximately RMB520,546,000 (equivalent to approximately HK$578,384,000) as at 31 March 2020 (2019: approximately RMB775,136,000 (equivalent to approximately HK$911,924,000)). The cost of investment in Heilongjiang Interchina was approximately RMB243,394,000 (equivalent to approximately HK$270,437,000 at 31 March 2020 (2019: approximately RMB243,394,000 (equivalent to approximately HK$286,346,000))).

(2) Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services and its issued shares are listed on the Shanghai Stock Exchange. There was no movement in the number of shares held by the Group during the years ended 31 March 2020 and 2019. No dividend was received during the years ended 31 March 2020 and 2019. According to the latest published audited financial statements of Heilongjiang Interchina, it had net asset value of approximately RMB 3,452,081,000 (equivalent to approximately HK$3,835,646,000) as at 31 December 2019 (31 December 2018: approximately RMB3,348,451,000) (equivalent to approximately HK$3,939,354,000). Heilongjiang Interchina recorded revenue of approximately RMB 537,836,000 (equivalent to approximately HK$597,596,000) and net profit of approximately RMB 19,741,000 (equivalent to approximately HK$21,934,000) for the year ended 31 December 2019 (2018: revenue of RMB467,977,000 (equivalent to approximately HK$550,561,000) and net profit of approximately RMB10,398,000) (equivalent to approximately HK$12,233,000).

(3) At 31 March 2020, financial asset at fair value through profit or loss with the carrying amount of approximately HK$577,589,000 (2019: HK$910,671,000) have been pledged to secure loan facilities granted to the Group.

26. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and bank balances	**16,188**	79,975

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

At 31 March 2020, cash and cash equivalents of approximately HK$13,936,000 (2019: HK$62,233,000) are denominated in 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.

27. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2020 HK$'000	2019 HK$'000
Trade payables	**11,319**	12,591
Other payables and deposits received	**59,690**	64,328
	71,009	76,919

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

	2020 HK$'000	2019 HK$'000
Hong Kong dollar	**16,212**	11,414
RMB	**35,275**	46,729
USD	**19,522**	18,776
	71,009	76,919

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

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

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**7,346**	10,057
31 to 60 days	**445**	275
Over 60 days	**3,528**	2,259
	11,319	12,591
Other payables and deposits received	**59,690**	64,328
	71,009	76,919

The Group's other payables and deposits received as at 31 March 2020 and 2019, inter alia, the following:

(i) interest expenses payable of approximately HK$15,091,000 (2019: HK$18,865,000); and

(ii) deposit of decoration expenses received from Heilongjiang Interchina of approximately HK$5,889,000 (2019: HK$6,235,000).

28. AMOUNT DUE TO A RELATED COMPANY

As at 31 March 2020, the carrying amount of amount due to a related company of approximately HK$137,935,000 represents an unsecured and unguaranteed interest-free with principal amount of approximately HK$170,580,000 from Shanghai Pengxin (Group) Company Limited, which is controlled by Mr. Jiang Zhaobai, who is a substantial shareholder and the executive director and chairman of the Company, which will mature and become repayable on 31 December 2021. The loan is carried at amortised cost using the effective interest method. The effective interest rate applied was 12.9% per annum. The difference of the principal and the fair value of the loan is at initial recognition amounting to approximately HK$36,767,000 was credited as deemed capital contribution from a substantial shareholder.

29. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Deposit received from customers in advance	**1,255**	443

Notes:

(i) Contract liabilities for hotel operation represent deposit receipts in advance from customers.

(ii) Included in the contract liabilities at the beginning of the year of approximately HK$443,000 (2019: HK$519,000) were recognised as revenue during the year ended 31 March 2020.

(iii) Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

when the Group receives a deposit before the provision of hotel operation, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Movements in contracts liabilities were as follow:

	2020 HK$'000	2019 HK$'000
At 1 April	**443**	519
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(443)**	(519)
Increase in contract liabilities as a result of receiving deposits during the year in respect of provision of hotel operation as at the year end	**1,255**	443
At end of the year	**1,255**	443

30. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank borrowings, secured (Note (i))	**11,075**	6,794
Other borrowings, secured (Note (ii))	**654,222**	887,112
Other borrowings, unsecured	**15,000**	–
Total borrowings	**680,297**	893,906
Carrying amount repayable: (Note (iii))		
Within one year	**675,594**	888,158
Within a period of more than one year but not exceeding two years	**1,045**	1,045
Within a period of more than two years but not exceeding five years	**3,135**	3,135
Within a period of more than five years	**523**	1,568
	680,297	893,906
Less:		
Amounts due within one year shown under current liabilities without repayment on demand clause	**(339,705)**	(530,982)
Amounts due within one year shown under current liabilities with repayment on demand clause	**(335,889)**	(357,176)
Amounts shown under non-current liabilities	**4,703**	5,748

Notes:

(i) The bank borrowings is repayable on agreed repayment schedule by installments over a period of 8 years bearing fixed interest rate of 6% (2019: 6.0%) per annum and secured by freehold land.

(ii) The other borrowings bear fixed interest rate ranging from 5.25% to 13.0% per annum for the year ended 31 March 2020 (2019: 5.5% to 12.5% per annum).

During the year ended 31 March 2020, the other borrowings with carrying amount of approximately HK$514,333,000 (2019: HK$1,435,869,000) had been repaid and agreements had been entered to raise new other borrowings of approximately HK$345,333,000 (2019: HK$1,250,912,000). The other borrowings with carrying amount of approximately HK$308,889,000 (2019: HK$341,175,000) are secured by the Group's investment properties and the Group's investment in Heilongjiang Interchina, whose shares are listed on the Shanghai Stock Exchange. The other borrowings with carrying amount of approximately HK$345,333,000 (2019: HK$529,412,000) are secured by the Group's investment properties, hotel property in the PRC and corporate guarantee executed by the Company and a related company and pledged by equity interest and shares of certain directly and indirectly wholly-owned subsidiaries of the Company.

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

	2020 HK$'000	2019 HK$'000
Hong Kong dollar	**27,000**	16,525
RMB	**642,222**	870,587
USD	**11,075**	6,794
	680,297	893,906

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

31. DEFERRED TAX LIABILITIES

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

	Revaluation of investment properties HK$'000	Fair value adjustments arising on acquisition of subsidiaries HK$'000	Total HK$'000
At 1 April 2018	49,200	53,292	102,492
Acquisition of subsidiaries (note 35)	–	18,631	18,631
Exchange alignment	3,289	6,680	9,969
Credit to the consolidated statement of profit or loss (note 12)	(3,373)	(880)	(4,253)
At 31 March 2019 and 1 April 2019	49,116	77,723	126,839
Exchange alignment	(2,728)	(1,522)	(4,250)
Credit to the consolidated statement of profit or loss (note 12)	(13,889)	(1,228)	(15,117)
At 31 March 2020	**32,499**	**74,973**	**107,472**

Under the Enterprise Income Tax of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the 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.

32. SHARE CAPITAL

	Number of shares		Nominal value	
	2020	2019	**2020 HK$'000**	2019 HK$'000
Issued and fully paid ordinary shares:				
At beginning and end of the year	**7,294,369,363**	6,078,669,363	**2,664,298**	2,490,454
Issue of shares (note)	**–**	1,215,700,000	**–**	173,844
	7,294,369,363	7,294,369,363	**2,664,298**	2,664,298

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

Note: On 4 October 2018, the Company issued 1,215,700,000 ordinary shares by way of placing under general mandate at placing price of HK$0.143 per ordinary share with total proceed of approximately HK$173,844,000.

33. 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 years ended 31 March 2020 and 2019.

At the end of the reporting period, the number of shares in respect of which may be issued upon exercise of share options granted and remain outstanding under the Share Option Scheme was nil (2019: Nil), representing 0% (2019: 0%) of the shares of the Company in issue at that date.

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

(a) Statement of financial position of the Company

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**1,058**	1,307
Right-of-use asset		**2,957**	–
Interests in subsidiaries		**483,488**	3,030,803
		487,503	3,032,110
Current assets			
Other receivables and prepayments		**18,344**	28,150
Cash and cash equivalents		**949**	15,010
		19,293	43,160
Total assets		**506,796**	3,075,270
Equity			
Share capital	31	**2,664,298**	2,664,298
Reserves	34(b)	**(2,728,369)**	(140,279)
		(64,071)	2,524,019
Non-current liability			
Lease liability		**757**	–
		757	–
Current liabilities			
Trade and other payables and deposits received		**17,731**	13,161
Lease liability		**2,197**	–
Amounts due to subsidiaries		**523,182**	521,565
Other borrowings		**27,000**	16,525
		570,110	551,251
Total liabilities		**570,867**	551,251
Total equity and liabilities		**506,796**	3,075,270
Net current liabilities		**(550,817)**	(508,091)
Total assets less current liabilities		**(63,314)**	2,524,019
Net (liabilities)/assets		**(64,071)**	2,524,019

Approved by the Board of Directors on 29 June 2020 and signed on its behalf by:

Jiang Zhaobai
Director

Lam Cheung Shing, Richard
Director

34. 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 2020 and 2019 are as follows:

	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	1,342,477	(866,575)	475,902
Net loss for the year	–	(616,181)	(616,181)
Total comprehensive loss for the year	–	(616,181)	(616,181)
At 31 March 2019 and 1 April 2019	1,342,477	(1,482,756)	(140,279)
Net loss for the year	–	(2,588,090)	(2,588,090)
Total comprehensive loss for the year	–	(2,588,090)	(2,588,090)
At 31 March 2020	**1,342,477**	**(4,070,846)**	**(2,728,369)**

35. ACQUISITION OF SUBSIDIARIES

On 13 June 2017, the Group entered into the sale and purchase agreement with Mr. Jiang Zhaobai ("Mr. Jiang"), an executive director and the chairman of the Group ("the Vendor"), Mr. Jiang is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and the Independent Shareholders' approval requirements. Regarding the Acquisition of (i) the entire interest in the Pengxin Agricultural Group and (ii) the amount owing by the Pengxin agricultural Group to the Vendor at the consideration of USD46,000,000 (equivalent to approximately HK$358,800,000) (the "Acquisition"). The Acquisition was completed on 31 October 2018 (the "Completion"), immediately following the Completion, the Company owns 100% of the interest in Pengxin Agricultural Group. Pengxin Agricultural Group engaged in the operation of agricultural farming in Bolivia. Further details of the Acquisition were set out in the Company's circular dated 28 June 2018.

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	HK$'000
Property, plant and equipment (note 17)	355,980
Inventories	10,250
Biological assets (note 22)	18,648
Trade and other receivables and prepayments	13,660
Cash and cash equivalents	460
Trade and other payables and deposits received	(19,906)
Loans receivables	22,701
Bank borrowings (note 30)	(22,271)
Due to related parties	(2,091)
Deferred tax liabilities (note 31)	(18,631)
Shareholder's loan	(220,114)
Net assets acquired	138,686
Shareholder's loan	220,114
Consideration	358,800
Net cash outflow arising from the Acquisition	
Deposits paid	195,000
Cash consideration paid during the year	163,800
Less: Cash and cash equivalent acquired	(460)
Net cash outflow	358,340

Impact of acquisition on the results of the Group

Since the Acquisition, the Pengxin Agricultural Group contributed revenue of approximately HK$47,594,000 and profit of approximately HK$9,413,000 for the year ended 31 March 2019.

The fair value of freehold land, which included in property, plant and equipment at the date of the Acquisition is approximately HK$328,380,000.

The fair value of trade and other receivables and prepayments at the date of Acquisition is approximately HK$13,660,000. The gross contractual amount for trade and other receivables and prepayments due is approximately HK$13,660,000 of which the best estimate at the date of the Acquisition of the contractual cash flows are expected to be fully collectable.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 HK$'000
Within one year	2,675
In the second to fifth year inclusive	5,619
	8,294

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$47,831,000 (2019: HK$53,249,000). Properties held have committed tenants for one to ten years.

At 31 March 2020, the Group had contracted with tenants for the following future minimum lease payments:

	2020 **HK$'000**	2019 HK$'000
Within one year	**26,607**	32,523
In the second year	**21,801**	22,542
In the third year	**17,980**	19,097
In the fourth year	**14,720**	16,752
In the fifth year	**12,289**	15,439
After fifth year	**15,843**	42,296
	109,240	148,649

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 years ended 31 March 2020 and 2019, the Group had entered into the following material transactions with related parties:

(a) Compensation of key management personnel

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

	2020 HK$'000	2019 HK$'000
Salaries and other short-term benefits	**12,064**	11,684
Pension scheme contributions	**535**	516
	12,599	12,200

(b) Rental income from a related company

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

	2020 HK$'000	2019 HK$'000
Rental income		
Wo Hua Commercial Management (Shanghai) Co., Ltd ("Wo Hua") (note)	**15,050**	21,809

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

(c) Management fee paid to a related company

Management fee including amounts paid and payable to a related company is as follow:

	2020 HK$'000	2019 HK$'000
Management fee		
Shanghai Chun Chuan Property Service Company Limited ("Shanghai Chun Chuan") (note)	**1,924**	1,819

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

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

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

	2020 HK$'000	2019 HK$'000
Shanghai Pengxin (Group) Company Limited ("Shanghai Pengxin") (note)	**4,122**	–

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

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 30) HK$'000	Other borrowings (note 30) HK$'000	Interest payable (note 27) HK$'000	Total HK$'000
At 31 March 2018 and 1 April 2018	–	1,119,651	2,177	1,121,828
Exchange alignment	–	(47,582)	–	(47,582)
Interest expenses	–	–	86,594	86,594
Interest paid	–	–	(69,906)	(69,906)
Acquisition of subsidiaries (note 35)	22,271	–	–	22,271
New bank and other borrowings raised	–	1,250,912	–	1,250,912
Repayment of bank and other borrowings	(15,477)	(1,435,869)	–	(1,451,346)
At 31 March 2019	6,794	887,112	18,865	912,771

	Lease liabilities (note 18) HK$'000	**Bank borrowings (note 30) HK$'000**	**Other borrowings (note 30) HK$'000**	**Interest payable (note 27) HK$'000**	**Amount due to a related company (note 28) HK$'000**	**Total HK$'000**
At 31 March 2019	**–**	**6,794**	**887,112**	**18,865**	**–**	**912,771**
Initial application of HKFRS 16	**5,272**	**–**	**–**	**–**	**–**	**5,272**
At 1 April 2019	**5,272**	**6,794**	**887,112**	**18,865**	**–**	**918,043**
Exchange alignment	**(13)**	**–**	**(48,890)**	**(523)**	**–**	**(49,426)**
Interest expenses	**212**	**981**	**–**	**92,720**	**4,122**	**98,035**
Lease cancellation	**(155)**	**–**	**–**	**–**	**–**	**(155)**
Repayment of lease liabilities	**(2,362)**	**–**	**–**	**–**	**–**	**(2,362)**
Interest paid	**–**	**(981)**	**–**	**(95,971)**	**–**	**(96,952)**
Deemed capital contribution from a substantial shareholder	**–**	**–**	**–**	**–**	**(36,767)**	**(36,767)**
New bank and other borrowings raised	**–**	**14,606**	**345,333**	**–**	**–**	**359,939**
Loan from a related company	**–**	**–**	**–**	**–**	**170,580**	**170,580**
Repayment of bank and other borrowings	**–**	**(10,325)**	**(514,333)**	**–**	**–**	**(524,658)**
At 31 March 2020	**2,954**	**11,075**	**669,222**	**15,091**	**137,935**	**836,277**

40. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, loan receivables, financial asset at fair value through profit or loss, trade and other payables and bank and other borrowings, amount due to a related company and lease liabilities. 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

	2020	2019
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost	**171,723**	212,842
Financial asset at fair value through profit or loss	**578,384**	911,924
Financial liabilities		
Amortised cost	**890,377**	969,269

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 in the PRC, Hong Kong and Bolivia, majority of transactions are denominated in RMB, Hong Kong dollars and USD. 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, a 5% weakening of RMB against HK$, a positive number below indicates an decrease in post-tax loss and other equity, vice versa. The Group's post-tax loss and the Group's equity would be decreased by approximately HK$55,000 (2019: HK$54,000).

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities as at 31 March 2020 and 2019 are as follows:

	Assets		**Liabilities**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**16**	24	**1,332**	1,328

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 asset 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, post-tax loss for the Group would be decreased/increased by approximately HK$21,689,000 (2019: post-tax loss decreased/ increased by approximately HK$34,197,000) as a result of the changes of fair value of financial asset 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 2020 and 2019 in relation to each class of recognised financial assets is the carrying amount of those assets.

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 non-rated 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 addition, the Group performs impairment assessment under ECL model on trade balances from its trade customers based on provision matrix.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

In relation to the other receivables and loan receivables, the Group estimates the ECL, whether the credit risk of other receivables and loan receivables has increased significantly since initial recognition, the Group consider that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2020 and 2019:

As at 31 March 2020	**Expected loss rate %**	**Gross carrying amount HK$'000**	**Allowance for expected credit loss HK$'000**
Less than 30 days (not past due)	**2.87**	**1,361**	**39**
31 to 60 days (not past due)	**1.56**	**64**	**1**
61 to 90 days (past due)	**4.56**	**1,141**	**52**
91 to 120 days (past due)	**8.17**	**2,937**	**240**
121 to 180 days (past due)	**8.22**	**3,772**	**310**
More than 180 days (past due)	**8.70**	**816**	**71**
		10,091	**713**

As at 31 March 2019	Expected loss rate %	Gross carrying amount HK$'000	Allowance for expected credit loss HK$'000
Less than 30 days (not past due)	0.16	6,756	11
31 to 60 days (not past due)	1.53	196	3
61 to 90 days (past due)	–	–	–
91 to 120 days (past due)	–	27	–
121 to 180 days (past due)	–	10	–
More than 180 days (past due)	3.06	98	3
		7,087	17

40. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables and prepayments as at 31 March 2020 and 2019:

As at 31 March 2020

12-month or lifetime ECL	Expected loss rate %	Gross carrying amount HK$'000	Allowance for ECL HK$'000
Lifetime ECL	**38.5**	**196,596**	**75,658**
Lifetime ECL (credit-impaired)	**72.2**	**23,608**	**17,045**
		220,204	**92,703**

As at 31 March 2019

12-month or lifetime ECL	Expected loss rate %	Gross carrying amount HK$'000	Allowance for ECL HK$'000
Lifetime ECL	31.8	238,206	75,746
Lifetime ECL (credit-impaired)	72.0	24,997	18,005
		263,203	93,751

The following table provides information about the Group's exposure to credit risk and ECL for loan receivables as at 31 March 2020 and 2019:

As at 31 March 2020

12-month or lifetime ECL	Expected loss rate %	Gross carrying amount HK'$000	Allowance for ECL HK$'000
Lifetime ECL	**29.9**	**61,006**	**18,225**
		61,006	**18,225**

As at 31 March 2019

12-month or lifetime ECL	Expected loss rate %	Gross carrying amount HK$'000	Allowance for ECL HK$'000
Lifetime ECL	14.0	61,006	8,531
		61,006	8,531

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 %	On demand or less than 1 month HK$'000	Between 1 and 3 months HK$'000	Between 3 months and 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 2020								
Trade and other payables	–	69,191	–	–	–	–	69,191	69,191
Bank and other borrowings	5.25%-13.0%	339,063	19,855	352,524	4,880	538	716,860	680,297
Lease liabilities	5.0%	191	383	1,721	765	–	3,060	2,954
Amount due to a related company	12.9%	–	–	–	170,580	–	170,580	137,935
		408,445	20,238	354,245	176,225	538	959,691	890,377

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	Between 1 and 3 months HK$'000	Between 3 months and 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 2019								
Trade and other payables	–	75,363	–	–	–	–	75,363	75,363
Bank and other borrowings	5.5%-12.5%	366,208	26,833	558,569	5,135	1,663	958,408	893,906
		441,571	26,833	558,569	5,135	1,663	1,033,771	969,269

Borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amounts of these borrowings amounted to approximately HK$335,889,000 (2019: HK$357,176,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid within one year (2019: within one year) after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements and the facility letters. At that time, the aggregate principal and interest cash outflows of approximately HK$346,051,000 (2019: HK$385,781,000) will be repaid within one year.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

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 that are measured at fair value at 31 March 2020 and 2019:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 March 2020				
Financial asset at fair value through profit or loss	**578,384**	**–**	**–**	**578,384**
As at 31 March 2019				
Financial asset at fair value through profit or loss	911,924	–	–	911,924

Details of the Group's financial asset that are measured at fair value at 31 March 2020 and 2019 were set out in the note 25 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 at amortised cost in the consolidated financial statements approximate their fair values.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

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 net debt over total equity. This ratio is calculated as bank and other borrowings, amount due to a related company and lease liabilities 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:

	2020 **HK$'000**	2019 HK$'000
Bank and other borrowings (note 30)	**680,297**	893,906
Amount due to a related company (note 28)	**137,935**	–
Lease liabilities (note 18)	**2,954**	–
Less: Cash and cash equivalents (note 26)	**(16,188)**	(79,975)
Net debt	**804,998**	813,931
Total equity	**1,989,547**	2,584,656
Gearing ratio	**40.46%**	31.49%

41. 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
國中(天津)水務有限公司(i)	PRC	RMB900,000,000	100	–	Investment holding
Action Investments Limited	Hong Kong	100	99	1	Property investment
Jet Source Investments Limited	Hong Kong	2	50	50	Property investment
External Fame Limited	The British Virgin Island (the "BVI")	USD1	–	100	Investment holding
Success Flow International Limited	BVI	USD1	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(i)	PRC	RMB45,000,000	–	100	Property investment
北京博雅宏遠物業管理有限公司(i)	PRC	RMB20,000,000	–	100	Property investment
Omnigold Resources Limited	BVI	USD1	–	100	Property investment
Interchina Finance (H.K.) Limited	Hong Kong	10,000	–	100	Provision for financial services
EverChina Resources Holdings Limited	Hong Kong	100	100	–	Investment holding
Universe Glory Limited	BVI	USD50,000	–	100	Natural resources investment
PT. Satwa Lestari Permai	Indonesia	IDR5,000,000,000	–	95	Exploration, mining processing and sale of manganese resources
EverChina Hotel Investment Limited	BVI	USD10,000	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(i)	PRC	RMB2,000,000	–	100	Hotel management

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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 Corporate Services Limited	Hong Kong	10,000	100	–	Corporate management
All Yield Investments Limited	BVI	USD50,000	–	100	Natural resources investment
上海欣竑投資有限公司(ii)	PRC	RMB650,000,000	–	100	Property investment
Pengxin Agricultural Holdings Company Limited	BVI	USD100	100	–	Investment holding
Sociedad Argopecuaria Argotanto S.A.	Bolivia	BOB12,000	–	100	Cattle raising and sales of cattle
Empresa Agropecuaria Novagro S.A.	Bolivia	USD1,327,370	–	100	Agricultural farming

Notes:

(i) Registered as wholly-owned foreign enterprises under the PRC law.

(ii) Registered as sole shareholder limited liability company under the PRC law.

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

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

	2020 HK$'000	2019 HK$'000
Non-controlling interests percentage	5%	5%
Current assets	359	391
Non-current assets	179,133	179,133
Current liabilities	(18,871)	(18,067)
Net assets	160,621	161,457
Equity attributable to owners of the Company	122,683	123,478
Non-controlling interests	37,938	37,979

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests *(Continued)*

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Turnover	**–**	–
Loss for the year	**(836)**	(94,140)
Loss for the year attributable to:		
Owners of the Company	**(795)**	(89,432)
Non-controlling interests	**(41)**	(4,708)
	(836)	(94,140)
Total comprehensive loss attributable to:		
Owners of the Company	**(795)**	(89,432)
Non-controlling interests	**(41)**	(4,708)
Total comprehensive loss for the year	**(836)**	(94,140)
Net cash used in operating activities	**(13)**	(182)
Net decrease in cash and cash equivalents	**(13)**	(182)

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

42. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 on 1 April 2019. Under the transition method, comparative informations is not restated. Further details of the change in accounting policies are disclosed in note 3.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2020.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2020

RESULTS

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**137,199**	78,064	89,912	67,951	86,811
(Loss)/profit before taxation	**(543,568)**	(628,770)	(678,636)	106,152	(682,959)
Tax credit/(expense)	**14,457**	23,810	(97,237)	(5,386)	(1,591)
(Loss)/profit for the year from continuing operations	**(529,111)**	(604,960)	(775,873)	100,766	(684,550)
Loss for the year from discontinued operations	**–**	–	–	(18,422)	(1,320)
(Loss)/profit for the year	**(529,111)**	(604,960)	(775,873)	82,344	(685,870)
Owners of the Company	**(529,070)**	(600,252)	(775,807)	82,403	(685,672)
Non-controlling interests	**(41)**	(4,708)	(66)	(59)	(198)
(Loss)/profit for the year	**(529,111)**	(604,960)	(775,873)	82,344	(685,870)

ASSETS AND LIABILITIES

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,996,728**	3,689,049	4,520,715	4,873,812	4,477,067
Total liabilities	**(1,007,181)**	(1,104,393)	(1,373,254)	(1,230,414)	(726,607)
Non-controlling interests	**(37,938)**	(37,979)	(42,687)	(42,753)	(42,812)
Shareholders' funds	**1,951,609**	2,546,677	3,104,774	3,600,645	3,707,648

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