Prosperity International Holdings (H.K.) Limited

昌興國際控股(香港)有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 803

Annual Report 2013

Evolution
Growth
Value

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Mr. SUN Yong Sen, *Deputy Chairman*
Dr. MAO Shuzhong
Mr. LIU Yongshun
Mr. Johannes Petrus MULDER
Ms. Gloria WONG
Mr. KONG Siu Keung

Non-executive Director

Mr. LIU Benren, *Deputy Chairman*

Independent Non-executive Directors

Mr. YUEN Kim Hung, Michael
Mr. YUNG Ho
Mr. CHAN Kai Nang
Mr. MA Jianwu

QUALIFIED ACCOUNTANT

Mr. KONG Siu Keung, *FCPA, FCCA*

COMPANY SECRETARY

Mr. KONG Siu Keung, *FCPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. WONG Ben Koon
Mr. KONG Siu Keung

AUDIT COMMITTEE

Mr. YUEN Kim Hung, Michael, *Chairman*
Mr. YUNG Ho
Mr. MA Jianwu

REMUNERATION COMMITTEE

Mr. YUEN Kim Hung, Michael, *Chairman*
Mr. YUNG Ho
Mr. CHAN Kai Nang

NOMINATION COMMITTEE

Mr. CHAN Kai Nang, *Chairman*
Mr. MA Jianwu
Mr. KONG Siu Keung

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Kowloon
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Bermuda

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
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Hong Kong

STOCK CODE

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AUDITOR

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Certified Public Accountants
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Caroline Centre
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28 Yun Ping Road
Hong Kong

SOLICITORS

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Bank of China Tower
1 Garden Road
Central
Hong Kong

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Hong Kong Branch
Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited
Overseas-Chinese Banking Corporation Limited
Rabobank International Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Bank of East Asia Limited

COMPANY WEBSITE

www.pihl-hk.com

Chairman's Statement

Prosperity International Holdings (H.K.) Limited (the "Company", together with its subsidiaries, collectively the "Group") underwent a difficult and challenging fiscal year 2013 because its mainstay business of iron ore trading was affected by China's transformation from an export-oriented economy into a domestic consumption-driven one, and higher volatility of iron ore price. Nevertheless, the Group had been adapting itself to the changes by transforming itself into a principal from an agent trader of iron ore. Similarly, our real estate strategy of identifying well-located development sites in major cities sets to pay off handsomely in fiscal 2014.

RESULTS OVERVIEW

The Company saw its results decrease significantly for the year ended 31 March 2013 (the "Year") mainly because its 64.07%-owned and London-listed subsidiary, Prosperity Minerals Holdings Limited ("PMHL"), took a more cautious approach to iron ore trading and reduced the shipment of the commodity to 2.8 million tonnes, down from the 4.8 million tonnes for the previous fiscal year amid China's slowing economic growth and the highly volatile iron ore price movement. Turnover decreased by 43% to approximately HK$3,512 million for the Year compared with the HK$6,190 million for the year ended 31 March 2012. Net loss attributable to owners of Company for the Year was HK$206 million, representing an increase of approximately 320% as compared to HK$49 million in the previous year. The board of directors of the Company (the "Board") does not recommend a payment of final dividend for the Year (2012: nil).

BUSINESS REVIEW

Iron Ore Operations

The iron ore industry and market have been undergoing fundamental changes in recent years, as a result of the iron ore pricing mechanism has already changed from an annual benchmark to a quarterly pricing since 2010. At the same time, the major producers of iron ore sought to transact a larger proportion of their business directly with steel mills. Both these factors squeezed the iron ore traders' margins and resulted in high volatility of iron ore price which is why we have re-cast our iron ore trading model and chosen to invest directly in future raw material supplies at competitive prices.

This also means a shift from a traditional, low-capital employed, but low-margin, trading model to a more capital-intensive one which will improve both profitability and the quality of earnings. For instance, the Group signed off-take agreements with iron ore producers and the tonnage is guaranteed in the short, medium and long term. During the Year, United Goalink Limited ("UGL"), a 35% held iron ore exploration and production firm in Brazil, sold 111,490 tonnes of raw, unprocessed iron ore with an iron content of approximately 58% (2012: 218,808 tonnes), and reported an attributable loss of HK$43 million (2012: loss of HK$13.2 million). The sales volume decreased and the loss widened because UGL withheld shipments until the new processing plant became operational. Construction of the processing plant was completed in May 2013 and trial production has commenced. The plant will gradually increase its annual production capacity to 900,000 tonnes. The increase in production volume will also reduce production cost per tonne.

Property Investment and Development

Our key development project is the Oriental Landmark which is being built in the heart of Guangzhou, one of China's great cities and a regional capital in the southern PRC which enjoys consistent economic growth year on year. Residential sales here are robust and the selling price per square metre has exceeded our original targets, which means we expect to make a very good return, the majority of which will come in the fiscal year 2014. Indeed, under Hong Kong Financial Reporting Standards ("HKFRS"), revenue and profit on property sales is only recognised on completion and when legal title passes to the buyer. For the large part, these titles will be issued in the fiscal year 2014. As the project moves towards final completion, we can also begin letting the 35,868 square metres of retail and commercial space plus 500 car parking spaces in one of the busiest parts of Guangzhou. This will provide the Group with recurrent and growing rental income over time.

Meantime, in Zhangzhou City, near Xiamen in Fujian Province, progress in a joint venture to develop a recreational, commercial and residential scheme has been slower than expected. This is due to a combination of changes in government policy (central and local) and a less buoyant market. However, Xiamen is a special economic zone in the PRC and the economic and financial centre of Fujian Province and we remain confident of long term success here.

In real estate, too, we know when it is time to sell and, in Hangzhou, we have done just that. The divestment is our share (50%) of a commercial real estate development site for RMB220 million.

Finally, our sole investment property, also in Guangzhou, SilverBay Plaza continues to enjoy 98% occupancy.

Clinker and Cement Business

During the Year, China's clinker and cement exports were affected because the country's competitiveness decreased on the back of inflation, a strong currency of Renminbi and its high domestic demand for the commodity. The Group adapted its cement and clinker procurement strategy to cope with the challenging operating environment by sourcing the commodity from lower cost countries such as Vietnam and finding other countries which can supply the commodity of quality at competitive prices. The business segment recorded revenue of approximately HK$465 million.

The Group has two cement operations through PMHL. They are PMHL's 33.06%-held Anhui Chaodong Cement Company Limited ("ACC") and PMHL's 16.11%-held TCC Liaoning Cement Company Limited ("TCC Liaoning Cement").

ACC reported an attributable profit of HK$23.6 million for the Year, down from the HK$121.1 million of the previous fiscal year due to a weaker demand for cement in the region of ACC amid a slowdown in the local real estate market. This was exacerbated by a temporary delay in construction of the National Express Rail Link. ACC is listed on the Shanghai Stock Exchange and on 21 June 2013, our stake was worth approximately HK$1,245 million. TCC Liaoning Cement, which is located near Shenyang, the capital city of Liaoning Province in the northern China, reported an attributable profit of HK$9.7 million, down from the HK$16.4 million of the previous fiscal year. In February 2013, we agreed to sell our interests in TCC Liaoning Cement for RMB144.5 million (approximately HK$180 million). This is a further example of the Group's ability to generate excellent returns on its investments.

Business Operations of Public Ports and Related Facilities

The Group started developing a public port and providing warehousing services in Jiangsu province, mainland China, by setting up a joint venture in October 2006. Located in Jiangdu Economic Development Zone, the public port is one of the few deep water ports along the Yangtze River Delta accommodating ten berth docks (which include three berth docks for 70,000-tonnage vessels with deepwater coastline of 795 metres and seven berth docks for 5,000-tonnage vessels) and a terminal storage area of approximately 340,000 square metres with stockpiling capacity of 350 million tonnes. The terminal has an annual throughput capacity of 20 million tonnes. The construction of all the berths was completed. The port operation recorded a turnover of HK$120 million for the Year and handled approximately 10,483,000 tonnes of throughput, of which the majority were coal. It posted an attributable profit of HK$5.7 million to the Group.

PROSPECTS

In all my time of trading iron ore — over some two decades — I have not seen the market behave like it is now. For example, spot prices can move by double digit percentages in a single day; and Chinese steel mills, including a number of the Group's long term customers, continue to suffer intermittent losses. This means we have also had to change the way our iron ore trading business operates; and we continue to transition from agent to principal. But this is not a quick fix, it takes time.

It also takes time to develop large mixed-use real estate developments. But, again, as we are proving in Guangzhou, the benefits are substantial when they come. Here, the vast bulk of the 649 residential units at Oriental Landmark will be completed and legally sold (under HKFRS) in the fiscal year 2014. This means we can then book the revenue and profit; and, as at mid-June, contracted sales were worth HK$2,468 million. Elsewhere, we have also just agreed to sell a raw development site in Hangzhou on which we expect to book a double digit return without even putting a spade in the ground.

We sold the bulk of cement manufacturing businesses for HK$3,900 million in 2010, but continue to own two legacy investments. The smaller of these is a 16.11 % interest in TCC Liaoning Cement and, in February, we agreed to sell it and received RMB 115.6 million on 27 June 2013 with the balancing 20% of the consideration to be paid upon completion.

Turning to ACC, this is a listed company in which we own just over 33%. The value of this stake is HK$1,245 million.

We mainly trade with customers in the PRC and the new government here has had its share of short term challenges; not least slowing economic growth — albeit still around 7% per annum. In the medium to longer term, the sheer scale of the nation, its vast wealth and population underwrite a bright future.

I believe the Group will share in China's growth and, empirically, it has proven itself to be an effective and very profitable developer and trader in business — and of businesses. No more so will this be true than in fiscal 2014, when I expect to report a very substantial recovery in profits.

WORDS OF THANKS

On behalf of the Group, I would like to express my gratitude to our shareholders and business partners for their support and to the management and staff for their dedication in the past year. I believe we can create a bright future with our concerted effort.

WONG Ben Koon
Chairman

Hong Kong, 28 June 2013

Management Discussion and Analysis

Management Discussion and Analysis

RESULTS OVERVIEW

During the Year, the Group recorded a turnover of approximately HK$3,512 million, representing a decrease of 43% compared with the HK$6,190 million for the year ended 31 March 2012. Gross profit decreased by 40% to approximately HK$73 million from HK$122 million of the previous year. Net loss for the year was approximately HK$318 million, the net loss of the previous year was approximately HK$36 million. Basic loss per share was HK3.218 cents, the loss per share of the previous year was HK0.772 cents.

The Board does not recommend the payment of final dividend for the Year (2012: nil).

BUSINESS OVERVIEW

Iron Ore Operations

The Group is engaged in the trading of iron ore through its 64.07% owned subsidiary, Prosperity Minerals Holdings Limited ("PMHL"). It either purchases iron ore directly from suppliers (principally mine owners) to sell to customers in the PRC or acts as agent between mine operators and customers.

PMHL has over 20 years experience in iron ore trading, which, together with long-standing relationships with raw material suppliers and port operators, enables the iron ore trading team to

provide a highly valuable service to both suppliers and customers. In particular, PMHL offers support in the areas of logistics, financial solutions and technical support, as well as assisting customers to locate and acquire iron ore which meets their requirements.

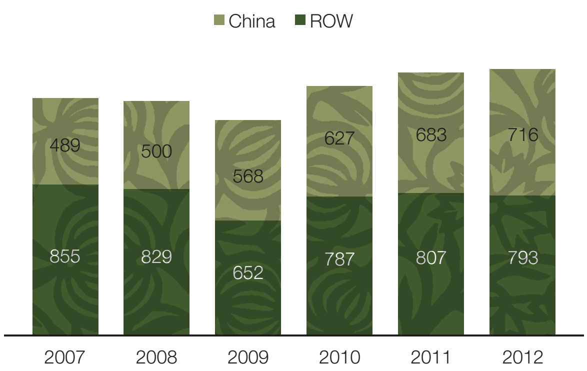
During the year under review, PMHL's iron ore trading business sourced iron ore directly from suppliers in South Africa, Brazil and South East Asia, in particular Malaysia.

The majority of the Group's clients are among the top 20 largest steel mills in the PRC.

PMHL holds an effective 35% interest in United Goalink Limited ("UGL"), a Brazilian mining operation which owns approximately 600 square kilomtres of exploration rights and 3 square kilometres of mining concession in the State of Ceará in the north east of the country.

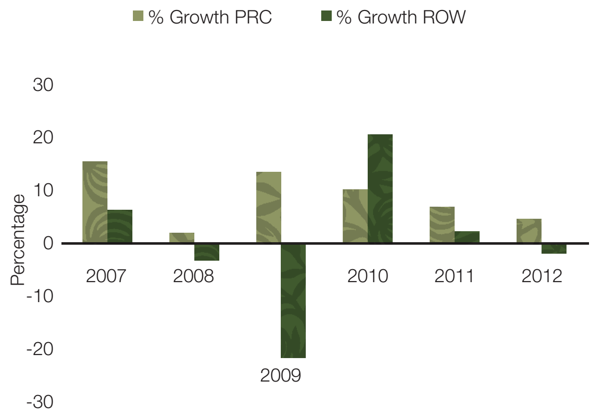
Since 27 February 2013, PMHL also owns an iron ore processing plant in Malaysia (the "Gebeng Plant") which is leased back to one of PMHL's long term iron ore suppliers on an exclusive basis for a fee of HK$19.5 million per annum.

Global Steel Production: China vs Rest of the World 2007-2012 (in million tonnes)



Source: Worldsteel

Percentage Growth in Steel Production: The PRC and the Rest of the World (ROW)



Source: Worldsteel

PRC Steel Market

The Chinese steel industry passed a further milestone in 2012 with crude steel production of 716 million tonnes, a 4.8% increase from 2011. This record was achieved despite slower GDP growth in China and represented 47.4% of global production (2007: 36.3%; 2011: 45.8%). By comparison, Japan, the second largest producer after China, produced just 107 million tonnes of crude steel in 2012 is equivalent to some 15% of Chinese production.

Annual growth of 4.8% means some extra 33 million tonnes, which is higher than the total production of the tenth largest global producer, Turkey. However, the rate of growth in Chinese steel production has been slowing since 2009 in tandem with slower GDP growth in the country, especially in 2012. In the most recent four quarters, it has been less than 8% for the first time in 20 years. Nonetheless, the concensus view amongst leading economists, including HSBC and Goldman Sachs, is that growth this year will be between 7.0 and 7.5%, which remains the envy of most other major economies.

The continued growth of the Chinese economy and, specifically, its steel industry means that commensurate, and even relatively small, percentage increases in the demand for raw materials, such as iron ore and coal, are putting real pressure on raw materials suppliers. For example, a 33 million tonnes increase in annual steel production creates an incremental iron ore requirement of approximately 60 million tonnes, which is substantially more than the total annual iron ore exports to China from South Africa, its third largest supplier.

Per capita apparent steel consumption in China, however, is still at a relatively low level of around 480 kilogrammes compared to, for example, South Korea (ca. 1156 kg.) and even Japan (ca. 506 kg.). This underlines both the Chinese economy's continuing development towards maturity — and the scale of the potential growth in the steel market.

PRC Iron Ore Market

The PRC imported a record 745 million tonnes of iron ore in 2012, an increase of 8.6% compared to 2011 and almost double total imports in 2007. Domestic production of iron ore, however, decreased by 17 million tonnes (1%) to 1,310 million tonnes. This stabilization in domestic production of comparatively lower quality iron ores, typical of the Chinese material, together with the concurrent increase in imports, underlines how imported iron ore is becoming increasingly available. Accordingly, the average import price of iron ore delivered to China declined by 22% year-on-year to US$128 per tonne in 2012 (2011: an increase of 27%).

PRC Supply of Iron Ore to Steel Mills

	Domestic Production (crude ore)		Imports	
Year	**Million tonnes**	**% change**	**Million tonnes**	**% change**
2007	707	+18	384	+17
2008	808	+13	444	+16
2009	880	+8	628	+41
2010	1,043	+19	619	–2
2011	1,327	+27	686	+11
2012	1,310	–1	745	+8.6

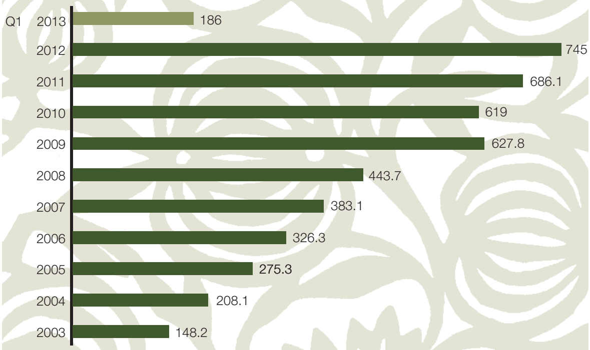
Source: umetal.com

The PRC also continues to diversify its supply of iron ore. However, it still relied on Australia and Brazil for 69% of its imports in 2012. South Africa is now number three, albeit accounting for a market share of just 6% (some 41 million tonnes). However, it is significant that the former number three, India, saw imports to China fall for the second year in a row to only 33 million tonnes-which is around a third of its 2010 tally.

In total, however, the PRC imported iron ore from more than 57 countries in 2012 and the number of countries supplying in excess of 1 million tonnes has increased from 18 in 2007 to 26 in 2012 (2011: 23), which is a direct result of the Chinese Government's policy to diversify the nation's supply base. Of these countries, 9 supplied more than 10 million tonnes in 2012 (2007: 1; and 2011: 6), which confirms the rise of midsize suppliers to the Chinese steel industry.

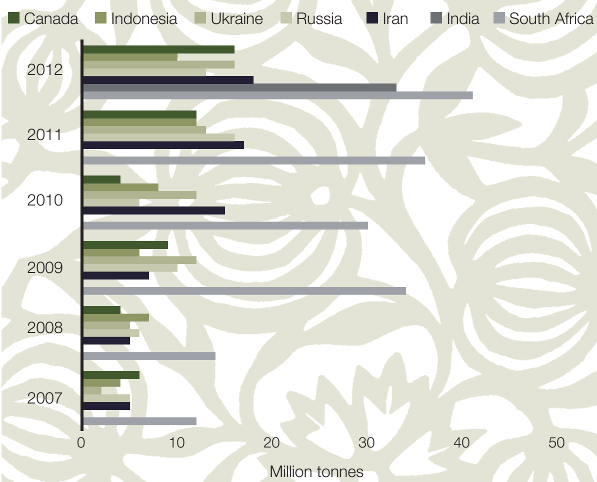
In order to benefit from further growth in the Chinese steel industry, some of the traditional suppliers of iron ore-and new comers-have embarked on expansions of their current operations in a variety of geographical locations. Given the slowing in Chinese GDP growth and an enduringly difficult global economic climate, a number of these schemes has been put on hold or even abandoned. Not all of them will be ultimately viable and some were simply under-funded. Against this backdrop, the Group has continued with its strategy of becoming more directly involved in the exploration and mining of iron ore-and in securing off-take agreements. But, it does so on a highly selective basis and brings with it a well funded balance sheet.

PRC Iron Ore Import Quantities 2003-12 and Q1 2013 (in million tonnes)



Source: umetal.com and Tex Report

Mid-sized suppliers of iron ore to the PRC 2007-2012 (million tonnes)



Source: Tex Report

Management is confident about the medium to long term prospects for iron ore in China. For example, right now just over half the population is urbanised — compared with more than 80% in Brazil — and this is expected to rise to 70% within five years. Indeed, on current urban migration rates, it needs to both expand existing cities and build 1,000 more during the next decade, according to China Confidential. As a result, steel intensity has yet to peak, so iron ore demand could almost double to 1.9 billion tonnes by 2030, forecasts Raw Materials Group.

Iron Ore Trading

PMHL has been sourcing iron ore from major international iron ore producers in South Africa, Brazil, Australia and some countries in Southeast Asia such as Thailand and Malaysia and shipping the commodity to mainland China for the country's consumption since 1992. PMHL mainly sells the iron ore to the country's large steel mills.

For the year ended 31 March 2013, PMHL shipped a total of 2.8 million tonnes of iron ore, down from the 4.8 million tonnes for the previous fiscal year ended 31 March 2012, and incurred a segment loss of HK$55.9 million (2012: profit of HK$36.9 million). PMHL decreased the volume of iron ore shipments because it adopted a more selective approach in accepting shipments during the Year in view of the significant price volatility in the iron ore market. For example, at the end of July 2012, a customer, for the first time, reneged on an agreement to accept a shipment of 200,000 tonnes of iron ore. PMHL subsequently found other buyers in the spot market, but at a lower price which resulted in a loss of approximately HK$27 million. The reduced number of shipments also underlined the importance of increasing PMHL access to reliable medium to long term supplies of iron ore at competitive prices, either as principal or by signing off-take agreements.

On 6 February 2013, PMHL announced that its prepayment to Century Iron Ore Holdings Inc. ("Century") had been reduced to zero and the full HK$62.4 million has been returned to PMHL as per the agreement between the parties. Otherwise, the terms of the Century Off-take Agreement remain unchanged.

On 6 February 2013, PMHL entered into a supplementary agreement with Blackrock Metals Inc. ("Blackrock") in which the first shipment date of iron ore was extended to no later than June 2015. At the same time, PMHL was awarded an additional 800,000 tonnes of iron ore, at the same discount to the prevailing market price, to the 4 million tonnes of iron ore in the original Blackrock Iron Ore Off-take Agreement at no extra cost.

On 27 February 2013, PMHL announced that it had completed a master restructuring agreement ("Master Restructuring Agreement") with several independent suppliers and distributors nominated by a supplier (the "Supplier") related to the settlement of outstanding prepayments made by PMHL to secure reliable and competitively priced iron ore. Under the terms of the Master Restructuring Agreement, PMHL utilised part of the prepayment cash to acquire the Gebeng Plant from the Supplier for HK$152.1 million. PMHL has leased the plant back to the Supplier, on an exclusive basis for a fee of HK$19.5 million per annum. PMHL also has the option to require the Supplier to repurchase the Gebeng Plant at a price equal to the consideration plus an annual rate of return of 8% between 27 February 2013 and the date of the exercise of the option. During the Year, PMHL received HK$1.7 million according to the lease agreement.

Investment in UGL

PMHL holds an effective 35% interest in UGL, a joint venture company engaged in the exploration and production of iron ore in the State of Ceará, Brazil. UGL owns exploration rights over a mining site of approximately 600 square kilometres and

mining concession over a site of 3 square kilometres in Ceará. During the Year, UGL reported an attributable loss of HK$43 million (2012: loss of HK$13.2 million).

During the Year, UGL sold 111,490 tonnes of raw, unprocessed iron ore with an iron content of approximately 58% (2012: 218,808 tonnes). The decrease reflected a decision by the management to withhold shipments until the new processing plant became operational. The improved iron content after processing will enable PMHL to sell the processed iron ore at higher prices. Construction of the processing plant was completed in May 2013 and trial production has commenced. The plant will increase the quality of iron ore to 63% iron content, or higher, and gradually increase its annual production capacity to 900,000 tonnes.

On 17 June 2013, PMHL announced that it had agreed to provide UGL with an additional loan of US$12 million (HK$93.6 million) at an interest rate of 12% per annum. On full drawdown, PMHL's total outstanding loans to UGL will amount to approximately HK$388.4 million. To date, the loans utilised by UGL have been invested in: (i) construction of its processing plant; (ii) the upgrading of other facilities plus administrative and operating costs; and (iii) limited exploration on new sites. Over time, the increased volumes and the production of higher quality, higher priced iron ore should lower production costs per tonne and enhance both profit and cash flow to PMHL.

All loans and interest will be repaid from production proceeds on a tonne by tonne basis, with full payment expected within three years of the production target being achieved.

Real Estate Investment and Development

Total investment in real estate development in 2012 in the PRC rose 16.2% to RMB7.2 trillion; and this included investment in residential buildings worth RMB4.9 trillion, which was up 11.4%. Similarly, in the first five months of 2013 total investment was 20.6% higher at RMB2.7 trillion. All data come from the National Bureau of Statistics (NBS).

In 2012, the selling price of newly constructed residential buildings rose in 63 of the nation's 70 large and medium-sized cities in a band from +0.1 to +12.1%. This was followed in April 2013, with annualised selling price rise in all but one of 70 cities in a band from +1.0 to +15.3%.

PMHL owns and develops in a number of regions of the PRC and it is a diminutive but nimble operator. Its model focuses on 'location, location, location', price and profit and, where appropriate, it works together with local partners. The very successful Oriental Landmark residential and commercial development in Guangzhou is an example of success.

Market share is not relevant for PMHL but the Group will benefit from the continued growth in China. For example, in September 2012, the National Development and Reform Commission announced plans to build more than 1,200 miles of roads, nine sewage treatment plants, five ports, and 25 subway and intercity rail projects. This is part and parcel of China's rapid urbanisation and Deputy Minister of Construction Qiu Baoxing is quoted as saying that, "every year, new buildings in China total up to two billion square metres".

China's per capita income has also ballooned over the last five years. In 2005 it was US$4,102. By 2010, it hit US$7,519, according to the Organization for Economic Co-operation and Development ("OECD"), while in 2012, the CIA World Factbook put China's per capita income at US$9,100; albeit this is still less than Brazil and a fifth of the US. This will be a key factor in the demand for residential and commercial space.

China is the World's second largest economy (next to the US); and it is an economy in transition. Here, the migration to the cities and rampant income growth will change how China operates — transformation from an export driven economy to one that is geared more to its local consumers. This also means, according to the OECD, that China will surpass the US as the World's number one by 2016.

1 Guangzhou City, Guangdong Province, PRC

PMHL owns approximately 11,472 square metres of office and commercial space in SilverBay Plaza, an existing commercial building, and has a 55% interest in Oriental Landmark, a new commercial and residential development, both located in downtown Guangzhou. Guangzhou is a regional capital city of southern China and located in the Pearl River Delta, the foremost economic zone.

SilverBay Plaza was completed in 2004 and, as at 31 March 2013, had an occupancy rate of 98%. SilverBay Plaza contributed approximately HK$11 million in rental income during the Year, compared with HK$10 million in the previous fiscal year.

PMHL also holds a 55% interest in a commercial and residential development project known as Oriental Landmark, previously referred to as Dongfang Wende Plaza. Oriental Landmark is located in downtown Guangzhou, just a few minute walk from Beijing Road, a popular pedestrianised shopping street. The development comprises a four-floor shopping arcade with four basement floors (one of which is to be part of the shopping arcade and the other three will form a car park). Above, three residential buildings with 35 floors are being constructed, plus a fourth with 29 floors and a commercial building comprising 26 floors. The aggregate floor area will be approximately 169,204 square metres.

Presales in the first block commenced in December 2011 and up to 21 June 2013, 191 of the 192 units had been sold at an average price of approximately RMB31,000 per square metre.

Presales in the second block began in April 2012 and, up to 21 June 2013, 162 of the 176 units available had been sold at an average price of RMB34,000 per square metre.

Presales in the third block commenced in July 2012 and, by 21 June 2013, 151 of the 155 units had been sold at an average price of RMB38,000 per square metre.

Presales in the fourth block started in October 2012 and, as at 26 June 2013, 100 of the 126 units offered had been sold at an average price of RMB43,000 per square metre.

As at 31 March 2013, contracted sales of residential units amounted to RMB1,810 million (approximately HK$2,263 million), and PMHL had received approximately RMB1,669 million (approximately HK$2,090 million) in cash. Since then, contracted sales have increased to RMB1,974 million (approximately HK$2,468 million), with RMB1,936 million (approximately HK$2,420 million) already received in cash.

The presale prices and results exceeded PMHL's expectations although marketing costs, which included sales commission, exceeded the budget. The net result is very positive for PMHL. Under HKFRS, revenue and profit from property sales are only recognised on completion and when legal title is passed to the buyer. In other words, the recording of revenue and profit is determined by the issue of an occupation permits by the relevant local authorities. PMHL believes that occupation permits will be issued in the fiscal year of 2014, which is also when the first revenue and profit will be booked. In addition, following completion, Oriental Landmark will provide PMHL with recurrent and growing rental income from the 35,868 square metres of commercial area in its shopping arcade and 500 car park spaces when completed.

2 Zhangzhou City, Fujian Province, PRC

In May 2010, PMHL entered into a 50:50 joint venture agreement to develop a property project which integrated recreational, commercial and residential functions in Zhangzhou City, Fujian Province, in the southern China.

The property development project is located 39 kilometres from Xiamen City, which a designated special economic zone in the PRC. Xiamen is the economic and financial centre of Fujian Province and the largest city in the province.

The project offers high-end accommodation and hot spring resort facilities. The joint venture company is buying the land for development in stages, while the land for the hot spring resort facilities is being leased from the local government.

Under the joint venture agreement, PMHL's maximum investment is RMB480 million (approximately HK$594 million). Up to 31 March 2013, PMHL had invested a total of RMB242 million (approximately HK$303 million) in the project.

PMHL is revising the development plan for this project in light of the currently weak property market in the province and the changes in government policies at both the national and provincial levels. However, PMHL remains confident about the long term prospects of this project.

3 Hangzhou City, Zhejiang Province, PRC

On 2 May 2013, PMHL announced that it had conditionally agreed to dispose of its 50% interest in a commercial property development site in Hangzhou, the capital of Zhejiang Province in eastern China, to Hangzhou Xihu Tea Market Company Limited. The consideration for the prospective disposal was RMB221.8 million (approximately HK$277 million).

PMHL acquired a 50% interest in the project in March 2011. The proposed disposal represents a reasonable premium to the value of its equity stake in the investment as in February 2013. Construction of the project, which had originally been due to start in 2012, has not commenced due to the construction permit being delayed. PMHL believe it is prudent to realise a profit from the disposal of its equity interest and use the cash in other more attractive prospective projects and for working capital.

Clinker and Cement Trading Business and Operation

During the Year, the PRC's export of clinker and cement was adversely affected by the country's loss of competitiveness caused by inflation, strong Renminbi and its high domestic demand for clinker and cement.

To combat the challenges of exporting clinker and cement from China, the Group had to adjust its procurement strategy by switching to lower cost countries such as Vietnam, while actively seeking more regions which can supply the commodity with competitive prices and quality. The Group's management experience and expertise along with its extensive regional network helped to alleviate some of the above-mentioned challenges, generating revenue of approximately HK$465 million (2012: HK$309 million).

During the Year, the clinker and cement trading business recorded a profit of HK$12 million, compared with the profit of HK$6 million for the fiscal year 2012.

The Group also has two cement operations through PMHL. They are PMHL's 33.06% held Anhui Chaodong Cement Company Limited ("ACC") and 16.11% held TCC Liaoning Cement Company Limited ("TCC Liaoning").

1. ACC

ACC, which is located in Anhui Province, eastern PRC, reported an attributable profit of HK$23.6 million (2012: HK$121.1 million).

Demand for cement in the region of ACC weakened significantly due to a slowdown in the local real estate market and this was exacerbated by a temporary delay in construction of the National Express Rail Link during the Year.

ACC has a designed saleable production capacity of 6 million tonnes of cement and clinker per annum. Construction of the third two-million tonnes per annum clinker production line at ACC was completed and trial production commenced. During the Year under review, ACC sold 4.7 million tonnes of cement and clinker.

ACC is listed on the Shanghai Stock Exchange, and as at 21 June 2013, its closing share price was RMB12.45, representing ACC's market capitalisation of approximately RMB3.01 billion (approximately HK$3.76 billion) and the market value of approximately HK$1,245 million of the Group's shareholding in ACC.

ACC declared its first cash dividend to shareholders in July 2012 and PMHL received RMB8 million (approximately HK$10 million) in August 2012. In May 2013, ACC declared a final dividend for the year ended 31 December 2012, and the Group is entitled to a dividend of RMB2.4 million (approximately HK$3 million) before tax.

2. TCC Liaoning

TCC Liaoning, which is located near Shenyang, the capital city of Liaoning Province in the northern China, reported an attributable profit of HK$9.7 million (2012: HK$16.4 million).

TCC Liaoning has a designed saleable production capacity of 2 million tonnes of cement and clinker per annum and, during the Year under review, sold 1.9 million tonnes.

On 6 February 2013, PMHL signed a conditional sale and purchase agreement with TCC International Holdings Limited ("TCC International") to sell its 16.11% interest in TCC Liaoning for RMB144.5 million (approximately HK$180 million). PMHL acquired its interest in TCC Liaoning in September 2010 for a consideration of RMB100 million (approximately HK$125 million). Completion of the transaction remains subject to TCC International obtaining the necessary approvals from the Taiwan Investment Commission and its compliance with the listing requirements in Taiwan and Hong Kong. On 27 June 2013, RMB115.6 million was received which represented 80% of the consideration with the balance of 20% expected to be paid during the third quarter of this calendar year.

Granite Material Production

The Group began its granite production business by acquiring the Xiang Lu Shan Granite Mining Site in Guangxi Province, the PRC in 2008. It had the mining permit of the site renewed by the Ministry of Land and Resources in October 2008 for a period of ten years. The permit allows the Group to produce up to 40,000 cubic metres (equivalent to approximately 102,000 tonnes) of granite products per annum. It also owns and operates a feldspar powder plant with a designed annual production capacity of 100,000 tonnes per annum.

In view of the limited license period and increment in costs, an aggregate amounts of HK$25 million was recognised as impairment loss on other intangible assets, property, plant and equipment and non-current prepayments as at 31 March 2013.

Business Operations of Public Port and Related Facilities

In October 2006, the Group started developing a public port and providing warehousing services in Jiangsu province, the PRC, by setting up a joint venture with Anhui Conch Venture Investment Company Limited. The Group owns a 25% stake in the joint venture.

Located in Jiangdu Economic Development Zone, the public port is one of the few deep water ports along the Yangtze River Delta accommodating ten berth docks (which include three berth docks for 70,000-tonnage vessels with deep water coastline of 795 meters and seven berth docks for 5,000-tonnage vessels) and a terminal storage area of approximately 340,000 square metres with stockpiling capacity of 350 million tonnes. The terminal has an annual throughput capacity of 20 million tonnes.

The construction of all the berths was completed. The port operation recorded a turnover of HK$120 million for the Year (2012: HK$35 million) and handled approximately 10,483,000 tonnes of throughput (2012: 2,598,000 tonnes of throughput), of which the majority were coal. It reported an attributable profit of HK$5.7 million for the Year (2012: loss of HK$0.3 million).

With the modern equipment, the public port operation will mainly serve the needs of handling cargoes which call for high quality logistics in Yangzhou and eastern China. It will also become a bulk cargo transshipment base for the upper reaches of the Yangtze River, serving large steel mills, power generation firms and companies engaged in production of building materials and chemicals.

FINANCIAL REVIEW

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the financial statements and the related notes in this report.

Results of Operations

Turnover and net loss attributable to owners of the Company for the year ended 31 March 2013 was HK$3,512 million and HK$206 million, representing a decrease of approximately 43% and an increase of 320% respectively, as compared to HK$6,190 million and HK$49 million, respectively, for the previous financial year. The substantial decrease in turnover was mainly arising from the trading of iron ore and raw materials segment, as the Group adopted a more selective approach in selecting suppliers and customers in view of the significant price volatility in the iron ore market, and hence, the Group shipped a total of 2.8 million tonnes of iron ore, representing a down from 4.8 million tonnes of iron ore for the previous year. The gross profit for the Year was HK$73 million, down from HK$122 million in previous year. The decline in gross profit was in line with lower quantity of iron ore traded for the Year and, in particular at the end of July 2012, a customer, for the first time, reneged on an agreement to accept a shipment of 200,000 tonnes of iron ore and the Group subsequently found other buyers in the spot market, but at a lower price which resulted in a loss of approximately HK$27 million. The basic loss per share for the Year was HK3.218 cents when compared with HK0.772 cents for the previous financial year.

The Group's distribution and selling expenses was HK$82 million for the Year as compared to HK$51 million for the previous financial year. It represented about 2.3% of the revenue for the year ended 31 March 2013 and increased as compared to that of 0.8% for the previous financial year. The increase was mainly due to more promotion and marketing expenses used in the pre-sale of Oriental Landmark.

The Group's administrative expenses represented the staff costs, including the directors' remuneration, the legal and professional fees and other administrative expenses. It slightly decreased of approximately 6% to HK$281 million in 2013.

The Group's finance costs was HK$100 million, of which HK$57 million was capitalized into investment properties under development and properties under development for sale, as compared to HK$89 million, of which HK$53 million was capitalized, for the previous year. The increase was due to the increase in the average amounts of the outstanding bank borrowings with higher average interest rates during the Year. In addition, the Group issued a convertible loan note of principal amount of US$25 million and convertible loan notes of aggregate principal amounts of US$30 million, both bearing interest at the rate of 8.25%, in December 2012 and February 2013 respectively. During the Year, the effective interest expenses on convertible loan notes were approximately HK$17 million (2012: Nil).

The derivative financial instruments represented (i) the 100 unexercised warrants granted by PMHL to various institutional investors to subscribe for 1,290,594 ordinary shares of PMHL which were expired in May 2013; (ii) derivatives embedded in convertible loan notes and (iii) put option granted to convertible loan note holders to require the Company to purchase all or part of ordinary shares of PMHL held by the convertible loan note holders. During the Year, the fair value gain on re-measurement of derivative financial instruments amounted to approximately HK$25 million (2012: HK$7 million).

The Group also invests in listed and unlisted equity securities from time to time. During the year under review, the Group made further investments at the cost of approximately HK$92 million. Based on a mark to market value, however, there has been a net decrease in value which has resulted in an impairment loss of HK$88 million.

MATERIAL PROPOSED ACQUISITION AND DISPOSAL

(i) Acquisition of the entire issued share capital of Billion Win Capital Limited ("Billion Win")

On 29 October 2012, the Company entered into the conditional agreements with All Wealthy Capital Limited ("All Wealthy"), Sun Honest Enterprise Limited ("Sun Honest") and Million Sea Group Limited ("Million Sea") in relation to the sale and purchase of up to 100% of the issued share capital of Billion Win for an aggregate consideration of US$500 million (equivalent to approximately HK$3,900 million), subject to adjustment and a maximum amount of US$650 million (equivalent to approximately HK$5,070 million)("Billion Win Acquisition"). Billion Win and its subsidiaries are principally engaged in (i) the operation of the iron mines located in Sri Jaya, Pahang State, Malaysia (the "Sri Jaya Mines"); (ii) the operation of the iron ore processing plant which is adjacent to the Sri Jaya Mines; and (iii) the sale of iron ore mined in Malaysia.

Further to the above, the Company entered into the memorandum of agreements on 21 December 2012, among other things, All Wealthy agreed to reduce the consideration by US$19.75 million (approximately HK$154.05 million) and upon completion, the Company will offer PMHL an option to buy up to 7.55% interest in Billion Win for US$25 million (approximately HK$195 million). The 7.55% interest is valued at US$37.75 million (approximately HK$294 million), and if PMHL exercises this option, it would also be offered a 10 year iron ore off-take agreement as part of the proposed deal. As at the date of this report, the Billion Win Acquisition is not yet completed and details of the transaction are set out in the Company's announcement dated 18 November 2012, 21 December 2012, 1 March 2013, 21 June 2013 and 28 June 2013.

(ii) Disposal of 16.11% interest in TCC Liaoning

On 6 February 2013, PMHL signed a conditional sale and purchase agreement with TCC International Holdings Limited ("TCC International") to sell its 16.11% interest in TCC Liaoning for RMB144.5 million (approximately HK$180 million). PMHL acquired its interest in TCC Liaoning in September 2010 for a consideration of RMB100 million (approximately HK$125 million). Completion remains subject to TCC International obtaining the necessary approvals from the Taiwan Investment Commission and its compliance with the listing requirements in Taiwan and Hong Kong. On 27 June 2013, RMB115.6 million, representing 80% of the consideration was received. Details of the transaction are set out in the Company's announcement dated 6 February 2013.

EVENT AFTER THE REPORTING PERIOD

On 8 May 2013, the Group entered into a conditional sale and purchase agreement to dispose of its 50% equity interest in a jointly controlled entity, Hangzhou Prosperous Property Limited for a cash consideration of RMB221,800,000 (approximately HK$277,250,000). The completion of this disposal is subject to government approval and is not completed up to the date of this report.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' fund of the Group as at 31 March 2013 was HK$2,211 million (31 March 2012: HK$2,397 million). As at 31 March 2013, the Group had current assets of HK$5,012 million (31 March 2012: HK$3,613 million) and current liabilities of HK$3,783 million (31 March 2012: HK$2,230 million). The current ratio was 1.32 as at 31 March 2013 as compared to 1.62 at 31 March 2012. The Group generally finances its operations with internally generated cash flow, credit facilities provided by its principal bankers in Hong Kong and the PRC and proceed from issuance of convertible loan notes. As at 31 March 2013, the Group had outstanding debts (including bank borrowings and convertible loan notes) of HK$1,673 million (31 March 2012: HK$1,847 million). As at 31 March 2013, the Group maintained time deposits, bank and cash balances of HK$1,426 million (31 March 2012: HK$1,395 million), whilst the pledged deposits amounted to HK$10 million (2012: HK$26 million). The Group's debt-to-equity ratio (total debts over shareholders' equity) decreased slightly from 0.77 as at 31 March 2012 to 0.76 as at 31 March 2013. The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

FOREIGN EXCHANGE EXPOSURE

The trading of the clinker and cement and trading of iron ore and other raw materials are conducted predominantly in US dollars. The granite mining and production business, the property development business and the investment in the joint venture unit for public port operations and cement manufacturing plants are conducted in Renminbi. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the Year. 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.

CHARGE ON GROUP ASSETS

As at 31 March 2013, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits, investment properties, investment properties under development of the Group;

(b) 44.85% equity interests in Lead Hero Investments Limited ("Lead Hero"), an indirectly-owned subsidiary of the Group;

(c) 33.06% equity interests in ACC, an associate of the Group;

(d) assignment of the off-take agreement for a minimum of total 4,800,000 tonnes of iron ore; and

(e) assignment of the Group's sale and purchase agreements of iron ore with the subsidiary of a jointly controlled entity.

COMMITMENTS

As at 31 March 2013, the Group had the following commitments:

(a) Operating lease commitments — as lessee

The Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**7,275**	3,470
In the second to fifth years, inclusive	**5,988**	741
	13,263	4,211

Operating lease payments represent rentals payable by the Group for the office premises and staff quarters. Leases are negotiated for a term of one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Operating lease commitments — as lessor

The Group leases out investment properties and motor vehicles under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 31 March 2013, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**11,349**	10,023
In the second to fifth years inclusive	**10,889**	14,578
After five years	**–**	343
	22,238	24,944

(c) Capital and other commitments

	2013 **HK$'000**	2012 HK$'000
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	**259,639**	29,780

In respect of its interests in jointly controlled entities, the jointly controlled entities are committed to incur capital expenditure of approximately HK$60,411,000 (2012: HK$44,850,000), of which the Group's share of this commitment is approximately HK$30,206,000 (2012: HK$22,425,000).

At 31 March 2013, the Group had several non-cancellable purchase orders for iron ore with its supplier with an amount of approximately HK$199,134,000 (2012: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2013, the Group had a total of 300 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

With a view to retaining certain important employees who will continue to make valuable contribution to the Group, share options to subscribe for shares of the Company in accordance with the share option scheme adopted on 25 September 2009 may be granted. Furthermore, a share option scheme operated by PMHL whereby the directors of PMHL are authorised, at their discretion, to invite employees of PMHL and its subsidiaries, to take up options to subscribe the shares of PMHL.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labor disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relation with its employees.

OUTLOOK

The Group is cautiously optimistic about the prospects of its iron-ore trading business in the coming year because China's demand for the commodity will remain robust although its growth will be moderate following the country's rapid economic expansion in the past three decades.

The country's demand for iron ore will be driven by its government-led investments in railways, highways and other infrastructure projects, which is part of the policy to stimulate the economy. The Chinese government's initiative to press ahead with the country's urbanization also bodes well to the prospects of iron-ore production and trading.

The world's top iron ore producers have already embarked on production capacity expansion plans as they are preparing to capitalize on China's robust demand for iron ore with higher iron content at competitive prices. The iron ore price may become less volatile in the long term if the more advanced and efficient low cost iron core producers have sufficient production capacity to satisfy the growing demand of China and other developing or industrialized countries.

The key to the success in iron ore trading is to secure stable supplies of quality iron ore at competitive prices. The Group has been transforming itself into a principal from an agent trader, and seeking to strike off-take agreements with iron ore producers. Moreover, it is seeking to acquire quality iron ores and upgrading the facilities of its 35%-held iron ore exploration and production company, UGL in Brazil. Presently, the Group is looking forward to the completion of its acquisition of an equity stake in Billion Win, an owner of a Malaysian iron ore operation. The Group is making an all-out effort to develop itself into a solid producer and stable suppler of quality iron ore to tap into China's huge and promising market. It believed that the shift from a traditional, low-capital employed, but low margin, trading model to a more capital-intensive one will ultimately improve its profitability.

As to the Group's property investment and development business, the business segment will have a bumper harvest in its residential and commercial property project, Oriental Landmark, in Guangzhou for the fiscal year of 2014, when the initial profits from the project will be recorded in the financial statement. The Group will continue to identify prime locations of economically vibrant areas of mainland China for its property development, capitalizing on the country's urbanization programme.

Looking ahead, the Group will strive to become a leading supplier of building materials and mineral resources in Asia and continue to seek opportunities in China's property market with an aim of generating good returns to shareholders.

Directors and Senior Management

DIRECTORS

Executive directors

Mr. WONG Ben Koon, aged 60, is one of the co-founders of the Group and the chairman of the Company. Mr. Wong is responsible for deriving the corporate culture and long term strategic plan of the Group. Mr. Wong has extensive experience in building materials and mineral resources industries in the PRC and global markets.

Mr. SUN Yong Sen, aged 67, was appointed as an executive director and deputy chairman of the Company on 23 September 2008. Mr. Sun has in-depth and extensive experience in financial management, business development and project management in steel and energy industries.

Dr. MAO Shuzhong, aged 51, was appointed as an executive director and chief executive officer of the Company on 6 January 2010. Dr. Mao has extensive experience in business management, organization structure and re-organisation, the management of mining iron ore, coal and various other metals, as well as marketing, sales and logistics. Prior to joining the Group, Dr. Mao was the vice chairman and president of Northtonhe Holdings Co. Ltd. from May 2006 to July 2008 and he was the managing director and principal of Auckland Institute of Education, New Zealand from October 2001 to April 2006. He obtained a doctorate degree in economics from Jiangxi University of Finance & Economics, China in 2009, a master's degree in business administration from New York Institute of Technology, U.S.A. in 1999 and a bachelor's degree of arts in English literature from Zhejiang University in Zhejiang, China in 1983.

Mr. LIU Yongshun, aged 52, has been appointed as an executive director of the Company with effect from 19 September 2011. Before the appointment, Mr. Liu was appointed as a deputy chief executive officer of the Company on 1 June 2011 and will continue to hold such position of the Company. Mr. Liu has extensive experience in raw material supply management for iron and steel making, mineral resource development and raw material trading. Mr. Liu obtained his bachelor's degree in ironing making from Maanshan Institute of Iron Steel (East China University of Metallurgy/Anhui University of Technology) in 1983. He subsequently obtained his Executive Master of Business Administration degree from China Europe International Business School in 2005. He was the president of the Department of Mineral Resources, Shanghai Baosteel Group International Economic and Trading Co., Ltd. from November 2001 to May 2005. He was appointed as deputy general manager of the Purchase Centre of Baosteel Corporation from May 2005 to April 2006. He acted as deputy general manager of Baosteel Trading Co., Ltd. from May 2006 to April 2007. In April 2007, Mr. Liu was appointed as non-executive director of APAC Resources Limited ("APAC"), a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and re-designated as executive director and chief executive officer of the APAC in July 2007. Mr. Liu resigned as chief executive officer of APAC in December 2009 and has been re-designated as non-executive director of APAC from April 2010 until he resigned on 1 March 2012.

Mr. Johannes Petrus MULDER, aged 66, was appointed as an executive director of the Company on 1 June 2010. Mr. Mulder was also appointed as an executive director of Prosperity Minerals Holdings

Limited ("PMHL"), a major subsidiary of the Company and its shares are currently listed on AIM of the London Stock Exchange plc., on 1 April 2007. Mr. Mulder has over 30 years of extensive international experience in the mining and steel industries in South Africa, Hong Kong and the PRC. Prior to joining PMHL, he worked as a general manager and then manager of Business Development in South Africa for Exxaro Resources Limited (formerly known as Kumba Resources Limited). He also held senior positions in Kumba Resources, which is one of the leading iron ore companies in South Africa, including the Chief Representative of Kumba Resources, Beijing from 1997 to 2002, a director and general manager of Kumba Hong Kong Ltd and a director of Kumba Hongye Zinc Company from 2003–2006. He holds a bachelor's degree in Mining Engineering from the University of Pretoria, a bachelor's degree in Commerce (Business Economics, Economics, Industrial Psychology) and a master's degree in Business Economics from the University of South Africa.

Ms. Gloria WONG, aged 30, was appointed as an executive director of the Company on 1 June 2010. Ms. Wong has over 5 years' work experience and she is currently responsible for assisting in the implementation of decisions and policies relating the Group's overall business plan as approved by the Board from time to time. Ms. Wong graduated from Queen Mary College, University of London with a bachelor's degree in Economics and Finance and from King's College London with a master's degree in International Management. Ms. Wong is the daughter of Mr. Wong Ben Koon.

Mr. KONG Siu Keung, aged 44, is an executive director and the chief financial officer of the Company. Mr. Kong holds a master's degree in business administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kong joined the Group in January 2004 and has over 20 years' experience in finance and accounting field. Mr. Kong is a member of the nomination committee of the Company.

Non-executive director

Mr. LIU Benren, aged 70, was appointed as a non-executive director and deputy chairman of the Company on 17 August 2010. Mr. Liu graduated from Wuhan Scientific and Technology University (formerly known as Wuhan Institute of Metallurgy) in 1965 with a bachelor's degree in steel rolling and obtained a postgraduate qualification from the Central Communist Party School in 1986. Mr. Liu is a professor-level senior engineer. Mr. Liu was appointed as a non-executive director of Fosun International Limited, a listed company on the Stock Exchange and retired on 21 June 2012. Mr. Liu had previously served as an external director of Shenhua Group Corporation Limited and a non-executive director of China Shenhua Energy Company Limited, a listed company on the Stock Exchange and retired on 25 May 2012, a non-executive director and the chairman of China Metallurgical Group Corporation, a non-executive director and the chairman of Metallurgical Corporation of China Ltd, a listed company on the Stock Exchange and an independent non-executive director of PMHL.

Independent non-executive directors

Mr. YUEN Kim Hung, Michael, aged 52, was appointed as an independent non-executive director in January 2002. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of Certified General Accountants Association of Canada. Mr. Yuen has over 18 years' experience in auditing, tax and accounting field. Mr. Yuen is the chairman of the remuneration committee of the Company and the audit committee of the Company. Mr. Yuen has been appointed as an independent non-executive director of New Universe International Group Limited, a listed company on Growth Enterprise Market of the Stock Exchange, since 24 April 2002.

Mr. YUNG Ho, aged 68, was appointed as an independent non-executive director in September 2004. Mr. Yung has extensive experience in the industries of trading and property development in the PRC. Mr. Yung is a member of the audit committee of the Company and a member of the remuneration committee of the Company.

Mr. CHAN Kai Nang, aged 67, was appointed as independent non-executive director on 17 August 2010. Mr. Chan holds a diploma in management studies from The University of Hong Kong and a bachelor's degree in Law from the University of London. Mr. Chan is an associate member of The Chartered Institute of Management Accountants in the United Kingdom, a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has been appointed as an independent non-executive director of Asian Capital Holdings Limited, a listed company on the Growth Enterprise Market of the Stock Exchange, since 4 June 2010. Mr. Chan is also currently an independent non-executive director of Soundwill Holdings Limited, a listed company on the Stock Exchange. Mr. Chan was the Deputy Chief Executive of the then Land Development Corporation. He was an executive director and the managing director of the construction materials division of K. Wah Construction Materials Limited (currently known as Galaxy Entertainment Group Limited), a company listed on the Stock Exchange, until 1 May 2008. Mr. Chan is the chairman of the nomination committee of the Company and a member of remuneration committee of the Company.

Mr. MA Jianwu, aged 64, was appointed as independent non-executive director on 17 August 2010. Mr. Ma worked as a deputy general manager of Guangzhou Iron & Steel Enterprises Group Co., Ltd. and executive deputy general manager, general manager, vice chairman and party committee secretary of Guangzhou Iron and Steel Co., Ltd., a listed company on the Shanghai Stock Exchange, before joining the Company. Mr. Ma is a member of audit committee of the Company and a member of nomination committee of the Company.

SENIOR MANAGEMENT

Mr. TOK Beng Tiong, aged 41, is an executive in charge of the clinker and cement business. Mr. Tok obtained his bachelor's degree in Commerce from the University of New South Wales in Australia. Mr. Tok has over 15 years' experience in building material industry and relevant logistics management in the PRC and global markets. He had been an employee of the Group from December 2001 to February 2003 and re-joined the Group in January 2005.

Mr. LI Siu Ming Patrick, aged 50, is an executive director and the chief financial officer of PMHL. He is responsible for the banking, treasury and accounting matters and supervises the finance and accounting staff of PMHL. Patrick joined PMHL in May 2004 and he has more than 25 years' experience in the banking and financial services industry and acted as Head of Risk Management in the Global Commodities Group at Fortis Bank (Hong Kong and Shanghai) before joining PMHL. Patrick obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1985 and a bachelor's degree in Law from Manchester Metropolitan University in 1996. Patrick has also obtained a post-graduate diploma in Corporate Administration in 2000 and a master's degree in Professional Accounting from the Hong Kong Polytechnic University in 2001. Patrick is an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Patrick is also a director of Anhui Chaodong Cement Holdings Limited, a company listed on Shanghai Stock Exchange.

Ms. SO Yuen Yee Selina, aged 51, is the general manager of PMHL iron ore trading business. She is responsible for the implementation and development of corporate strategy and company administration including the operation of trading activities in PMHL. She began her career in 1981 with Robin Information Systems and subsequently took on various administrative positions with companies including Radofin Electronics (FE) Ltd, High Fashion Garments Ltd and Leshons Enterprises Ltd. Selina joined Prosperity Merchandise Agency Ltd, a company controlled by Mr. Wong, in 1988 as a director's assistant. In 2003, she was the director and general manager of Prosperity Minerals (Asia) Limited and subsequently took up the position of general manager of Prosperity Minerals Limited in February 2004.

Mr. TAM Siu Wai, aged 65, is the deputy general manager of PMHL's iron ore trading business. He graduated from the University of Guangzhou in 1978 and has more than 20 years' experience in the steel manufacturing industry. Mr. Tam began his career with Guangzhou Iron and Steel Corporation as a technician. He joined PMHL in 1998 and is currently responsible for maintaining customer relations and implementing the iron ore trading business's marketing strategy.

CHEN Hao, aged 54, is the group general manager of PMHL's real estate investment and development business. He has nearly 20 years experience in property investment and development in the PRC. He was general manager of Jiaye Real Estate Development Ltd from the time the company was founded in 1999. In 2005, he obtained a Masters Degree in Quality Management from Hong Kong Polytechnic University. In 2009, Jiaye Real Estate Development Ltd and two other property development companies merged and formed Calxon, which was successfully listed on the Shenzhen Stock Exchange. Before joining PMHL in April 2013, he was an executive director and standing vice president of Calxon.

Mr. HONG Cheng Zhang, aged 52, is a deputy general manager of PMHL's real estate investment and development business. He is responsible for the implementation of corporate strategy and overseeing operational activities. He started his career at the Industrial and Commercial Bank of China in 1978 as a loan officer and was promoted to vice president and president of ICBC Guangzhou Fangcun Branch in 1984 and 1995 respectively. In 1998, he joined Guangzhou Bliss Hero Real Estate

Development Limited which was subsequently acquired by the Group in August 2010, as managing director, where he is responsible for overseeing the development and management of SilverBay Plaza as well as the development of Oriental Landmark.

Mr. TONG Yi, Tony, aged 34, is a general manager of the Group's real estate investment and development business. He graduated from Zhejiang University with a bachelor's degree in Economics in 2002, completed a management postgraduate course at the Oxford College of Further Education in 2003 and graduated from Oxford Brookes University with a Masters degree in Business and Enterprise in 2004. From 2004 to 2008 he worked at SPG Land in Shanghai where he started his employment in the finance department and later became assistant to the president of the company. He joined PMHL in 2008 as a manager and was promoted to general manager of the Group's real estate investment and development business when the division was established in 2010.

Ms. LEE Yee Man Hester, aged 37, is the chief accounting officer of PMHL. She is responsible for overseeing all accounting functions of the PMHL. Hester graduated from the University of Hong Kong with a bachelor's degree in Economics in 1998. She started her career in 1998 as a Tax Associate with Price Waterhouse which later merged with Coopers & Lybrand and became known as PricewaterhouseCoopers. She joined BDO McCabe Lo & Company in 2000 where she became Senior Tax Manager, providing corporate and individual tax compliance and advisory services on a range of Hong Kong tax issues including mergers and acquisitions, corporate restructuring, tax due diligence, field audit and tax investigation. Hester joined PMHL in January 2009 as Senior Manager and was promoted to Group Financial Controller in October 2010 and Chief Accounting Officer in April 2011, respectively. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She is also a Certified Tax Advisor in Hong Kong and a fellow member of the Taxation Institute of Hong Kong.

Neelke Kruger-LOGAN, aged 34, is the chief corporate communications officer of PMHL. She is responsible for the communications with the shareholders and advisors of PMHL. Neelke graduated from the University of South Africa with a bachelor's degree in Economics in 2003. Prior to joining PMHL in 2007, she had worked at the International SOS medical clinic in Beijing, at Mulder and Kruger Business English Consulting as an English language trainer in Hong Kong and at New Force Shipping Limited as Business Development Manager, also in Hong Kong. She joined PMHL in 2007 as Investor Relations Officer and was promoted to Senior Manager in April 2010 and chief corporate communications officer in April 2011, respectively.

Mr. CHU Kin Ming, aged 32, is the senior finance manager of the Group. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, an associate of Chartered Institute of Management Accountant, an associate of Hong Kong Institute of Taxation and a certified tax advisor. He is also a member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accounting. He joined the Group in June 2009 and he has over ten years' experience working in international accounting firms and companies listed in Hong Kong.

INTRODUCTION

The Company is committed to maintaining a high standard of corporate governance, emphasising transparency, independence and accountability, in order to promote the interests of all shareholders and enhance shareholders' value.

The Company's corporate governance practices are based on principles and code provisions as prescribed in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The board of directors of the Company (the "Director" or the "Board") reviews its corporate governance practices from time to time with reference to the latest development of corporate governance in order to meet expectations from all interested parties and comply with requirements from relevant regulatory authorities.

In the opinion of the Directors, the Company has complied with all code provisions set out in the CG Code during the year ended 31 March 2013 (the "Year"), except for one non-compliance that is discussed under the section "Annual General Meeting" in this report and the Board considered that the deviation is immaterial given the size, nature and circumstances of the Group.

THE BOARD

As at 31 March 2013, the Board comprises twelve Directors including seven executive Directors, one non-executive Director and four independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The composition of the Board is set out below:

Executive Directors:

Mr. Wong Ben Koon (Chairman of the Board)
Mr. Sun Yong Sen (Deputy Chairman of the Board)
Dr. Mao Shuzhong (Chief Executive Officer)
Mr. Liu Yongshun
Mr. Johannes Petrus Mulder
Ms. Gloria Wong
Mr. Kong Siu Keung

Non-executive Director:

Mr. Liu Benren (Deputy Chairman of the Board)

Independent non-executive Directors:

Mr. Yuen Kim Hung, Michael
Mr. Yung Ho
Mr. Chan Kai Nang
Mr. Ma Jianwu

The biographical details of the Directors are set out on pages 32 to 34 to this annual report.

Regular Board meetings are held at least two times a year to review the financial and operating results of the Group and to propose interim and final dividends, if appropriate. A meeting is also held as and when necessary to discuss significant matters. Sufficient notice of not less than 14 days has been given to all Directors for regular board meetings and reasonable notice has been given for other meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings and have access to the company secretary of the Company to ensure that all board procedures and, and all applicable rules and regulations are followed. The Board also enables Directors to seek independent professional advice at the Company's expense in appropriate circumstances.

11 Board meetings were held during the year ended 31 March 2013 and the details of attendance are set out below:

Name of Directors	Attendance/ Number of Board Meetings
Mr. Wong Ben Koon ("Mr. Wong")	9/11
Mr. Sun Yong Sen	7/11
Dr. Mao Shuzhong	9/11
Mr. Liu Yongshun	8/11
Mr. Johannes Petrus Mulder	9/11
Ms. Gloria Wong	10/11
Mr. Kong Siu Keung	11/11
Mr. Liu Benren	8/11
Mr. Yuen Kim Hung, Michael	11/11
Mr. Yung Ho	10/11
Mr. Chan Kai Nang	11/11
Mr. Ma Jianwu	11/11

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as quarterly (if any), interim and annual results, investment, director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the chief executive officer and the senior management.

Mr. Wong is the controlling shareholder of the Company. His respective interests are disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" in the Report of the Directors. Mr. Wong has beneficial interests in certain companies outside the Group. Transactions between these companies and the Group (if any) during the Year are disclosed in note 44 to the financial statements.

Save as disclosed above and in note 44 to the financial statements, there is no financial, business, family or other material or relevant relationship among the Directors or between the chairman and the chief executive officer, except that Ms. Gloria Wong, the executive Director, is the daughter of Mr. Wong, the Chairman of the Company.

The Board has adopted the recommended practice under the Listing Rules to appoint at least one-third of its Directors as independent non-executive Directors. All the independent non-executive Directors are appointed for a specific term and will be subject to retirement by rotation and re-election at the annual general meetings of the Company. The Company has received an annual written confirmation from each of the independent non-executive Directors of his independence. The Board considers that all the independent non-executive Directors are independent in accordance with the guidelines set out under the Listing Rules. The details of the service contract of each independent non-executive Director are disclosed in the section headed "Directors' Service Contracts" under the Report of the Directors.

All Directors, including independent non-executive Directors, are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company, providing that every Director shall be retired at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong is the chairman of the Company and he is responsible for deriving the corporate culture and long term strategic plan of the Group. Dr. Mao Shuzhong is the chief executive officer of the Company and he is responsible for the overall management of the Group, including strategic planning, business developments and operations.

AUDIT COMMITTEE

The terms of reference of audit committee of the Company (the "Audit Committee") has been revised in March 2012 in compliance with the provisions set out in the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (Chairman of the Audit Committee), Mr. Yung Ho and Mr. Ma Jianwu.

All members possess diversified industry experiences and appropriate professional qualifications as required under the Listing Rules.

The Audit Committee held two meetings during the Year. Their major duties and responsibilities are set out in the terms of reference including the following matters:

1. Reviewed the Company's financial results and reports, internal controls and corporate governance issues, risk management, financial and accounting policies and practices and made recommendations to the Board;

2. Discussed with the external auditor on their independence and the nature and scope of the audit and recommended to the Board on the re-appointment of RSM Nelson Wheeler as auditor; and

3. Discussed with the external auditor on any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response.

The attendance record of each committee member at the meetings of the Audit Committee during the Year is set out below:

Name of Directors	Attendance/ Number of Audit Committee Meetings
Mr. Yuen Kim Hung, Michael (Chairman of audit committee)	2/2
Mr. Yung Ho	2/2
Mr. Ma Jianwu	2/2

During the year ended 31 March 2013, the Audit Committee (i) reviewed the reports from the auditor of the Company (the "Auditor"), accounting principles and practices adpoted by the Group in relation to the annual results for the year ended 31 March 2012 and the interim results for the six months ended 30 September 2012; (ii) reviewed the financial reports for the year ended 31 March 2012 and for the six months ended 30 September 2012 and recommended the same to the Board for approval; (iii) reviewed the Group's internal control based on the information obtained from the external auditor and Company's management and was of the opinion that there are adequate internal controls in place in the Group; and (iv) concurred with the Board regarding the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee has also reviewed with the management and the Auditor the audited consolidated financial statements of the Group for the year ended 31 March 2013. The Audit Committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was set up in March 2005 and its term of reference is in full compliance with the provisions set out in CG Code. It is currently constituted by three independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (Chairman of the remuneration committee), Mr. Yung Ho and Mr. Chan Kai Nang.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and the remuneration packages of the Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure.

The emoluments of Directors and senior management of the Company are based on skills, knowledge and performance, together with reference to the prevailing market conditions. In addition, the Company has established a Share Option Scheme to provide incentives and rewards to eligible participants and to attract suitable personnel for continuous development of the Group.

Two meetings had been held during the Year to discuss remuneration related matters. The Remuneration Committee reviewed and made recommendations to the Board on bonus payments and increments in salary and housing allowance (if any) for the executive Directors and senior management of the Company.

The attendance record of each remuneration committee member at the meetings of the Remuneration Committee during the Year is set out below:

Name of Directors	Attendance/ Number of Remuneration Committee Meetings
Mr. Yuen Kim Hung, Michael	2/2
Mr. Yung Ho	2/2
Mr. Chan Kai Nang	2/2

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was set up on 30 March 2012 and has adopted the terms of reference of Nomination Committee in full compliance with provisions set out in the CG Code. It is currently constituted by three Directors, namely, Mr. Chan Kai Nang (Chairman of the nomination committee), Mr. Ma Jianwu and Mr. Kong Siu Keung.

The major duties and responsibilities of the Nomination Committee shall be:

(a) to review the structure, size and composition (including the skills, knowledge, and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors, having regarded to the requirements under the Listing Rules on The Stock Exchange of Hong Kong Limited; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer.

During the Year, two meetings were held by nomination committee to assess the structure, size and competitions of the Board and to assess the independence of independent non-executive directors.

The attendance records of each nomination committee during the Year is set out below:

Name of Directors	**Attendance/ Number of Nomination Committee Meetings**
Mr. Chan Kai Nang	2/2
Mr. Ma Jianwu	2/2
Mr. Kong Siu Keung	2/2

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for securities transactions by the directors of listed companies as set out in Appendix 10 to the Listing Rules (the "Model Code"), as the code of conducts regarding Directors' securities transactions during the Year.

Having made specific enquiry with all Directors, each of them confirmed that the Model Code has been complied in full throughout the year ended 31 March 2013.

SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

The Board has also adopted a policy with no less exacting terms than the Model Code for the relevant employees (the "Relevant Employees") in respect of their dealings in securities of the Company. Having made specific enquiry with all Relevant Employees, each of them confirmed that this policy has been complied in full throughout the Year.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements 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 judgments and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 62 of this annual report.

COMMUNICATIONS WITH SHAREHOLDERS

The Company has established and maintained difference communication channels with its shareholders. The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. The Company also maintains its website (http://www.pihl-hk.com) to provide an alternative communication channel for the public and its shareholders. All corporate communication and the Company's latest updates are available on the Company's website for public information.

ANNUAL GENERAL MEETING

During the Year, the Company had been in deviation from A.6.7 and E.1.2 of the Code as the Chairman and some of the Directors were unable to attend the annual general meeting of the Company held on 3 September 2012 due to business engagement. Mr. Kong Siu Keung, being the executive director of the Company, attended the annual general meeting and were delegated to make himself available to answer questions if raised at the meetings. The absence of the chairman of the Company in the annual general meeting constituted a deviation from the CG Code.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure their contribution to the Board remains informed and relevant.

The Directors are regularly briefed on the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

All Directors have provided recorded training attendance and the Company will continue to arrange the training in accordance with the CG Code.

COMPANY SECRETARY

Mr. Kong Siu Keung, the executive director and the chief financial officer of the Company, is also appointed by the Board as company secretary.

Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provides advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assists the Board in implementing the corporate governance practices. Mr. Kong has undertaken that he has complied with all the required qualifications, experience and training requirements of Listing Rules.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. During the Year, the Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Group.

Based on the assessment made by the Company's management and external auditor during its statutory audit, the audit committee is satisfied that the internal control system is sufficient to provide reasonable assurances that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and paper accounting records are maintained. In addition, the Board considered that resources, qualification and experience of staff responsible for the Company's accounting and financial reporting function, their training and budget are adequate. The system is designed to provide reasonable, but not absolute assurance against material misstatement loss, and to manage rather than eliminate risks of failure in the Group's operational system.

AUDITOR'S REMUNERATION

RSM Nelson Wheeler was appointed as the Company's external auditor. The external auditor is primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the Year, the total remuneration in respect of services provided by RSM Nelson Wheeler amounted to HK$1,978,000, of which HK$1,200,000 was incurred for statutory audit and HK$778,000 was incurred for non-audit services which mainly included tax compliance services and other professional services.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the Year.

CONCLUSION

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interests. The management will continue to maintain, strengthen and improve the standard and quality of the corporate governance of the Group.

Report of the Directors

The board of directors of the Company (the "Board" or the "Directors") is pleased to present their report and the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 45 to the financial statements. The core business of the Group is the (i) trading of clinker, cement and other building materials; (ii) mining and processing of granite and selling of granite products; (iii) trading of iron ore and raw materials; (iv) investment of public port and other related facilities business in the PRC and (v) real estate investment and development.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 March 2013 is set out in the consolidated income statement on page 64 and the state of affairs of the Group as at 31 March 2013 are set out in the consolidated statement of financial position on pages 66 and 67.

The Directors do not recommend the payment of a final dividend for the Year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 March 2013 is set out on page 158. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

Details of the movements in the investment properties and investment properties under development of the Group during the Year are set out in note 17 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2013 are set out in note 45 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year, together with the reasons therefor, are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year, respectively.

RESERVES

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 68 of the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in note 34 to the consolidated financial statement.

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended from time to time) amounted to approximately HK$1,958 million (2012: HK$1,964 million). The Company's share premium, in the amount of approximately HK$1,036 million as at 31 March 2013 (2012: HK$1,036 million), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for approximately 85% of total sales and sales to the largest customer included therein amounted to approximately 31% of total sales. The Group's five largest suppliers accounted for approximately 89% of total purchases for the Year and purchases from the largest supplier included therein amounted for approximately 76% of total purchases.

None of the Directors of the Company or any of their associates, or any of the shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the Year.

DONATIONS

Donations made by the Group during the Year amounted to HK$2,107,000.

DIRECTORS

The Directors during the Year and as at date of this report are:

Executive Directors:

Mr. Wong Ben Koon ("Mr. Wong")
Mr. Sun Yong Sen
Dr. Mao Shuzhong
Mr. Liu Yongshun
Mr. Johannes Petrus Mulder
Ms. Gloria Wong
Mr. Kong Siu Keung

Non-executive Director:

Mr. Liu Benren

Independent non-executive Directors:

Mr. Yuen Kim Hung, Michael
Mr. Yung Ho
Mr. Chan Kai Nang
Mr. Ma Jianwu

In accordance with bye-law 87 of the Company's bye-laws, Mr. Liu Yongshun, Mr. Yuen Kim Hung, Michael, Mr. Chan Kai Nang and Mr. Ma Jianwu will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 32 to 36 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Other than statutory compensation, none of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation.

The service contract entered into between the Company and Mr. Wong and Mr. Kong Siu Keung have no expiry date, but can be terminated by the giving of three months' prior notice, and is exempted from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of Directors' emoluments are set out in the note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 44 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party, and which subsisted at the end of the Year or at any time during the Year.

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

As at 31 March 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Mode Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of the Company

Long position in the Shares and underlying Shares

	Number of Shares and underlying Shares held, capacity and nature of interest					
Name of Director/chief executive	Directly beneficially owned	Through controlled corporation	Interest of Director's spouse	Number of underlying Shares held under equity derivatives	Total	Percentage of the Company's issued share capital
Mr. Wong	1,861,530,697	7,240,807,131 (Note)	22,640,000	1,326,000,000 (Note)	10,450,977,828	163.43%
Mr. Johannes Petrus Mulder	200,000	–	–	30,000,000	30,200,000	0.47%
Dr. Mao Shuzhong	–	–	–	30,000,000	30,000,000	0.47%
Mr. Liu Yongshun	–	–	–	15,000,000	15,000,000	0.23%
Ms. Gloria Wong	–	–	–	10,000,000	10,000,000	0.16%
Mr. Kong Siu Keung	–	–	–	10,000,000	10,000,000	0.16%

Note: Mr. Wong is interested in 99,952,143 Shares through his interests in Well Success Group Limited ("Well Success"), which is wholly owned by Mr. Wong. In addition, Mr. Wong is also interested in 2,139,675,960 Shares, 2,639,514 Shares and 2,639,514 Shares through his interest in Prosperity Minerals Group Limited ("PMGL"), Max Will Profits Limited ("Max Will") and Max Start Holdings Limited ("Max Start"), which are owned beneficially as to 67.2%, 65.0% and 65.0% by Mr. Wong respectively. In addition, the Company entered into conditional agreements with All Wealthy Capital Limited ("All Wealthy"), Sun Honest Enterprises Limited ("Sun Honest") and Million Sea Group Limited ("Million Sea") in relation to the sale and purchase the entire share capital of Billion Win Capital Limited ("Billion Win Acquisition") by virtue of the fact that All Wealthy and Sun Honest are beneficially owned by Mr. Wong as to approximately 79.26% and 100%, respectively, Mr. Wong is deemed to be interested in an aggregate of 4,995,900,000 Shares to be issued to All Wealthy and Sun Honest, and an aggregate of 1,326,000,000 Shares to be issued to All Wealthy and Sun Honest upon exercise of the conversion rights attaching to the bonds in the principal amount of US$70 million (equivalent to approximately HK$546 million) and US$15 million (equivalent to approximately HK$117 million) held by All Wealthy and Sun Honest, respectively.

(b) Short positions in Shares and underlying Shares

Name of Director/chief executive	Number of Shares and underlying Shares held, capacity and nature of interest					
	Directly beneficially owned	Through controlled corporation	Interest of Director's spouse	Number of underlying Shares held under equity derivatives	Total	Percentage of the Company's issued share capital
Mr. Wong	–	124,145,962 (Note)	–	–	124,145,962	1.94 %

Note: Pursuant to the warrant instruments and second deed of amendment executed between PMGL, Mr. Wong and Luck Well Management Limited ("Luck Well") on 8 April 2011 and 8 April 2013 respectively, PMGL granted the warrants to Luck Well conferring rights to purchase from PMGL of nominal value of HK$0.01 each in the capital of the Company, at the exercise price of HK$0.5152 per share in aggregate up to HK$78,000,000. As at 31 March 2013, the amount of warrants outstanding was HK$63,960,000. Luck Well is the nominee of CCB International Asset Management Limited which is entitled to purchase 124,145,962 Shares pursuant to the terms of the warrants agreements.

Save as disclosed above, as at 31 March 2013, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The details of the Company's share option scheme, including the movement of, and any outstanding share options during the Year are disclosed in note 39 to the financial statements. The share option scheme (the "Share Option Scheme") adopted by the Company following the approval of the shareholders of the Company in accordance with the Listing Rules at the annual general meeting held on 25 September 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Long position in the debenture of the Company

Name of Director/chief executive	Capacity	Principal amount of the debenture held	Percentage of the aggregate principal amount of the debenture
Mr. Wong	Interest in controlled corporation	US$85,000,000 (Note)	85%

Note: For Billion Win Acquisition, Mr. Wong is deemed to be interested in the consideration bonds in the principal amount of US$70 million (equivalent to approximately HK$546 million) and US$15 million (equivalent to approximately HK$117 million) to be issued by the Company to All Wealthy and Sun Honest, respectively, by virtue of the fact that All Wealthy and Sun Honest are beneficially owned by Mr. Wong as to approximately 79.26% and 100%, respectively.

Save as disclosed above, at no time during the Year were 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 children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2013, Prosperity Materials Macao Commercial Offshore Limited ("MCO"), a wholly-owned subsidiary of Prosperity Minerals Holdings Limited ("PMHL"), is principally engaged in the trading of iron ore. Mr. Wong, the substantial shareholder and the executive director of the Company, directly and through his controlled associates, held beneficial interests in several companies as follows, which also engaged in the trading of iron ore.

i) Grace Wise Pte Limited ("Grace Wise")

Grace Wise was incorporated in Singapore to sell the iron ore exported from Malaysia. Pursuant to the off-take agreement between MCO and Grace Wise dated 31 May 2010, Grace Wise agreed to sell to MCO, for loading at Malaysian sea port, iron ore at a price per tonnes following the prevailing market price in similar locations between 1 May 2010 and 31 March 2013, in which whenever Grace Wise has iron ore to sell, it must first offer the same to MCO.

In view of the above, the Board considers that there is no direct or indirect competition between the Group and Grace Wise, as the Group can have the right, but not obligation to purchase the iron ore from Grace Wise at its own discretion.

ii) Century Iron Ore Holdings Inc. ("Century Holdings")

Century Holdings is a resource development company incorporated under the laws of the Province of British Columbia, Canada which specialises in iron ore. Pursuant to the off-take agreement between MCO and Century Holdings dated 14 March 2011, Century Holdings agreed to sell to MCO, for loading at a Canadian sea port, iron ore at a price per tonnes following the prevailing market price in similar locations between 14 March 2011 and 28 February 2014, in which whenever Century Holdings has iron ore to sell, it must first offer the same to MCO.

In view of the above, the Board considers that there is no direct or indirect competition between the Group and Century Holdings, as the Group can have the right, but not obligation to purchase the iron ore from Century at its own discretion.

During the Year, the abovementioned businesses are operated and managed by companies with independent management and administration and in accordingly, the Group is capable of carrying on its business independently, and at arm's length from the competing businesses mentioned above.

Save as aforesaid, during the Year, none of the Directors has an interest in any businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 31 March 2013, persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares and underlying Shares

Name	Capacity/ nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share capital
Madam Hon Ching Fong	Interest in controlled corporations (Note a)	2,144,954,988	–	2,144,954,988	33.54%
PMGL (Note g)	Beneficial owner (Note a)	2,139,675,960	–	2,139,675,960	33.46%
Ms. Shing Shing Wai	Interest of spouse	10,428,337,828	–		
	Beneficial owner	22,640,000	–		
	(Note b)	10,450,977,828	–	10,450,977,828	163.43%
All Wealthy (Note g)	Beneficial owner (Note c)	4,059,900,000	1,092,000,000	5,151,900,000	80.56%
Elite Force (Asia) Limited ("Elite Force") (Note g)	Interest in controlled corporations (Note c)	4,059,900,000	1,092,000,000	5,151,900,000	80.56%
Sun Honest (Note g)	Beneficial owner (Note d)	936,000,000	234,000,000	1,170,000,000	18.30%
Sidero International Limited ("Sidero")	Beneficial owner (Note e)	–	433,333,333	433,333,333	6.78%
China-Asean Investment Cooperation Fund, L.P.	Interest in controlled corporation (Note e)	–	433,333,333	433,333,333	6.78%
LIM Asia Special Situations Master Fund Limited ("LASSMF")	Beneficial owner (Note f)	5,400,000	505,308,710	510,708,710	7.99%
LIM Asia Special Situations Fund Limited ("LASSF")	Interest in controlled corporation (Note f)	5,400,000	505,308,710	510,708,710	7.99%
LIM Advisors Limited ("LIM")	Investment manager (Note f)	54,883,400	761,314,399	816,197,799	12.76%

Notes:

(a) The entire issued share capital of PMGL, Max Start and Max Will, are beneficially owned as to 32.8%, 35% and 35% by Madam Hon Ching Fong respectively.

(b) Ms. Shing Shing Wai is the spouse of Mr. Wong and the interests of each of Mr. Wong and Ms. Shing Shing Wai are deemed to be the interests of each other.

(c) All Wealthy is interested in 4,059,900,000 consideration shares and 1,092,000,000 conversion shares falling to be issued to it upon the exercise of the conversion rights attaching to the consideration bonds in the principal amount of US$70 million (equivalent to approximately HK$546 million), as referred to in the note to the paragraph headed "Long positions in the Shares and underlying Shares" under the sub-section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" at page 50. All Wealthy is beneficially owned as to 79.26% by Elite Force and therefore Elite Force is deemed to be interested in the Shares and underlying Shares held by All Wealthy.

(d) Sun Honest is interested in 936,000,000 consideration shares and 234,000,000 conversion shares falling to be issued to it upon the exercise of the conversion rights attaching to the consideration bonds in the principal amount of US$15 million (equivalent to approximately HK$117 million), as referred to in the note to the paragraph headed "Long positions in the Shares and underlying Shares" under the sub-section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" at page 50.

(e) Sidero is wholly-owned by China-Asean Investment Cooperation Fund, L.P. and therefore China-Asean Investment Cooperation Fund, L.P. is deemed to be interested in the Shares and underlying Shares held by Sidero.

(f) LASSF is deemed to be interested in the Shares and the underlying Shares held by LASSMF as LASSMF is controlled by LASSF as to 98%. LIM is also deemed to be interested in the Shares and the underlying Shares held by LASSMF as LIM is the investment manager of LASSMF.

(g) Mr. Wong is a director of each of PMGL, All Wealthy, Elite Force and Sun Honest.

Short position in the Shares and underlying Shares

Name	Notes	Capacity/nature of interest	Number of Shares	Percentage of the Company's issued share capital
Madam Hon Ching Fong	(a)	Interest of controlled corporation	124,145,962	1.94 %
PMGL	(a)	Beneficial owner	124,145,962	1.94 %
Ms. Shing Shing Wai	(b)	Interest of spouse	124,145,962	1.94 %

Notes:

(a) The entire issued share capital of PMGL, Max Start and Max Will, are beneficially owned as to 32.8%, 35% and 35% by Madam Hon Ching Fong respectively.

(b) Ms. Shing Shing Wai is the spouse of Mr. Wong and the interests of each of Mr. Wong and Ms. Shing Shing Wai are deemed to be the interests of each other.

(c) Pursuant to the warrant instruments and second deed of amendment executed between PMGL, Mr. Wong and Luck Well on 8 April 2011 and 8 April 2013 respectively, PMGL granted the warrants to Luck Well conferring rights to purchase from PMGL of nominal value of HK$0.01 each in the capital of Company, at the exercise price of HK$0.5152 per share in aggregate up to HK$78,000,000. As at the Latest Practicable Date, the amount of warrants outstanding was HK$63,960,000. Luck Well is the nominee of CCB International Asset Management Limited which is entitled to purchase 124,145,962 Shares pursuant to the terms of the warrants agreements.

Save as disclosed above, as at 31 March 2013, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) of interests or short positions in the shares or underlying shares of the Company held by them which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the shares/registered capital of the member of the Group:

Name of the member of the Group	Name of shareholder(s)	Capacity and nature of interest	Number of ordinary shares held	Percentage of the issued share capital
Guangzhou Fuchun Dongfang Real Estate Investment Co., Limited	Guangzhou Sendao Shiye Limited	Beneficially owner	N/A	45%
WM Aalbrightt Investment Holdings (Hong Kong) Limited	WM Aalbrightt Investment Holdings Limited	Beneficially owner	40,000	40%

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 March 2013, no other person (who is not a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at 31 March 2013, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 44 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions between the connected persons (as defined in the Listing Rules) and the Company, certain of which are ongoing. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the following transactions:

1. **Continuing connected transactions with respect to the iron ore master off-take agreement with Grace Wise.**

   MCO, an indirect wholly-owned subsidiary of PMHL, had entered into iron ore master off-take agreement (the "Malaysian Master Off-take Agreement") and supplemental agreement with Grace Wise on 31 May 2010 and 23 June 2010 respectively, pursuant to which Grace Wise agreed to sell to MCO, for loading at a Malaysian sea port, iron ore at a price per tonne following the prevailing market price in similar locations, delivered between 1 May 2010 and 31 March 2013 (the "Off-take Period"). The Malaysian Master Off-take Agreement prescribes the maximum value of US$1,555 million (approximately HK$12,129 million) of the transactions between MCO and Grace Wise during the Off-take Period. Details please refer to the circular of the Company dated 24 June 2010.

   On 16 May 2013, MCO and Grace Wise entered into the new master off-take agreement (the "New Malaysian Off-take Agreement") on terms substantially the same as those of the Malaysian Master Off-take Agreement. The New Malaysian Master Off-take Agreement is deemed to have taken effect on 1 April 2013 immediately follow the expiry of the Malaysian Master Off-take Agreement on 31 March 2013, and shall continue until 31 March 2016, subject to early termination by the Parties in accordance with the terms of the New Malaysian Master Off-take Agreement. As at the date of this report, the New Malaysian Master Off-take Agreement is subject to the shareholders' approval and please refers to the announcement of Company dated 16 May 2013 for details.

   During the Year, the Group purchased iron ore amounted to HK$23,275,000 from Grace Wise (2012: Nil)).

2. **Continuing connected transactions with respect to the iron ore master off-take agreement with Century Iron Ore Holdings Inc ("Century Holdings").**

   On 14 March 2011, MCO entered into the iron ore master off-take agreement (the "Canadian Master Off-take Agreement") with Century Holdings Inc., pursuant to which Century Holdings has granted MCO the option to purchase up to one million tonnes of iron ore with specific iron ore grade within the off-take period between 14 March 2011 and 28 February 2014 for loading at Qubec, Canada. As prepayment for the contracted iron ore quantity, MCO shall pay the prepayment of US$10 million (approximately HK$78 million) to Century Holdings. As repayment of the prepayment, Century Holdings shall apply US$10 (approximately HK$78) from the Prepayment as partial payment of the purchase price of each dry tonne of the contracted iron ore quantity delivered to MCO, and repay the balance of the prepayment, if any, to MCO forthwith upon the termination of the Canadian Master Off-take Agreement. As at 31 March 2013, Century Holdings has repaid the whole prepayments to the Group and the terms of the Canadian Master Off-take Agreement remain unchanged. The Group did not exercise the option as to purchase the iron ore from Century Holding. For details, please refer to the announcement of the Company dated 15 March 2011.

3. **Continuing connected transaction with respect to iron ore off-take agreement with Nanjing Iron and Steel Group Internationals Co., Limited ("Nanjing Steel") and Grace Wise Pte Limited ("Nanjing Steel Off-take Agreement").**

   On 10 May 2011, Grace Wise as seller, Nanjing Steel as buyer and MCO as introducing agent entered into the Nanjing Off-take Agreement, pursuant to which Grace Wise shall sell, and Nanjing Steel shall purchase, the contracted annual tonnage of iron ore commencing from 10 May 2011 and ending on 31 May 2021 in accordance with the terms thereof. MCO acts as exclusive introducing agent for Grace Wise in respect of the transactions contemplated under the Nanjing Steel Off-take Agreement. As exclusive introducing agent for Grace Wise, MCO shall provide Grace Wise with administrative assistance such as handling shipping documents and liaising with payment banks. In consideration of the services of MCO to Grace Wise, Grace Wise shall pay MCO the Commission of US$2.00 per dry metric ton of the ore shipped under the Nanjing Steel Off-take Agreement.

   During the Year, the Group received the agency income of HK$320,000 with respect to Nanjing Steel Off-take Agreement (2012: Nil).

4. **Continuing connected transaction with respect to iron ore agency agreement with Jiangsu Prosperity Steel Co., Ltd* ("Jiangsu Steel") and MCO ("Agency Agreement").**

   On 15 November 2011, Jiangsu Steel as buyer and MCO, an indirect wholly-owned subsidiary of PMHL, as agent entered into the Agency Agreement, pursuant to which MCO agreed to use its best effort to secure delivery to Jiangsu Steel up to 1.81 million metric tons of iron ore of agreed specifications and provide Jiangsu Steel with administrative assistance such as handling shipping documents and liaising with payment banks during the 15 November 2011 to 31 December 2012. In consideration of the services rendered by MCO to Jiangsu Steel, Jiangsu Steel shall pay MCO (a) the Commission of US$2 per dry metric ton of iron ore shipped under the Agency Agreement; and (b) the LC Handling Charge of US$2 per dry metric ton of iron ore shipped, if the payment term of the letter of credit issued on behalf of Jiangsu Steel in relation to any particular shipment is 90 days.

   During the Year, MCO received HK$991,000 (2012: HK$7,837,000) from Jiangsu Steel as the serviced rendered in accordance with the Agency Agreement.

5. **Connected transaction with respect to sell of iron ore to Liyang Jianxin Steel Manufacturing Company Limited ("Liyang Jianxin").**

   On 16 August 2012, PMHL, through its indirect wholly-owned subsidiary Hangzhou Chengzhuo Trading Company Limited ("Hangzhou Chengzhuo"), entered into the sale and purchase agreement with Liyang Jianxin, pursuant to which Hangzhou Chengzhuo agreed to sell 10,000 tonnes of iron ore to Liyang Jianxin at the aggregate consideration of RMB9.7 million (approximately HK$11.8 million), in which the net value added tax is of RMB1.4 million (approximately HK$1.6 million).

   An announcement with respect to the aforesaid transaction was released on 17 August 2012, in which it was stated that Liyang Jianxin is indirectly 50%-owned by Mr. Wong, and that Liyang Jianxin is an associate of Mr. Wong and hence a connected person of the Company.

   However, it was subsequently known to the Company that Liyang Jianxin is in fact 50%-owned by Prosperity Materials (International) Limited ("PMIL"), which is an indirect 94%-owned subsidiary of Keen Phoenix Limited ("Keen Phoenix"). Keen Phoenix is in turn a 50%-owned associate of Mr. Wong. Although PMIL, being a 94%-owned subsidiary of Keen Phoenix, is also an associate of Mr. Wong, Liyang Jianxin is not a subsidiary of PMIL and hence not an associate of Mr. Wong. Therefore, Liyang Jianxin is not a connected person of the Company and any transactions between the Group and Liyang Jianxin will not be subject to the relevant announcement and annual review requirements under Chapter 14A of the Listing Rules.

6. **Connected transaction with respect to acquisition of the entire interest of Billion Win Capital Limited ("the Billion Win Acquisition").**

   On 29 October 2012, the Company entered into the conditional agreements with All Wealthy, Sun Honest and Million Sea in relation to the sale and purchase of up to 100% of the issued share capital of Billion Win for an aggregate consideration of US$500 million (equivalent to approximately HK$3,900 million), subject to adjustment and a maximum amount of US$650 million (equivalent to approximately HK$5,070 million). Billion Win and its subsidiaries are principally engaged in (i) the operation of the iron mines located in Sri Jaya, Pahang State, Malaysia (the "Sri Jaya Mines"); (ii) the operation of the iron ore processing plant which is adjacent to the Sri Jaya Mines; and (iii) the sale of iron ore mined in Malaysia. Further to the above, the Company entered into the memorandum of agreement on 21 December 2012, among other things, All Wealthy agrees to reduce the consideration by US$19.75 million (approximately HK$154.05 million).The Billion Win Acquisition is not yet completed as at the date of this report. For details, please refer to the announcement of the Company dated 18 November 2012, 21 December 2012, 1 March 2013, 21 June 2013 and 28 June 2013.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above continuing connected transactions, and are of the opinion that the continuing connected transactions were entered into:

(i) in the ordinary and usual course of businesses of the Group;

(ii) on normal commercial terms and on terms in accordance with the respective agreements; and

(iii) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing transactions disclosed by the Group in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 37 to 45 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

RSM Nelson Wheeler will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditor of the Company is to be proposed at the forthcoming annual general meeting.

There is no change in auditors of the Company since the first appointment on 15 May 2006.

ON BEHALF OF THE BOARD
WONG Ben Koon
Chairman

Hong Kong, 28 June 2013

Independent Auditor's Report

TO THE SHAREHOLDERS OF

PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 157, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants . Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
28 June 2013

Consolidated Income Statement

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	6	**3,512,306**	6,190,034
Cost of goods sold		**(3,439,509)**	(6,068,008)
Gross profit		**72,797**	122,026
Other income	7	**65,856**	58,587
Selling and distribution costs		**(82,164)**	(50,973)
Administrative expenses		**(281,089)**	(297,265)
Loss from operations		**(224,600)**	(167,625)
Finance costs	9	**(60,826)**	(35,689)
Share of profits less losses of associates		**39,016**	137,487
Share of profits less losses of jointly controlled entities		**(47,336)**	(15,445)
Net gain on sale of available-for-sale financial assets		**742**	11,673
Net gain on financial assets at fair value through profit or loss		**–**	1,248
Impairment loss on available-for-sale financial assets		**(87,681)**	(27,928)
Impairment loss on other intangible assets, property, plant and equipment and non-current prepayments		**(25,000)**	–
Fair value gain on derivative financial instruments		**24,815**	7,231
Fair value gain on investment properties and investment properties under development		**71,112**	85,272
Loss on deemed disposal of partial interest in an associate		**–**	(16,180)
Loss before tax		**(309,758)**	(19,956)
Income tax expense	10	**(8,737)**	(15,956)
Loss for the year	11	**(318,495)**	(35,912)
Attributable to:			
Owners of the Company		**(205,841)**	(49,387)
Non-controlling interests		**(112,654)**	13,475
		(318,495)	(35,912)
Loss per share			
— basic (HK cents)	15(a)	**3.218**	0.772
— diluted (HK cents)	15(b)	**3.219**	0.772

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(318,495)**	(35,912)
Other comprehensive income:		
Exchange differences on translating foreign operations	**34,753**	103,363
Fair value gains reclassified to income statement on disposal of available-for-sale financial assets	**(692)**	(15,333)
Fair value gains on available-for-sale financial assets	**4,924**	2,180
Other comprehensive income for the year	**38,985**	90,210
Total comprehensive income for the year	**(279,510)**	54,298
Attributable to:		
Owners of the Company	**(185,637)**	(7,325)
Non-controlling interests	**(93,873)**	61,623
	(279,510)	54,298

Consolidated Statement of Financial Position

At 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**19,635**	17,626
Investment properties	17	**227,687**	222,494
Investment properties under development	17	**1,402,642**	985,746
Goodwill	18	**38,105**	38,105
Other intangible assets	19	**169,739**	192,640
Interests in associates	20	**567,842**	666,350
Interests in jointly controlled entities	21	**731,348**	778,419
Finance lease receivable	22	**135,572**	–
Available-for-sale financial assets	23	**128,882**	140,675
Derivative financial assets	24	**4,136**	–
Non-current prepayments	25	**514,825**	823,473
		3,940,413	3,865,528
Current assets			
Properties under development for sale	26	**2,259,908**	1,577,304
Available-for-sale financial assets	23	**16,285**	49,573
Held-to-maturity investment		**–**	6,197
Finance lease receivable	22	**17,333**	–
Trade and bills receivables	27	**231,165**	87,095
Prepayments, deposits and other receivables	28	**875,019**	471,448
Current tax assets		**41,873**	1,097
Pledged deposits	29	**9,679**	25,919
Time deposits	29	**421,942**	–
Bank and cash balances	29	**1,004,514**	1,394,532
		4,877,718	3,613,165
Non-current assets held for sale	30	**134,253**	–
		5,011,971	3,613,165
TOTAL ASSETS		**8,952,384**	7,478,693

	Note	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	31	**63,950**	63,950
Reserves	33	**2,147,370**	2,333,007
Equity attributable to owners of the Company		**2,211,320**	2,396,957
Non-controlling interests		**1,879,755**	2,009,799
Total equity		**4,091,075**	4,406,756
Non-current liabilities			
Bank borrowings	34	**666,263**	437,649
Deferred tax liabilities	35	**412,021**	403,892
		1,078,284	841,541
Current liabilities			
Trade and bills payables	36	**306,729**	68,205
Other payables and deposits received	37	**2,406,780**	747,935
Derivative financial liabilities	24	**60,843**	1,435
Current portion of bank borrowings	34	**647,525**	1,409,756
Convertible loan notes	38	**359,956**	–
Current tax liabilities		**1,192**	3,065
		3,783,025	2,230,396
Total liabilities		**4,861,309**	3,071,937
TOTAL EQUITY AND LIABILITIES		**8,952,384**	7,478,693
Net current assets		**1,228,946**	1,382,769
Total assets less current liabilities		**5,169,359**	5,248,297

Approved by the Board of Directors on 28 June 2013

Wong Ben Koon
Chairman and Executive Director

Kong Siu Keung
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Contributed surplus HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Investment reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011	63,950	2,035,544	49,193	14,878	(12,880)	14,245	10,778	50	344,499	2,520,257	1,990,385	4,510,642
Total comprehensive income for the year	–	–	50,545	–	–	–	(8,483)	–	(49,387)	(7,325)	61,623	54,298
Transfer of share premium to contributed surplus	–	(1,000,000)	–	1,000,000	–	–	–	–	–	–	–	–
Capital injection from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	4	4
Recognition of share-based payments	–	–	–	–	–	16,944	–	–	–	16,944	1,919	18,863
Deemed disposal of partial interest in a subsidiary (Note 40)	–	–	–	–	–	(1,339)	–	–	(3,681)	(5,020)	23,767	18,747
Dividend paid	–	–	–	(127,899)	–	–	–	–	–	(127,899)	(67,899)	(195,798)
Changes in equity for the year	–	(1,000,000)	50,545	872,101	–	15,605	(8,483)	–	(53,068)	(123,300)	19,414	(103,886)
At 31 March 2012	63,950	1,035,544	99,738	886,979	(12,880)	29,850	2,295	50	291,431	2,396,957	2,009,799	4,406,756

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Contributed surplus HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Investment reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012	63,950	1,035,544	99,738	886,979	(12,880)	29,850	2,295	50	291,431	2,396,957	2,009,799	4,406,756
Total comprehensive income for the year	–	–	17,613	–	–	–	2,591	–	(205,841)	(185,637)	(93,873)	(279,510)
Dividend paid	–	–	–	–	–	–	–	–	–	–	(36,171)	(36,171)
Changes in equity for the year	–	–	17,613	–	–	–	2,591	–	(205,841)	(185,637)	(130,044)	(315,681)
At 31 March 2013	63,950	1,035,544	117,351	886,979	(12,880)	29,850	4,886	50	85,590	2,211,320	1,879,755	4,091,075

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(318,495)**	(35,912)
Adjustments for:			
Income tax expense		**8,737**	15,956
Finance costs		**60,826**	35,689
Interest income		**(43,124)**	(21,411)
Depreciation		**4,548**	4,765
Allowance for trade and other receivables		**–**	9,835
Write off of non-current prepayments		**–**	6,263
Share-based payments		**–**	18,863
Share of profits less losses of associates		**(39,016)**	(137,487)
Share of profits less losses of jointly controlled entities		**47,336**	15,445
Fair value gain on investment properties and investment properties under development		**(71,112)**	(85,272)
Impairment loss on other intangible assets, property, plant and equipment and non-current prepayments		**25,000**	–
Impairment loss on available-for-sale financial assets		**87,681**	27,928
Net gain on sale of available-for-sale financial assets		**(742)**	(11,673)
Net gain on financial assets at fair value through profit or loss		**–**	(1,248)
Fair value gain on derivative financial instruments		**(24,815)**	(7,231)
Loss on deemed disposal of partial interest in an associate		**–**	16,180
Operating loss before working capital changes		**(263,176)**	(149,310)
Increase in properties under development for sale		**(627,822)**	(110,861)
Increase in trade and bills receivables		**(144,070)**	(23,684)
Decrease in prepayments, deposits and other receivables		**12,130**	60,430
Increase/(decrease) in trade and bills payables		**238,524**	(105,001)
Increase in other payables and deposits received		**1,649,520**	340,124
Proceed from disposal of financial assets at fair value through profit or loss		**–**	16,357
Cash generated from operating activities		**865,106**	28,055
Income tax paid		**(46,793)**	(2,605)
Net cash generated from operating activities		**818,313**	25,450

	Note	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/decrease in pledged deposits and time deposits		**(405,702)**	51,611
Interest received		**42,609**	12,932
Purchases of property, plant and equipment		**(7,093)**	(3,229)
Addition of investment properties		**(84)**	(17,923)
Addition of investment properties under development		**(319,046)**	(46,768)
Capital contributions to jointly controlled entities		**–**	(122,335)
Advance to jointly controlled entities		**(171,343)**	(159,346)
Advance to a non-controlling shareholder		**–**	(9,914)
Advance to joint venturers		**(44,717)**	(32,588)
Advance to a business associate		**(43,680)**	–
Acquisition of available-for-sales financial assets		**(91,509)**	(210,326)
Acquisition of held-for-maturity investment		**–**	(6,201)
Proceed from disposal of available-for-sale financial assets		**51,963**	81,746
Dividends received from a jointly controlled entity		**–**	2,340
Dividends received from an associate		**8,931**	–
Repayment from a jointly controlled entity		**–**	73,381
Loan to business partners		**–**	(90,020)
Repayment from business partners		**–**	90,020
Payment for investments		**–**	(54,600)
Proceed from disposal of held-to-maturity investments		**6,252**	42,642
Net cash used in investing activities		**(973,419)**	(398,578)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from a non-controlling shareholder		**–**	4
Net proceed from deemed disposal of partial interest in a subsidiary	40	**–**	16,150
Bank loans raised		**882,154**	2,495,501
Repayment of bank loans		**(1,420,054)**	(2,155,297)
Proceed from issuance of convertible loan notes		**423,000**	–
Repayment of obligations under finance leases		**–**	(396)
Finance lease charges paid		**–**	(15)
Interests paid		**(76,213)**	(89,198)
Dividend paid		**–**	(127,899)
Dividend paid to non-controlling shareholders		**(36,171)**	(67,899)
Net cash (used in)/generated from financing activities		**(227,284)**	70,951
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(382,390)**	(302,177)
Effect of foreign exchange rate changes		**(7,628)**	(10,045)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,394,532**	1,706,754
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,004,514**	1,394,532
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**1,004,514**	1,394,532

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Suites 1801–6, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of principal subsidiaries are set out in note 45 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years, except as stated below.

Amendments to HKAS 12 "Income Taxes"

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40 "Investment Property" will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question 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.

Previously, where investment properties were held under leasehold interests, the Group measured deferred tax using the tax rates consistent with recovery of the property's value through use. As a result of adopting the amendments to HKAS 12, the Group reviewed its investment property portfolio and determined that each of the investment properties are held with a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these properties using the tax rate that would apply as a result of recovering their value through use.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention except for investment properties and investment properties under development, available-for-sale financial assets and derivative financial instruments which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The area involving critical judgement and areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interest having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination (other than under common control) and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (cc) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint venture

A Joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a jointly controlled entity that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that jointly controlled entity and (ii) the Group's share of the net assets of that jointly controlled entity plus any remaining goodwill relating to that jointly controlled entity and any related accumulated foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint venture *(Continued)*

Unrealised profits on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4%
Furniture and fixtures	20% to 33%
Leasehold improvements	10%
Motor vehicles	20% to 50%
Office equipment	20% to 33%
Plant and machinery	20% to 25%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents building under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leases

The Group as lessee

Operating leases

Leases that do not substantially transfer to the Group all risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are expensed on a straight-line basis over the lease term.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. 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.

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised from the date when the mining activities commence and based on unit of production method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Costs include acquisition costs of land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to the estimated selling price less estimated costs of completion and selling expenses. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(k) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

(l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the investments' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Investments *(Continued)*

(ii) Available-for-sale financial assets *(Continued)*

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(n) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Convertible loan notes

Convertible loan notes which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as derivatives until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible loan notes based on the allocation of proceeds to the liability and derivative components on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

— the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and

— the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(t) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value. Changes in fair value of derivatives are recognised in profit or loss as they arise.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

Rental income is recognised on a straight-line basis over the lease term.

Commission and despatch income is recognised on an accrual basis.

Interest income is recognised on a time-proportion basis using the effective interest method.

(x) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instrument at the date of grant and is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is recognised in profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(z) 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 capitalised as part of the cost of those assets, until such time as 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 eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 is recognised on differences between the carrying amounts of assets and liabilities in the 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 differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in jointly controlled entity, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Taxation *(Continued)*

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

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(bb) PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

(cc) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if 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 Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) Related parties *(Continued)*

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

(i) The entity and the Company 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 Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(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 parent of the entity).

(dd) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except derivative financial instruments, goodwill, investment properties and investment properties under development, available-for-sale financial assets, properties under development for sale and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(dd) Impairment of assets *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where 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 (net of amortisation or depreciation) 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

(ee) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ff) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have considered that investment properties measured using the fair value model are recovered through use.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the cash-generating unit to which goodwill has been allocated. The fair value less costs to sell requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

4. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Mine reserve and impairment of mining rights

Mine reserve is estimates of the quantity of product that can be economically and legally extracted from the mining site. In order to calculate the mine reserve, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. Should there be any change in economic assumptions and geological data that used to estimate the mine reserve, impairment loss on the mining right may arise.

(c) Fair values of investment properties and investment properties under development

All investment properties of the Group are revalued as at the date of financial position by an independent qualified professional valuer on income approach by taking into account the net rental income of the properties or direct comparison approach by making reference to comparable sale transactions as available in the relevant market. For investment properties under development, their valuation are conducted by direct comparison to assess the market value of the properties when complete, less future construction costs required for the completion of the development and appropriate adjustment for profit and risk.

The assumptions adopted in the property valuations are based on the market conditions existing at the date of financial position, with reference to current market sale prices and rental income in the existing market for similar properties in the same location. Given the volatility of the property market of Hong Kong and the People's Republic of China (the "PRC") and the unique nature of individual properties, the actual value may be higher or lower than estimated at the date of financial position.

Further, an increase in cost to completion will result in decrease in fair value of investment properties under development.

4. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income tax and deferred tax. There are many transactions and calculations for 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 the income tax and deferred tax provisions in the period in which such determination is made.

The directors carefully evaluate tax implications of disposal of the cement business and a capital gain tax provision is set up accordingly. The directors consider that the provision made for the current year, which is still subject to assessment by the local tax bureau, are sufficient. The provision will be reconsidered periodically to take into account all changes in future tax legislations. Should any additional amount of the capital gain tax become payable upon completion of the assessment by the local tax bureau, additional provision may be required in future accounting periods.

(e) Net realisable value of properties under development for sale

The Group's properties under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion, and the costs to be incurred in selling the properties based on prevailing market conditions. If there is an increase in costs to completion or a decrease in net sales value, impairment provision of properties under development for sale may be resulted. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

4. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Impairment loss on trade and other receivables

The Group makes impairment loss on receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness, past collection history and securities (if any) of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss on receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and impairment loss on receivables in the year in which such estimate has been changed.

(g) Derivative financial instruments

As disclosed in note 24 to the financial statements, the fair values of the derivative financial instruments at the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and Prosperity Minerals Holdings Limited ("PMHL") and the expected dividend yield. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative components in the period in which such determination is made.

(h) Environmental contingencies

Up to the report date, the Group has not incurred any significant expenditure for environment remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The government of the PRC, however, has moved and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines' production plants whether operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. 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.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities, such as United States dollars ("US$"), Canadian dollars ("CAD"), British Pounds ("GBP") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

	Functional currency strengthened/ (weakened) by	Increase/ (decrease) in consolidated loss after tax
		HK$'000
Year ended 31 March 2013		
US$	2%/(2%)	417/(417)(i)
GBP	2%/(2%)	12/(12)(ii)
RMB	2%/(2%)	(18)/18(iii)
CAD	2%/(2%)	183/(183)(iv)
Year ended 31 March 2012		
US$	2%/(2%)	100/(100)(i)
GBP	2%/(2%)	662/(662)(ii)
RMB	2%/(2%)	(1,117)/1,117(iii)

(i) This is mainly a result of the foreign exchange (gain)/loss on trade and bills receivables, derivative financial instruments, deposits and other receivables, bank and cash balances, trade and bills payables, convertible loan notes, bank borrowings and other payables denominated in US$.

(ii) This is mainly a result of the foreign exchange (gain)/loss on cash and bank balances denominated in GBP.

(iii) This is mainly a result of the foreign exchange (gain)/loss on deposits and other receivables, bank and cash balances and other payables denominated in RMB.

(iv) This is mainly a result of the foreign exchange (gain)/loss on available-for-sale financial assets denominated in CAD.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Price risk

The Group's available-for-sale financial assets and derivative financial instruments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity securities price risk.

Sensitivity analysis

(a) Available-for-sale financial assets

At 31 March 2013, if the share price of the investments had increased/decreased by 10% with all other variables held constant, other comprehensive income for the year would be HK$14,517,000 (2012: HK$19,025,000) higher/lower respectively, arising as a result of the fair value gain/loss on the investments.

(b) Derivative financial instruments

If the share price of the Company had increased/decreased by 10% with all other variables held constant, consolidated loss after tax would be HK$17,355,000/HK$15,393,000 (2012: nil) higher/lower arising as a result of the fair value loss/gain, respectively, on the derivative financial instruments.

If the share price of PMHL had increased/decreased by 10% with all other variables held constant, consolidated loss after tax would be HK$2,800,000/HK$4,038,000 (2012: nil) lower/higher arising as a result of the fair value gain/loss, respectively, on the derivative financial instruments.

(c) Credit risk

The carrying amount of available-for-sale financial assets, held-to-maturity investment, finance lease receivables, trade and bills receivables, other receivables, deposits, pledged deposits, time deposits and bank and cash balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

As at 31 March 2013, the three largest trade and bills receivables represent approximately 96% (2012: 87%) of the total trade and bills receivables. The Group was exposed to the concentration of credit risk. In order to minimise the credit risk, the Group maintains various credit policies for business operations as described in Note 27 to the financial statements.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

For borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The maturity analysis of the Group's financial liabilities is as follows:

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$'000	HK$'000	HK$'000
At 31 March 2013			
Bank borrowings subject to a repayment on demand clause	**84,032**	**–**	**–**
Other bank borrowings	**641,329**	**196,898**	**524,653**
Trade and bills payables	**306,729**	**–**	**–**
Other payables	**104,790**	**–**	**–**
Convertible loan notes	**497,640**	**–**	**–**
At 31 March 2012			
Bank borrowings subject to a repayment on demand clause	101,834	–	–
Other bank borrowings	1,408,058	269,708	196,170
Trade and bills payables	68,205	–	–
Other payables	411,657	–	–

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity analysis of the bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000
At 31 March 2013	**34,677**	**16,466**	**28,828**	**14,895**
At 31 March 2012	26,004	28,190	36,187	23,564

The maturity analysis of the convertible loan notes, assuming the entire principal amounts of the convertible loan notes will be repaid on the third anniversary of the date of issue of the convertible loan notes, is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000
At 31 March 2013	**35,393**	**35,393**	**598,840**	**–**

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

The Group's exposure to interest rate risk mainly arises from its bank deposits and bank borrowings. The bank deposits and borrowings of HK$1,435,344,000 (2012: HK$1,419,669,000) and HK$1,313,788,000 (2012: HK$1,430,827,000) respectively bear interests at variable rates varied with the then prevailing market condition.

	Increase/ (decrease) in basis point	Increase/ (decrease) in consolidated loss after tax HK$'000
Year ended 31 March 2013		
Bank deposits	**10/(10)**	**(1,435)/1,435**[i]
Bank borrowings	**100/(100)**	**13,065/(13,065)**[ii]
Year ended 31 March 2012		
Bank deposits	10/(10)	(1,420)/1,420[i]
Bank borrowings	100/(100)	14,308/(14,308)[ii]

(i) This is mainly a result of the (increase)/decrease in interest income on bank balances.

(ii) This is mainly a result of the increase/(decrease) in interest expenses on bank borrowings.

(f) Categories of financial instruments as at 31 March

	2013 HK$'000	2012 HK$'000
Financial assets:		
Available-for-sale financial assets	**145,167**	190,248
Financial assets at fair value through profit or loss		
— held for trading	**4,136**	–
Held-to-maturity investment	**–**	6,197
Loans and receivables (including cash and cash equivalents)	**2,155,263**	1,704,425
Financial liabilities:		
Financial liabilities at fair value through profit or loss		
— held for trading	**60,843**	1,435
Financial liabilities measured at amortised cost	**2,085,263**	2,327,267

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 March 2013:

	Fair value measurement using		
Description	**Level 1**	**Level 2**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Available-for-sale financial assets			
Equity securities listed in Hong Kong	**109,913**	**–**	**109,913**
Equity securities listed outside Hong Kong	**9,147**	**–**	**9,147**
Unlisted equity securities	**–**	**26,107**	**26,107**
Financial assets at fair value through profit or loss			
Derivative financial assets	**–**	**4,136**	**4,136**
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	**–**	**60,843**	**60,843**

Disclosures of level in fair value hierarchy at 31 March 2012:

	Fair value measurement using		
Description	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets			
Equity securities listed in Hong Kong	128,921	–	128,921
Unlisted equity securities	–	61,327	61,327
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	–	1,435	1,435

6. TURNOVER

	2013 HK$'000	2012 HK$'000
Trading of clinker, cement and other building materials	**465,385**	309,032
Trading of iron ore and raw materials	**3,035,585**	5,870,646
Rental income	**11,336**	10,356
	3,512,306	6,190,034

7. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Commission received	**2,845**	2,061
Despatch income	**5,783**	13,063
Interest income	**40,574**	21,411
Interest income from finance lease receivable	**2,550**	–
Exchange difference, net	**–**	4,593
Others	**14,104**	17,459
	65,856	58,587

8. SEGMENT INFORMATION

Operating segments

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. In the manner consistent with the way in which information is reported internally to the Group's chief operating decision makers ("CODM") for the purposes of resources allocation and performance assessment, the Group has identified the following four reportable segments:

(i) Mining and processing of granite and selling of granite products

(ii) Trading of clinker, cement and other building materials

(iii) Trading of iron ore and raw materials

(iv) Real estate investment and development

8. SEGMENT INFORMATION *(Continued)*

The accounting policies of the operating segments are the same as those described in Note 3 to the financial statements. Segment profits or losses do not include share of profits less losses of associates and jointly controlled entities, impairment loss on other intangible assets, property, plant and equipment and non-current prepayments, fair value gain on derivative financial instruments, impairment loss on available-for-sale financials assets, net gain on sale of available-for-sale financial assets, net gain on sale of financial assets at fair value through profit or loss, fair value gain on investment properties and investment properties under development, loss on deemed disposal of partial interest in an associate, finance costs, income tax expense and other corporate income and expenses.

Segment assets and liabilities of the Group are not reported to the Group's CODM regularly. As a result, reportable segment assets and liabilities have not been presented in these financial statements.

Information about reportable segment revenue and profit or loss is as follows:

	Mining and processing of granite and selling of granite products HK$'000	Trading of clinker, cement and other building materials HK$'000	Trading of iron ore and raw materials HK$'000	Real estate investment and development HK$'000	Total HK$'000
Year ended 31 March 2013					
Revenue from external customers	–	465,385	3,035,585	11,336	3,512,306
Segment profit/(loss)	(3,476)	11,896	(55,857)	(107,705)	(155,142)
Other information:					
Interest revenue	–	2	14,241	4,069	18,312
Interest expense	–	1,712	34,463	2,729	38,904
Depreciation and amortisation	949	80	379	1,571	2,979
Income tax (credit)/expense	(5,725)	1,349	2,084	10,732	8,440

8. SEGMENT INFORMATION *(Continued)*

	Mining and processing of granite and selling of granite products HK$'000	Trading of clinker, cement and other building materials HK$'000	Trading of iron ore and raw materials HK$'000	Real estate investment and development HK$'000	Total HK$'000
Year ended 31 March 2012					
Revenue from external customers	–	309,032	5,870,646	10,356	6,190,034
Segment profit/(loss)	(15,651)	6,450	36,901	(74,462)	(46,762)
Other information:					
Interest revenue	–	2	3,203	779	3,984
Interest expense	55	1,567	24,653	3,876	30,151
Depreciation and amortisation	895	125	378	1,420	2,818
Income tax expense	—	293	—	14,671	14,964

Reconciliations of reportable segment revenue and profit or loss:

	2013 HK$'000	2012 HK$'000
Revenue		
Total revenue from reportable segments	**3,512,306**	6,190,034
Profit or loss		
Total profit or loss of reportable segments	**(155,142)**	(46,762)
Other profit or loss	**50,875**	32,716
Share of profits less losses of associates	**39,016**	137,487
Share of profits less losses of jointly controlled entities	**(47,336)**	(15,445)
Impairment loss on other intangible assets, property, plant and equipment and non-current prepayments	**(25,000)**	–
Impairment loss on available-for-sale financial assets	**(87,681)**	(27,928)
Net gain on sale of available-for-sale financial assets	**742**	11,673
Net gain on financial assets at fair value through profit or loss	**–**	1,248
Fair value gain on derivative financial instruments	**24,815**	7,231
Fair value gain on investment properties and investment properties under development	**71,112**	85,272
Finance costs	**(60,826)**	(35,689)
Loss on deemed disposal of partial interest in an associate	**–**	(16,180)
Unallocated amounts	**(120,333)**	(153,579)
Consolidated loss before tax	**(309,758)**	(19,956)

8. SEGMENT INFORMATION *(Continued)*

Geographical information:

	Revenue		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**3,046,161**	5,880,645	**2,993,919**	2,693,621
Macau	**–**	–	**454,983**	761,835
Others	**466,145**	309,389	**358,493**	269,397
	3,512,306	6,190,034	**3,807,395**	3,724,853

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers are set out below:

	2013	2012
Trading of iron ore and raw materials segment	**HK$'000**	HK$'000
Customer a	**1,098,084**	2,095,375
Customer b	**731,143**	422,785
Customer c	**480,382**	1,723,733
Customer d	**404,447**	1,169,866

9. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interest on bank loans wholly repayable within 5 years	**100,411**	89,198
Effective interest expense on convertible loan notes	**17,043**	–
Less: Borrowing costs capitalised into investment properties under development and properties under development for sale	**(56,628)**	(53,524)
	60,826	35,674
Finance lease charges	**–**	15
	60,826	35,689

Borrowing costs were capitalised at a rate of 7.98% (2012: 7.83%) per annum for the year ended 31 March 2013.

10. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Hong Kong Profits Tax		
Provision for the year	**1,490**	288
(Over)/under-provision in prior year	**(39)**	5
	1,451	293
PRC corporate income tax		
Provision for the year	**982**	–
Under-provision in prior year	**1,100**	–
	2,082	–
Deferred tax (Note 35)	**5,204**	15,663
	8,737	15,956

Hong Kong Profits Tax is provided at 16.5% (2012: 16.5%) on the estimated assessable profit for the year ended 31 March 2013.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the companies operate, based on existing regulation, interpretation and practices in respect thereof.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC Corporate Income Tax at a rate of 25% (2012: 25%) during the year ended 31 March 2013.

Under the PRC tax law, dividends received by foreign investors from its investment in foreign-invested enterprises in respect of its profits earned since 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by treaty. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC enterprises to the extent that the earnings would be distributed in the foreseeable future.

Subsidiaries incorporated in Macau as offshore limited company are exempted from income tax in Macau under Decree Law No. 58/991M.

10. INCOME TAX EXPENSE *(Continued)*

The reconciliation between income tax expense and the product of loss before tax multiplied by the applicable tax rates in the jurisdictions concerned is as follows:

	2013 HK$'000	2012 HK$'000
Loss before tax	**(309,758)**	(19,956)
Tax at the applicable rates in the jurisdictions concerned	**(23,044)**	8,382
Tax effect of income that are not taxable	**(10,134)**	(31,209)
Tax effect of expenses that are not deductible	**27,248**	28,948
Tax effect of unrecognised temporary differences	**7**	42
Tax effect of tax loss not recognised	**5,136**	9,788
Tax effect of utilisation of tax losses not previously recognised	**(1,381)**	–
Tax losses previously recognised and expired during the year	**9,844**	–
Under-provision in prior year	**1,061**	5
Income tax expense	**8,737**	15,956

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging and (crediting) the following:

	2013 HK$'000	2012 HK$'000
Auditor's remuneration	1,200	1,100
(Reversal of allowance)/allowance for trade and other receivables	(248)	9,835
Cost of inventories sold	3,360,828	5,828,079
Depreciation	4,548	4,765
Impairment loss on available-for-sale financial assets	87,681	27,928
Impairment loss on other intangible assets, property, plant and equipment and non-current prepayments	25,000	–
Net rental receivable from investment properties, net of direct outgoing of approximately HK$1,413,000 (2012: HK$1,076,000)	9,923	9,280
Operating lease charges:		
— Land and buildings	6,212	5,143
— Hire of motor vehicles	–	2,278
(Reversal of write off)/write off of non-current prepayments	(573)	6,263
Staff costs including directors' emoluments		
Salaries, bonuses, allowances and other costs	153,449	130,547
Share-based payments	–	18,863
Retirement benefits scheme contributions	4,714	3,904
	158,163	153,314

12. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance are as follows:

	2013 HK$'000	2012 HK$'000
Fees		
Independent non-executive directors	1,741	1,697
Non-executive director	1,000	1,000
Other emoluments:		
Executive directors		
— Basic salaries, allowances and benefits in kind	30,873	33,160
— Share-based payments	–	9,747
— Retirement benefits scheme contributions	988	852
Independent non-executive directors		
— Retirement benefits scheme contributions	37	35
	34,639	46,491

The emoluments of each director for the years ended 31 March 2013 and 2012 are set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director					
Mr. WONG Ben Koon	–	10,664	5,000	520	16,184
Mr. SUN Yong Sen	–	1,000	–	–	1,000
Dr. MAO Shuzhong	–	2,770	500	114	3,384
Mr. Johannes Petrus MULDER	–	3,216	100	73	3,389
Ms. Gloria WONG	–	1,573	200	73	1,846
Mr. KONG Siu Keung	–	2,920	1,050	114	4,084
Mr. LIU Yongshun	–	1,880	–	94	1,974
Mr. LIU Benren	1,000	–	–	–	1,000
Mr. YUEN Kim Hung, Michael	821	–	–	12	833
Mr. YUNG Ho	240	–	–	–	240
Mr. CHAN Kai Nang	500	–	–	25	525
Mr. MA Jianwu	180	–	–	–	180
Total for 2013	2,741	24,023	6,850	1,025	34,639

12. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director						
Mr. WONG Ben Koon	–	10,211	10,000	–	469	20,680
Mr. SUN Yong Sen	–	1,000	–	–	–	1,000
Dr. MAO Shuzhong	–	2,145	500	3,078	99	5,822
Mr. Johannes Petrus MULDER	–	2,952	100	3,078	66	6,196
Ms. Gloria WONG	–	1,430	110	1,026	66	2,632
Mr. KONG Siu Keung	–	2,891	754	1,026	99	4,770
Mr. LIU Yongshun	–	1,067	–	1,539	53	2,659
Mr. LIU Benren	1,000	–	–	–	–	1,000
Mr. YUEN Kim Hung, Michael	726	–	–	–	10	736
Mr. YUNG Ho	198	–	–	–	–	198
Mr. CHAN Kai Nang	500	–	–	–	25	525
Mr. MA Jianwu	180	–	–	–	–	180
Dr. LIANG Dunshi (note)	93	–	–	–	–	93
Total for 2012	2,697	21,696	11,464	9,747	887	46,491

Note: Resigned on 19 September 2011.

Save as disclosed above, there was no other arrangement under which a director waived or agreed to waive any remuneration during the year.

The five highest paid individuals in the Group during the year included two (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2012: two) highest paid individuals are set out below:

	2013 HK$'000	2012 HK$'000
Salaries and allowances	**9,598**	7,585
Discretionary bonus	**11,104**	9,315
Retirement benefits scheme contributions	**515**	255
	21,217	17,155

12. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
HK$4,500,001 to HK$5,000,000	**2**	–
HK$5,500,001 to HK$6,000,000	**–**	1
HK$11,500,001 to HK$12,000,000	**1**	1

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. RETIREMENT BENEFITS SCHEMES

The Group operates several mandatory provident fund schemes (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contribution under the scheme.

14. DIVIDENDS

The directors do not recommend the payment of final dividend for the year ended 31 March 2013 (2012: Nil).

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on (i) the loss for the year attributable to the owners of the Company of approximately HK$205,841,000 (2012: HK$49,387,000); and (ii) the weighted average number of ordinary shares of 6,394,962,539 (2012: 6,394,962,539) in issue during the year.

15. LOSS PER SHARE (Continued)

(b) Diluted loss per share

The calculation of diluted loss per share attributable to owners of the Company is based on the following:

	2013 HK$'000	2012 HK$'000
Loss		
Loss for the purpose of calculating basic loss per share	**(205,841)**	(49,387)
Add: Effective interest expense on convertible loan notes	**17,043**	–
Less: Fair value gain on derivative financial instruments	**(23,380)**	–
Loss for the purpose of calculating diluted loss per share	**(212,178)**	(49,387)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**6,394,962,539**	6,394,962,539
Effect of dilutive potential ordinary shares arising from convertible loan notes outstanding	**196,365,297**	–
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**6,591,327,836**	6,394,962,539

There was no dilutive potential ordinary shares for the Company's share options during the years ended 31 March 2013 and 2012.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Buildings HK$'000	Total HK$'000
Cost								
At 1 April 2011	3,290	360	13,332	1,470	4,681	6,508	–	29,641
Additions	221	–	1,622	924	358	104	–	3,229
Disposals	(16)	–	–	(952)	–	–	–	(968)
Exchange differences	–	–	172	23	220	289	–	704
At 31 March 2012	3,495	360	15,126	1,465	5,259	6,901	–	32,606
Additions	320	–	4,181	721	43	1,828	–	7,093
Transfer from investment properties	–	–	–	–	–	–	702	702
Exchange differences	–	–	47	16	59	92	–	214
At 31 March 2013	**3,815**	**360**	**19,354**	**2,202**	**5,361**	**8,821**	**702**	**40,615**
Accumulated depreciation and impairment								
At 1 April 2011	816	94	8,792	744	577	–	–	11,023
Charge for the year	1,018	36	2,348	468	895	–	–	4,765
Disposals	(16)	–	–	(952)	–	–	–	(968)
Exchange differences	–	–	96	16	48	–	–	160
At 31 March 2012	1,818	130	11,236	276	1,520	–	–	14,980
Charge for the year	896	36	2,116	543	949	–	8	4,548
Impairment loss	–	–	–	–	335	1,054	–	1,389
Exchange differences	–	–	29	8	26	–	–	63
At 31 March 2013	**2,714**	**166**	**13,381**	**827**	**2,830**	**1,054**	**8**	**20,980**
Carrying amount								
At 31 March 2013	**1,101**	**194**	**5,973**	**1,375**	**2,531**	**7,767**	**694**	**19,635**
At 31 March 2012	1,677	230	3,890	1,189	3,739	6,901	–	17,626

17. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

	Investment properties		Investment properties under development	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	**222,494**	195,912	**985,746**	697,908
Additions	**84**	17,923	**334,997**	94,598
Transferred from properties under development for sale	**–**	–	**–**	73,499
Transferred to property, plant and equipment	**(702)**	–	**–**	–
Fair value gain	**3,738**	675	**67,374**	84,597
Exchange differences	**2,073**	7,984	**14,525**	35,144
At end of year	**227,687**	222,494	**1,402,642**	985,746

(a) The Group's investment properties and investment properties under development at their carrying amounts are analysed as follows:

	2013	2012
	HK$'000	HK$'000
Medium-term leases		
In the PRC	**1,597,429**	1,175,360
In Hong Kong	**32,900**	32,880
	1,630,329	1,208,240

(b) Majority of the investment properties are rented out under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

17. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT *(Continued)*

(b) *(Continued)*

The fair values of the Group's investment properties and investment properties under development as at 31 March 2013 and 31 March 2012 have been arrived at on the basis of valuations carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer. The valuations of investment properties have been arrived at adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition or calculated using income approach by reference to net rental income allowing for reversionary income potential.

For investment properties under development, the valuations have been arrived at adopting direct comparison method to assess the fair value of the properties when complete, less deductions for the costs required to complete the development and appropriate adjustments for profit and risk.

(c) At 31 March 2013, investment properties and investment properties under development with carrying amount of approximately HK$670,306,000 (2012: HK$777,838,000) were pledged as security for the Group's bank borrowings (Notes 34 and 42).

18. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2013 **HK$'000**	2012 HK$'000
Trading of iron ore		
Prosperity Materials Macao Commercial Offshore Limited ("MCO")	**38,105**	38,105

The recoverable amount of the CGU is determined from fair value less costs to sell. The key assumptions for the fair value less cost to sell determination are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the business of the CGU operate. Budget gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the average growth rate of 0% (2012: 0%). The rate used to discount the forecast cash flows from the trading of iron ore business is 20% (2012: 20%).

19. OTHER INTANGIBLE ASSETS

	Mining rights
	HK$'000
Cost	
At 1 April 2011, 31 March 2012 and 2013	192,640
Accumulated amortisation and impairment	
At 1 April 2011 and 31 March 2012	–
Impairment	22,901
At 31 March 2013	22,901
Carrying amount	
At 31 March 2013	**169,739**
At 31 March 2012	192,640

At 31 March 2013, the mining rights represent the mining permits of granite mining sites located in the PRC and have validity period of ten years until 17 September 2018.

The Group carried out review of the recoverable amount of its cash generating unit in relation to the granite mining operation as at 31 March 2013, with reference to the valuation report issued by an independent qualified valuer. Having regard to the increment in costs and limited licence period, the review led to the recognition of an impairment loss of HK$22,901,000, HK$1,389,000 and HK$710,000 for other intangible assets, property, plant and equipment and non-current prepayments respectively in profit or loss. The recoverable amount of the cash generating unit has been determined on the basis of their fair value. The discount rate used in measuring fair value was 11.99% (2012: 12.30%).

20. INTERESTS IN ASSOCIATES

	2013	2012
	HK$'000	HK$'000
Investments in the PRC:		
Share of net assets other than goodwill	**531,061**	605,542
Goodwill	**36,781**	60,808
	567,842	666,350
Representing:		
Listed investment outside Hong Kong	**492,704**	474,561
Unlisted investments	**75,138**	191,789
	567,842	666,350

Goodwill acquired in business combinations is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2013	2012
	HK$'000	HK$'000
Manufacture and sales of clinker and cement		
Anhui Chaodong Cement Co., Ltd. ("Anhui Chaodong")	**36,440**	36,440
TCC Liaoning Cement Company Limited ("TCC Liaoning")	**–**	24,027
	36,440	60,467
Others		
Yangzhou Haichang Port Industrial Company Limited ("Formerly known as Jiang Du Haichang Port Industrial Company Limited") ("Yangzhou Haichang")	**341**	341
	36,781	60,808

20. INTERESTS IN ASSOCIATES *(Continued)*

Details of the associates at 31 March 2013 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by a subsidiary	Principal activities
Anhui Chaodong (Note (a), (b) and (c))	The PRC	RMB242,000,000	33.06%	Manufacturing and selling of clinker and cement
Yangzhou Haichang (Note (c))	The PRC	RMB220,500,000	25%	Operation of public port and the facilities business

Notes:

(a) The market value of the Group's interest in a listed associate, Anhui Chaodong, amounted to approximately RMB803,200,000 (equivalent to approximately HK$1,006,128,000) (2012: RMB897,600,000 (equivalent to approximately HK$1,112,406,000)). During the year, the shares in Anhui Chaodong with a carrying amount of approximately HK$492,704,000 were pledged to secure bank borrowings granted to the Group (Notes 34 and 42).

(b) In respect of the year ended 31 March 2013, Anhui Chaodong was included in the consolidated financial statements of the Group based on the most recent available financial statements drawn up to 31 December 2012, but taking into account the effect of significant transactions or events that occurred in the subsequent period from 1 January 2013 to 31 March 2013. The Group has taken advantage of the provision contained in HKAS 28 "Investments in Associates" whereby it is permitted to include the attributable share of associates' results based on financial statements drawn up to a non-conterminous period and where the difference must be no greater than three months.

(c) The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

20. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information in respect of the Group's associates is set out below:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2013					
100 per cent	**3,808,298**	**2,209,974**	**1,598,324**	**2,025,463**	**165,198**
Group's share	**1,220,146**	**689,085**	**531,061**	**551,639**	**39,016**

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2012					
100 per cent	4,634,833	2,506,423	2,128,410	2,368,458	477,271
Group's share	1,305,980	700,438	605,542	685,133	137,487

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2013 HK$'000	2012 HK$'000
Unlised investments:		
Share of net assets	**481,814**	521,749
Goodwill	**127,497**	126,138
Loan to a jointly controlled entity and its subsidiary	**99,840**	108,537
Amount due from a jointly controlled entity	**22,197**	21,995
	731,348	778,419

The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment. This amount is not expected to be settled within one year.

Loan to a subsidiary of a jointly controlled entity is unsecured, interest bearing at 8% p.a. and repayable after one year.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Details of the jointly controlled entities at 31 March 2013 are as follows:

Name	Place of incorporation/ registration	Particulars of registered capital	Percentage of effective interest held by a subsidiary	Voting power held by a subsidiary	Principal activities
Hangzhou Prosperous Property Limited (Note (b))	The PRC	RMB400,000,000	50%	50%	Property development
Changtai Jinhongbong Real Estate Development Co., Ltd. ("Changtai") (Note (a) and (b))	The PRC	RMB100,000,000	50%	50%	Property development
United Goalink Limited ("UGL")	BVI	US$50,000	35%	50%	Investment holding
RGN Resources Holdings Limited	Hong Kong	US$50,000	50%	50%	Dormant

Notes:

(a) Goodwill is attributable to the benefit of skills and technical talent of the acquired business' work force and the synergies expected to be achieved from integrating Changtai into the Group's existing real estate development business.

(b) The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

The following amounts are the Group's share of the jointly controlled entities that are accounted for by the equity method of accounting.

	2013 **HK$'000**	2012 HK$'000
At 31 March		
Current assets	**331,399**	279,196
Non-current assets	**585,328**	527,106
Current liabilities	**(248,563)**	(222,737)
Non-current liabilities	**(186,350)**	(61,816)
Net assets	**481,814**	521,749
Year ended 31 March		
Turnover	**45,100**	81,867
Expenses	**92,436**	97,312

22. FINANCE LEASE RECEIVABLE

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**19,204**	–	**17,333**	–
In the second to fifth years, inclusive	**229,664**	–	**135,572**	–
	248,868	–	**152,905**	–
Less: Unearned finance income	**(95,963)**	–	**N/A**	N/A
Present value of minimum lease payments receivable	**152,905**	–	**152,905**	–
Less: Amount receivable within 12 months (shown under current assets)			**(17,333)**	–
Amount receivable after 12 months			**135,572**	–

The Group leases out an iron ore processing plant acquired from the lessee during the year under a finance lease expiring in three years. The Group was granted a put option to request the lessee to buy back the iron ore processing plant which is exercisable at the end of the three-year lease term and/or under other conditions as defined in the put option agreement. Details of the transactions are set out in note 28(a). The finance lease does not include any contingent rentals.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013	2012
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**109,913**	128,921
Listed equity securities outside Hong Kong, at fair value	**9,147**	–
Unlisted equity securities, at fair value	**26,107**	61,327
	145,167	190,248
Analysed as:		
Current assets	**16,285**	49,573
Non-current assets	**128,882**	140,675
	145,167	190,248

The fair values of listed equity securities are based on current bid prices.

The fair values of unlisted equity securities are based on prices quoted by the financial institutions or fund administrators.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Derivatives:				
Non-current:				
Derivatives embedded in convertible loan notes (Note 38)	**4,136**	**–**	–	–
Current:				
Derivatives embedded in convertible loan notes (Note 38)	**–**	**34,854**	–	–
Put option (Note 38)	**–**	**25,989**	–	–
Warrants (Note)	**–**	**–**	–	1,435
	–	**60,843**	–	1,435

Note:

On 9 May 2008, 1,000 warrants were granted by PMHL to certain institutional investors to subscribe for 12,905,639 ordinary shares of PMHL at an exercise price, representing a 10% premium to the volume weighted average price per share over the five trading days immediately preceding the issue date, subject to anti-dilution adjustments and strike price resets certain circumstances. The warrants are exercisable at any time up to five years after the issue date.

During the year, no warrants have been exercised.

The fair value of the warrants was estimated at the end of reporting period using the Binomial Lattio Model and the assumptions used in the model are as follows:

Warrant value	GBP 0
Expected volatility	36.50%
Risk free rate	0.18%
Expected life of warrant (months)	1
Expected dividend yield	5.18%

Expected volatility was based on the historical daily volatility of the share price of PMHL.

The expected life of warrant was determined based on the terms of the warrant.

The expected dividend yield was based on PMHL's average historical dividend yield.

During the year, gain on re-measurement of the derivative financial instruments to fair value amounted to approximately HK$1,435,000 (2012: HK$7,231,000) was recognised as a result of the decrease in published price of PMHL.

25. NON-CURRENT PREPAYMENTS

	2013 HK$'000	2012 HK$'000
Prepayments for purchase of iron ore (Note)	**454,961**	761,795
Prepayments for investments	**54,600**	54,600
Prepayments for property, plant and equipment	**3,450**	4,697
Prepayments for leases	**1,814**	2,381
	514,825	823,473

Note: As at 31 March 2013, the Group has entered into off-take agreements with certain iron ore suppliers with respect to the balance of prepayments of approximately HK$454,961,000 (2012: HK$761,795,000), which are expected to be recovered or recognised as expense after one year.

26. PROPERTIES UNDER DEVELOPMENT FOR SALE

At 31 March 2013, the properties under development for sale were located in Yue Xiu District, Guangzhou, the PRC. The land use rights of the properties were granted for terms commencing from 13 October 2004 and 15 November 2007 of 50 years for commercial, tourism and entertainment use and 70 years for residential use respectively. The properties under development for sale are expected to be completed and available for sale within twelve months.

At 31 March 2012, the Group's properties under development for sale with carrying amount of approximately HK$316,204,000 were pledged as security for the Group's bank borrowings (Notes 34 and 42).

27. TRADE AND BILLS RECEIVABLES

In relation to the trading of clinker, cement and other building materials and iron ore and raw materials, the Group receives from each customer an irrevocable documentary credit issued at sight by a bank undertaking payment to the Group upon the presentation of relevant documents as required by the issuing bank. The Group's credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

27. TRADE AND BILLS RECEIVABLES *(Continued)*

The aging analysis of trade and bills receivables, based on the goods delivery date, and net of allowance, is as follows:

	2013 **HK$'000**	2012 HK$'000
0 to 90 days	**231,165**	87,095

As at 31 March 2013, an allowance was made for estimated irrecoverable trade receivables of approximately HK$4,720,000 (2012: HK$4,835,000).

Reconciliation of allowance for trade receivables:

	2013 **HK$'000**	2012 HK$'000
At 1 April	**4,835**	–
Allowance for the year	**–**	4,835
Reversal of allowance for the year	**(248)**	–
Exchange differences	**133**	–
At 31 March	**4,720**	4,835

As of 31 March 2013, none of the Group's trade receivables were past due but not impaired.

The carrying amounts of the Group's trade and receivables are denominated in US$.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Prepayments		
— purchase of iron ore (Note (a))	**238,336**	262,159
— investment properties under development and properties under development for sale	**50**	6,197
— other tax expenses (Note (b))	**149,319**	–
— others	**987**	6,213
	388,692	274,569
Other deposits	**3,609**	1,560
Other receivables (Note (c))	**87,003**	69,484
Loan receivables (Note (d))	**395,715**	125,835
	875,019	471,448

Notes:

(a) It has been the practice of the Group to make prepayments to independent suppliers and distributors nominated by the suppliers for securing iron ore supply. The directors are of the view that these arrangements provide the Group with access to new and reliable source of iron ore and facilitate the development of business relationships with the iron ore suppliers and their nominated distributors.

Included in the total balance of current and non-current prepayments as at 31 March 2013 was a balance of prepayments with an independent supplier (the "Supplier") and certain distributors nominated by the Supplier (the "Nominated Distributors") which amounted to approximately HK$255,281,000 ("First Prepayments") (2012: HK$612,035,000). On 27 June 2011, MCO entered into an iron ore master off-take agreement (the "Off-take Agreement") with the Supplier and the Nominated Distributors. Pursuant to the Off-take Agreement, the Supplier and the Nominated Distributors agreed to sell, and MCO agreed to purchase, the contracted tonnage of iron ore within the off-take period from 27 June 2011 to 26 June 2014. The Off-take Agreement prescribed that MCO has the right but not the obligation to purchase iron ore over a three-year period at the prevailing market price. Pursuant to the Off-take Agreement, a pre-determined amount will be deducted from the First Prepayments as part payment for the iron-ore purchase. The shareholders of the Supplier have charged all their shares in the Supplier in favour of the Group as security for the performance of the Off-take Agreement.

On 2 September 2011, MCO entered into a supplementary agreement with the Supplier and the Nominated Distributors (the "Supplementary Off-take Agreement"). Pursuant to the Supplementary Off-take Agreement, the amount to be deducted from the First Prepayments has been revised and all parties agreed to the aggregate prepayments deduction per calendar month shall not exceed approximately HK$18,720,000.

On 22 October 2012, PMHL and MCO entered into a master restructuring agreement with the Supplier and the Nominated Distributors (the "Master Restructuring Agreement"). Pursuant to the Master Restructuring Agreement, the amount of First Prepayments being utilised was revised to not exceed approximately HK$9,360,000 per month. In addition, the Group agreed to acquire an iron ore processing plant from the Supplier for HK$152,100,000. On 27 February 2013, the Group entered into a lease agreement and put option agreement with the Supplier, under which the Group leased back the iron ore processing plant to the Supplier for a period of three years and the Group was granted a put option to sell the iron ore processing plant back to the Supplier. The put option is exercisable at the end of the three-year lease term and/or under other conditions as defined in the put option agreement. In preparing the financial statements, these transactions were treated as a purchase and finance lease back arrangement and, accordingly, an amount of HK$152,100,000 was deducted from the First Prepayments and a finance lease receivable was recognised upon initial recognition (Note 22).

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

On 20 December 2012, Success Top Enterprise Limited ("Success Top") entered into a purchase agreement ("Purchase Agreement") with the Supplier. Pursuant to the Purchase Agreement, the Supplier agreed to sell and Success Top agreed to purchase, the contracted tonnage of iron ore within the period from 1 January 2013 to 31 December 2014. The Purchase Agreement prescribed that Success Top has the right but not the obligation to purchase iron ore over a two-year period at the prevailing market price. Pursuant to the Purchase Agreement, a pre-determined amount will be deducted from the prepayments made by Success Top ("Second Prepayments") as part payment for the iron-ore purchase. The related company of the Supplier has charged all its assets in favour of the Group as security for the performance of the Purchase Agreement.

As at 31 March 2013, the remaining balance of the First and Second Prepayments classified as current asset and non-current asset was approximately HK$221,520,000 (2012: HK224,640,000) and approximately HK$142,961,000 (2012: HK$387,396,000) respectively.

The Directors are of the view that the First and Second Prepayments will be recovered in full.

(b) Other tax expenses represented taxes paid in relation to the sales proceeds received from purchasers in connection with the Group's pre-sales of properties.

(c) Other receivables included an amount of approximately HK$29,827,000 (2012: Nil) representing the interests accrued in respect of the loan to a jointly controlled entity.

(d) Included in loan receivables are amounts of approximately:

(i) HK$Nil (2012: HK$67,120,000) made to a subsidiary of a jointly controlled entity that is unsecured, interest-bearing at 8% (2012: 8%) per annum and repayable within one year and HK$Nil (2012: HK$8,779,000) being interest receivable.

(ii) HK$279,723,000 (2012: HK$32,222,000) made to the jointly controlled entities that are unsecured, interest-bearing at 8% to12% (2012: 10%) per annum and repayable within one year.

(iii) HK$7,800,000 (2012: HK$7,800,000) made to a joint venturer that is secured by all the shares in UGL owned by the joint venturer, interest-bearing at 8% (2012: 8%) per annum and repayable within one year.

(iv) HK$44,718,000 (2012: Nil) made to joint venturers that are unsecured, interest bearing at 12% per annum and repayable within one year.

(v) HK$10,021,000 (2012: HK$9,914,000) made to a non-controlling shareholder of a subsidiary that is unsecured, interest-bearing at 7.980% (2012: 7.315%) per annum and repayable within one year.

(vi) HK$43,680,000 (2012: Nil) made to a business associate that is unsecured, interest bearing at 6% per annum and repayable on demand.

29. PLEDGED DEPOSITS, TIME DEPOSITS AND BANK AND CASH BALANCES

The bank deposits of approximately HK$1,435,344,000 (2012: HK$1,419,669,000) carry floating interest rate thus expose the Group to cash flow interest rate risk.

Pledged deposits mainly represent the deposits placed in banks to secure letters of credit facilities granted to the Group.

Included in bank and cash balances is an amount of approximately HK$245,396,000 (2012: HK$127,052,000) represents restricted deposits placed by the Group with banks which can only be applied to designated property development project of the Group.

Included in pledged deposits, time deposits and bank and cash balances is an amount of approximately HK$576,144,000 as at 31 March 2013 (2012: HK$257,507,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

30. NON-CURRENT ASSETS HELD FOR SALE

On 6 February 2013, Sintex International Limited entered into a conditional sale and purchase agreement with TCC International Holdings Limited ("TCC International") to sell its 16.11% interest in an associate, TCC Liaoning, for a consideration of RMB144,500,000 (equivalent to approximately HK$180,625,000). The transaction will only be completed upon approvals from governments are obtained. As at 31 March 2013, the carrying amount of the interest in the associate of approximately HK$134,253,000 (including goodwill amounted to approximately HK$24,285,000) was presented as non-current assets held for sale in the Group's consolidated statement of financial position.

Interest in an associate

	2013 HK$
Unlisted investments in the PRC:	
Share of net assets other than goodwill	109,968
Goodwill	24,285
	134,253

30. NON-CURRENT ASSETS HELD FOR SALE *(Continued)*

Particulars of the associate at 31 March 2013 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by a subsidiary	Principal activities
TCC Liaoning (Note (a), (b) and (c))	The PRC	RMB371,000,000	16.11%	Manufacturing and selling of clinker and cement

Notes:

(a) In respect of the year ended 31 March 2013, TCC Liaoning was included in the consolidated financial statements of the Group based on the most recent available financial statements drawn up to 31 December 2012, but taking into account the effect of significant transactions or events that occurred in the subsequent period from 1 January 2013 to 31 March 2013. The Group has taken advantage of the provision contained in HKAS 28 "Investments in Associates" whereby it is permitted to include the attributable share of associates' results based on financial statements drawn up to a non-conterminous period and where the difference must be no greater than three months.

(b) Although the Group holds less than 20% of the voting power of TCC Liaoning, the Group exercises significant influence over TCC Liaoning because the Group retains 25% voting power in the Board of Directors of TCC Liaoning.

(c) The English translation of the company's name is for reference only. The official name of this company is in Chinese.

31. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2011, 31 March 2012 and 2013	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2011, 31 March 2012 and 2013	6,394,962,539	63,950

31. SHARE CAPITAL *(Continued)*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

During the year ended 31 March 2013, the Group's strategy, which was unchanged from 2012, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-equity ratio at 31 March 2013 and at 31 March 2012 were 41% and 42%, respectively.

The only externally imposed capital requirement is that the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013	2012
	HK$'000	HK$'000
Property, plant and equipment	**150**	98
Investments in subsidiaries	**2,327,369**	2,185,744
Other non-current assets	**4,136**	–
Other current assets	**152,819**	710
Bank borrowings	**(16,667)**	(30,000)
Convertible loan notes	**(359,956)**	–
Other current liabilities	**(71,893)**	(114,821)
NET ASSETS	**2,035,958**	2,041,731
Share capital	**63,950**	63,950
Reserves (Note 33(b))	**1,972,008**	1,977,781
TOTAL EQUITY	**2,035,958**	2,041,731

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Contributed Surplus HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2011	2,035,544	–	–	1,751	2,037,295
Total comprehensive income for the year	–	–	–	54,862	54,862
Transfer of share premium to contributed surplus	(1,000,000)	1,000,000	–	–	–
Recognition of share-based payments	–	–	13,523	–	13,523
Dividend paid	–	(127,899)	–	–	(127,899)
Changes in equity for the year	(1,000,000)	872,101	13,523	54,862	(59,514)
At 31 March 2012	1,035,544	872,101	13,523	56,613	1,977,781
Total comprehensive income and changes in equity for the year	–	–	–	(5,773)	(5,773)
At 31 March 2013	**1,035,544**	**872,101**	**13,523**	**50,840**	**1,972,008**

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by the Companies Act of Bermuda.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

The reserve is dealt with in accordance with the accounting policies set out in Note 3(e)(iii) to the financial statements.

33. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(iii) Contributed surplus

The contributed surplus of the Group comprises (a) an amount arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2001 and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefore; and (b) the net of credit arising from capital reduction of HK$1,000,000,000 transferred from share premium account and dividend paid.

(iv) Merger reserve

The excess of the consolidated net assets represented by the shares in subsidiaries acquired over the nominal value of the shares issued by PMHL in exchange under the combination was transferred to merger reserve.

(v) Share-based payment reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 3(y) to the financial statements.

(vi) Investments reserve

The investments reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

(vii) Other reserve

The other reserve, which is non-distributable, is appropriated from the profit after tax of the Group's Macau subsidiary under the Macao Commercial Code.

34. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Secured		
Bank loans	**1,281,945**	1,375,480
Trust receipt loans	**31,843**	471,925
	1,313,788	1,847,405

The borrowings are repayable as follows:

	2013 HK$'000	2012 HK$'000
On demand or within one year	**594,465**	1,332,103
In the second year	**184,899**	273,504
In the third to fifth years, inclusive	**519,865**	219,380
After five years	**14,559**	22,418
	1,313,788	1,847,405
Less: Amount due for settlement within 12 months	**(594,465)**	(1,332,103)
Amount due for settlement after one year which contain a repayment on demand clause	**(53,060)**	(77,653)
Amount due for settlement after 12 months	**666,263**	437,649

None of the amount of bank borrowings due for settlement after one year which contain a repayment on demand clause that is classified as a current liability is expected to be settled within one year.

34. BANK BORROWINGS *(Continued)*

The carrying amounts of the bank borrowings are denominated in the following currencies:

	RMB HK$'000	HK$ HK$'000	US$ HK$'000	Total HK$'000
2013				
Bank loans	**422,128**	**166,740**	**693,077**	**1,281,945**
Trust receipt loans	**–**	**–**	**31,843**	**31,843**
2012				
Bank loans	648,771	60,128	666,581	1,375,480
Trust receipt loans	–	–	471,925	471,925

The ranges of effective interest rates at 31 March were as follows:

	2013 **HK$'000**	2012 HK$'000
Bank loans	**1.4% to 8.0%**	1.5% to 8.0%
Trust receipt loans	**2.3% to 2.5%**	2.0% to 2.8%

Bank borrowings of approximately HK$Nil (2012: HK$416,578,000) are arranged at fixed interest rates thus expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates thus expose the Group to cash flow interest rate risk.

Certain of the bank borrowings are subject to the fulfillment of covenants set out in the banking facility letters entered into by the Group with several bank institutions. If the covenants are breached, the bank borrowings will become payable on demand.

35. DEFERRED TAX

Deferred tax liabilities

	Revaluation of properties under development for sale HK$'000	Depreciation charges in excess of related depreciation allowance HK$'000	Revaluation of investment properties and investment properties under development HK$'000	Tax losses (note) HK$'000	Fair value difference of other intangible assets HK$'000	With-holding tax HK$'000	Others HK$'000	Total HK$'000
At 1 April 2011	201,976	144	140,347	(15,437)	48,160	–	(1,572)	373,618
Charged/(credited) to profit or loss for the year	–	–	21,454	(7,507)	–	991	725	15,663
Exchange difference	8,914	–	6,564	(810)	–	–	(57)	14,611
At 31 March 2012	210,890	144	168,365	(23,754)	48,160	991	(904)	403,892
Charged/(credited) to profit or loss for the year	–	303	17,619	(6,393)	(5,725)	297	(897)	5,204
Payment	–	–	–	–	–	(991)	–	(991)
Exchange difference	2,270	–	1,989	(320)	–	–	(23)	3,916
At 31 March 2013	213,160	447	187,973	(30,467)	42,435	297	(1,824)	412,021

Note: The tax losses will expire within five years.

At the end of the reporting period the Group has unused tax losses of approximately HK$269,401,000 (2012: HK$222,517,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$121,868,000 (2012: HK$95,016,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$147,533,000 (2012: HK$127,501,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$15,733,000 (2012: HK$8,564,000) that will expire within five years. Other tax losses do not expire under the current tax legislation.

36. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables is as follows:

	2013	2012
	HK$'000	HK$'000
Due within 3 months or on demand	**255,245**	11,197
Due after 6 months	**51,484**	46,020
Due after 1 year	**–**	10,988
	306,729	68,205

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2013	2012
	HK$'000	HK$'000
US$	**255,245**	5,227
RMB	**51,484**	62,978
	306,729	68,205

37. OTHER PAYABLES AND DEPOSITS RECEIVED

	2013	2012
	HK$'000	HK$'000
Accrued expenses	**21,844**	13,454
Other payables	**291,687**	330,585
Receipts in advance (Note (a))	**2,090,102**	336,278
Rental deposits	**3,147**	2,815
Amounts due to directors (Note (b))	**–**	64,803
	2,406,780	747,935

Notes:

(a) Receipts in advance represented sales proceeds received from purchasers in connection with the Group's pre-sales of properties.

(b) The amount due to a director is unsecured, interest free and repayable on demand.

38. CONVERTIBLE LOAN NOTES

(a) US$25 million convertible loan note to Sidero International Limited ("Sidero")

On 19 December 2012, the Company issued a convertible loan note to Sidero with a nominal value of US$25,000,000 ("Sidero Convertible Note"). The note, at the option of Sidero, is convertible in whole or in part of the outstanding principal amount of the Sidero Convertible Note at any time before the maturity date falling on the third anniversary of the date of issue of the Sidero Convertible Note (or, if extended upon mutual consent of the Company and Sidero, the fourth anniversary of the date of issue of the Sidero Convertible Note) at an initial conversion price into fully paid ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price will be the lower of (i) HK$0.60 per share; or (ii) 90% of the price per share at which any additional shares are issued by the Company in connection with and as at completion of the acquisition of the entire interest of Billion Win Capital Limited ("Billion Win Acquisition"), which is initially set at HK$0.50 per share.

The Sidero Convertible Note will bear interest at the rate of 8.25% per annum on the outstanding principal amount of the Sidero Convertible Note which will be paid semi-annually.

If the Company fails the Billion Win Acquisition within one year after the issue date of the Sidero Convertible Note, Sidero may require the Company to repay the Sidero Convertible Note at an amount that would yield an internal rate of return of not less than 16% on the then outstanding principal amount (the "Sidero Accreted Principal Amount").

Provided that no event of default as set out under the Sidero Convertible Note has occurred and is continuing, the Company may repay all or any part of the Sidero Convertible Note at any time after eighteen months of the issue date of the Sidero Convertible Note (the "Sidero Prepayment Date") by paying Sidero the relevant Sidero Accreted Principal Amount on the Sidero Prepayment Date, provided that the relevant repayment amount shall not be less than the lower of (i) US$5 million (approximately HK$39 million) and (ii) the remaining outstanding principal amount of the Sidero Convertible Note.

38. CONVERTIBLE LOAN NOTES *(Continued)*

(a) US$25 million convertible loan note to Sidero International Limited ("Sidero") *(Continued)*

Provided that no event of default as set out under the Sidero Convertible Note has occurred, at any time following completion of the Billion Win Acquisition, the Company shall have the right, but not the obligation, to effect compulsory partial conversions of the Sidero Convertible Note in four separate portions of the principal amount when the prevailing share price of the Company exceed 120%, 130%, 150% and 160% of the conversion price.

The Sidero Convertible Note is not transferable or assignable without the prior written consent of the Company.

(b) US$30 million convertible loan notes to LIM Asia Multi-Strategy Fund Inc and LIM Asia Special Situations Master Fund Limited (together as "LIM")

On 8 February 2013, the Company issued convertible loan notes to LIM with total nominal value of US$30,000,000 ("LIM Convertible Notes"). The notes, at the option of LIM, are convertible in whole or in part of the outstanding principal amounts of the LIM Convertible Notes at any time before the maturity date falling on the third anniversary of the date of issue of the LIM Convertible Notes (or, if extended upon mutual consent of the Company and LIM, the fourth anniversary of the date of issue of the LIM Convertible Notes) at an initial conversion price into fully paid ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price will be the lower of (i) HK$0.60 per share; or (ii) 90% of the price per share at which any additional shares are issued by the Company in connection with and as at completion of the Billion Win Acquisition, which is initially set at HK$0.50 per share.

The LIM Convertible Notes will bear interest at the rate of 8.25% per annum on the outstanding principal amount of the LIM Convertible Notes which will be paid semi-annually.

If the Company fails the Billion Win Acquisition within one year after the issue date of the LIM Convertible Notes, LIM may require the Company to repay the LIM Convertible Notes at the amounts that would yield an internal rate of return of not less than 16% or the then outstanding principal amounts (the "LIM Accreted Principal Amounts").

38. CONVERTIBLE LOAN NOTES *(Continued)*

(b) US$30 million convertible loan notes to LIM Asia Multi-Strategy Fund Inc and LIM Asia Special Situations Master Fund Limited (together as "LIM") *(Continued)*

Provided that no event of default as set out under the LIM Convertible Notes has occurred and is continuing, the Company may repay all or any part of the LIM Convertible Notes at any time after eighteen months of the issue date of the LIM Convertible Notes (the "LIM Prepayment Date") by paying LIM the relevant LIM Accreted Principal Amounts on the LIM Prepayment Date, provided that the relevant repayment amount shall not be less than the lower of (i) US$5 million (approximately HK$39 million) and (ii) the remaining outstanding principal amount of the LIM Convertible Notes.

Provided that no event of default as set out under the LIM Convertible Notes has occurred, at any time following completion of the Billion Win Acquisition, the Company shall have the right, but not the obligation, to effect compulsory partial conversions of the LIM Convertible Notes in four separate portions of the principal amount when the prevailing share price of the Company exceed 120%, 130%, 150% and 160% of the conversion price.

In connection with the issue of LIM Convertible Notes, the Company has also entered into a put option deed with LIM, pursuant to which the Company agreed to grant a put option to LIM to require the Company to purchase all or part of 7,869,396 PMHL ordinary shares ("Option Shares") at an initial exercise price of GBP1.30 (equivalent to approximately HK$16.12) ("Exercise Price") per option share at any time from the issue date of the LIM Convertible Notes and ending on the second anniversary of the issue date of the LIM Convertible Notes. The Company shall pay the Exercise Price by way of allotment and issue of such number of shares of the Company at an initial issue price of HK$0.50 per share which is equivalent to the aggregate consideration payable for the Option Shares.

LIM shall not be permitted to assign any part of the LIM Convertible Notes and/or the rights hereunder without the prior written consent of the Company provided that (i) LIM may transfer up to US$10 million of the principal amount of the LIM Convertible Notes (the "Relevant Notes") to up to 2 transferee(s) (each a "Designated Transferee") and (ii) a Designated Transferee may transfer the Relevant Notes or any part thereof back to LIM, in each case without the consent of the Company.

38. CONVERTIBLE LOAN NOTES *(Continued)*

The proceeds received from the issue of the convertible loan notes have been split between the liability and derivative components as follows:

	Sidero Convertible Note HK$	LIM Convertible Notes HK$	Total HK$
Liability component:			
Nominal value of convertible loan notes	195,000	234,000	429,000
Transaction cost related to liability component	(4,974)	(1,026)	(6,000)
Derivative financial assets	1,001	2,632	3,633
Derivative financial liabilities	(24,150)	(59,570)	(83,720)
Liability component at date of issue	166,877	176,036	342,913
Interest charged	9,329	7,714	17,043
Liability component at 31 March 2013	176,206	183,750	359,956
Derivative financial assets:			
Derivative assets embedded in convertible loan notes			
At date of issue	1,001	2,632	3,633
Fair value gain/(loss) for the year	768	(265)	503
At 31 March 2013	1,769	2,367	4,136
Derivative financial liabilities:			
(a) Derivative liabilities embedded in convertible loan notes			
At date of issue	24,150	31,953	56,103
Fair value gain for the year	(10,114)	(11,135)	(21,249)
At 31 March 2013	14,036	20,818	34,854
(b) Put option			
At date of issue	–	27,617	27,617
Fair value gain for the year	–	(1,628)	(1,628)
At 31 March 2013	–	25,989	25,989

The interest charged for the year is calculated by applying an effective interest rate of 22.0% and 26.0% to the liability components of Sidero Convertible Note and LIM Convertible Notes respectively for the 12-month period since the respective convertible loan notes were issued.

38. CONVERTIBLE LOAN NOTES *(Continued)*

The derivative components are measured at their fair value at the respective date of issue and at the end of each reporting period. The fair values are estimated using Black-Scholes Model with Monte Carlo Simulation method. The key assumptions used are as follows:

Sidero Convertible Note

	31 March 2013	Date of issue
Share price — PIHL	HK$0.305	HK$0.32
Expected volatility	47.49%	50.26%
Expected life (years)	2.7	3
Risk free rate	0.47%	0.50%
Expected dividend yield	0%	0%

LIM Convertible Notes

	31 March 2013	Date of issue
Share price — PIHL	HK$0.305	HK$0.33
Expected volatility	47.53%	48.57%
Expected life (years)	2.86	3
Risk free rate	0.50%	0.54%
Expected dividend yield	0%	0%

38. CONVERTIBLE LOAN NOTES *(Continued)*

Put Option

	31 March 2013	Date of issue
Share price		
— PIHL	HK$0.305	HK$0.33
— PMHL	GBP0.60	GBP0.665
Expected volatility		
— PIHL	52.84%	51.16%
— PMHL	30.26%	29.93%
Risk free rate		
— HK$	0.42%	0.41%
— GBP	0.66%	0.71%
Expected dividend yield		
— PIHL	0%	0%
— PMHL	8.12%	8.12%
Expected life (years)	2	2

The convertible loan notes are secured by equity interest in Billion Win Capital Limited ("Billion Win") owned by an independent third party and Sun Honest Enterprises Limited ("Sun Honest"). Sun Honest is considered as a related company of the Group as a director, Mr. Wong Ben Koon has beneficial interest in Sun Honest.

39. SHARE-BASED PAYMENTS

Equity-settled share option schemes

(a) Share options scheme operated by the Company

The Company operated a share option scheme (the "Company's Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 25 September 2009 and, unless otherwise cancelled or amended, remain in force for 10 years from that date.

39. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(a) Share options scheme operated by the Company *(Continued)*

The maximum number of unexercised share options currently permitted to be granted under the Company's Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Company's Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

39. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option schemes (Continued)

(a) Share options scheme operated by the Company (Continued)

Details of the shares options granted and outstanding during the year are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2012	Granted during the year	Number of options outstanding as at 31 March 2013	Date of grant of share options	Exercisable Period	Exercise price of share options HK$	Closing price of the shares immediately before date of grant of share options HK$
Director							
Dr. Mao Shuzhong	30,000,000	–	30,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Liu Yongshun	15,000,000	–	15,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Johannes Petrus Mulder	30,000,000	–	30,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Ms. Gloria Wong	10,000,000	–	10,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Kong Siu Keung	10,000,000	–	10,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
	95,000,000	–	95,000,000				
Other							
Other employees	36,800,000	–	36,800,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
	131,800,000	–	131,800,000				

39. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(a) Share options scheme operated by the Company *(Continued)*

The number and weighted average exercise prices of the share options are as follows:

	2013		2012	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of year	**131,800,000**	**0.41**	—	—
Granted during the year	**–**	**–**	131,800,000	0.41
Outstanding at the end of year	**131,800,000**	**0.41**	131,800,000	0.41
Exercisable at the end of year	**131,800,000**	**0.41**	—	N/A

At 31 March 2013, the options outstanding have a weighted average remaining contractual life of 8 years.

The vesting period for the share options are 12 months after commencement of the option period.

Save for the above, no share options were granted, exercised, cancelled or lapsed under the Company's Scheme during the year.

The fair values of the options are approximately HK$13,523,000 which are estimated at date of grant using the Binomial Lattice Model and the assumptions used in the model are as follows:

Variables:	
Expected volatility	40.28%
Risk free rate	1.58%
Expected life of options (years)	4
Expected dividend yield	4.88%

39. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(a) Share options scheme operated by the Company *(Continued)*

Expected volatility was based on the historical volatility of the Company's share prices. The expected life was determined using the historical exercising behaviour of previous share options issued by the Company. The expected dividend yield was based on the Company's historical dividend payment record.

(b) Share option scheme operated by a subsidiary

PMHL operated a share option scheme (the "Subsidiary Scheme") whereby the directors of PMHL are authorised, at their discretion, to invite employees of PMHL and its subsidiaries, to take up options at nil consideration to subscribe for the shares of PMHL.

Details of the shares option of the Subsidiary Scheme outstanding during the year are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2012	Exercised during the year	Number of options outstanding as at 31 March 2013	Date of grant of share option	Exercise period	Exercise price of share options GBP	Price of share at date of grant of options GBP
Other employees							
2009 options	5,590,000	–	5,590,000	28 October 2009	28 October 2011 to 27 October 2013	0.70	0.70

39. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(b) Share option scheme operated by a subsidiary *(Continued)*

The number and weighted average exercise prices of share options are as follows:

	At 31 March 2013		At 31 March 2012	
	Number of share options	**Weighted average exercise price GBP**	Number of share options	Weighted average exercise price GBP
Outstanding at the beginning of year	**5,590,000**	**0.70**	7,090,000	0.69
Exercised during the year	**–**	**–**	(1,500,000)	0.62
Outstanding at the end of year	**5,590,000**	**0.70**	5,590,000	0.70
Exercisable at the end of year	**5,590,000**	**0.70**	5,590,000	0.70

The options outstanding at 31 March 2013 have a weighted average remaining contractual life of approximately 0.6 years (2012: 1.6 years).

Save for the above, no share options were granted, exercised, cancelled, or lapsed under the Subsidiary Scheme during the year.

The fair values of the 2009 options are estimated at date of grant using the Binomial Lattice Model and the assumptions used in the model are as follows:

Variables:	
Expected volatility	60%
Risk free rate	2.3%
Expected life of options (years)	3.6
Expected dividend yield	4.5%

39. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(b) Share option scheme operated by a subsidiary *(Continued)*

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) of five comparators whose major business is production and trading of building cement or cement products or other building supplies and have been listed for more than eight years, adjusted for any expected changes to future volatility based on publicly available information.

Expected dividend yields are based on historical dividends.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Deemed disposal of partial interest in a subsidiary

During the year ended 31 March 2012, PMHL issued 1,500,000 and 387,166 ordinary shares upon the exercise of options and warrants respectively.

	2012 HK$'000
Net assets in the subsidiary disposed of	23,767
Derecognition of derivative financial instruments	(2,597)
Cash consideration	(16,150)
Difference recognised directly in equity	5,020

41. CONTINGENT LIABILITIES

As at 31 March 2013, the Company issued corporate guarantees to various financial institutions for facilities granted to its subsidiaries. The Directors do not consider it probable that a claim will be made against the Company under any of the aforesaid guarantees. The maximum liability of the Company at the end of the reporting period under the aforesaid guarantees was approximately HK$109 million (2012: HK$99 million).

41. CONTINGENT LIABILITIES *(Continued)*

The fair value of the aforesaid guarantees at date of inception is not material and is not recognised in the financial statements.

Save for the above, the Company did not have other significant contingent liabilities.

As at 31 March 2013, the Group did not have any significant contingent liabilities (2012: Nil).

42. BANKING FACILITIES

As at 31 March 2013, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits (Note 29), investment properties (Note 17), investment properties under development (Note 17) of the Group;

(b) 44.85% equity interests in Lead Hero Investments Limited ("Lead Hero"), an indirectly-owned subsidiary of the Group;

(c) 33.06% equity interests in Anhui Chaodong, an associate of the Group (Note 20);

(d) corporate guarantee of the Company;

(e) corporate guarantees of subsidiaries;

(f) guarantee of the Hong Kong Special Administrative Region Government;

(g) personal guarantee executed by Mr. Wong Ben Koon;

(h) assignment of the off-take agreement for a minimum of total 4,800,000 tonnes of iron ore; and

(i) assignment of the Group's sale and purchase agreements of iron ore with the subsidiary of a jointly controlled entity.

42. BANKING FACILITIES *(Continued)*

As at 31 March 2012, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits (Note 29), investment properties (Note 17), investment properties under development (Note 17) properties under development for sale (Note 26) of the Group;

(b) 44.85% equity interests in Lead Hero Investments Limited ("Lead Hero"), an indirectly-owned subsidiary of the Group;

(c) 33.06% equity interests in Anhui Chaodong, an associate of the Group (Note 21);

(d) corporate guarantee of the Company;

(e) corporate guarantees of subsidiaries;

(f) guarantee of the Hong Kong Special Administrative Region Government;

(g) personal guarantee executed by Mr. Wong Ben Koon;

(h) assignment of the off-take agreement for a minimum of total 4,000,000 tonnes of iron ore; and

(i) assignment of the Group's sale and purchase agreements of iron ore with the subsidiary of a jointly controlled entity.

43. COMMITMENTS

As at 31 March 2013, the Group had the following commitments:

(a) Operating lease commitments — as lessee

The Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**7,275**	3,470
In the second to fifth years, inclusive	**5,988**	741
	13,263	4,211

Operating lease payments represent rentals payable by the Group for the office premises and staff quarters. Leases are negotiated for a term of one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Operating lease commitments — as lessor

The Group leases out investment properties and motor vehicles under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 31 March 2013, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**11,349**	10,023
In the second to fifth years inclusive	**10,889**	14,578
After five years	**–**	343
	22,238	24,944

43. COMMITMENTS *(Continued)*

(c) Capital and other commitments

	2013	2012
	HK$'000	HK$'000
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	**259,639**	29,780

In respect of its interests in jointly controlled entities (see note 21), the jointly controlled entities are committed to incur capital expenditure of approximately HK$60,411,000 (2012: HK$44,850,000), of which the Group's share of this commitment is approximately HK$30,206,000 (2012: HK$22,425,000).

At 31 March 2013, the Group had several non-cancellable purchase orders for iron ore with its supplier with an amount of approximately HK$199,134,000 (2012: Nil).

44. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following material related party transactions during the year:

(a) Compensation of key management personnel

	2013	2012
	HK$'000	HK$'000
Directors' fees	**2,741**	2,697
Basic salaries, allowances and benefits in kind	**36,983**	48,114
Retirement benefits scheme contributions	**1,244**	887
	40,968	51,698

44. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Sales of iron ore during the year

	2013 HK$'000	2012 HK$'000
Related companies (Note)	38,009	–

(c) Purchase of iron ore during the year

	2013 HK$'000	2012 HK$'000
A related company (Note)	23,275	–
A subsidiary of a jointly controlled entity	26,551	125,081
	49,826	125,081

(d) Agency income for the year

	2013 HK$'000	2012 HK$'000
A related company (Note)	991	3,916

(e) Interest income for the year

	2013 HK$'000	2012 HK$'000
A subsidiary of a jointly controlled entity	–	8,440
Jointly controlled entities	21,044	–
	21,044	8,440

44. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Advertising expenses for the year

	2013 HK$'000	2012 HK$'000
A related company (Note)	**1,006**	–

(g) Service costs for the year

	2013 HK$'000	2012 HK$'000
A jointly controlled entity	–	27,487

(h) Prepayments for purchase of iron ore as at 31 March 2013

	2013 HK$'000	2012 HK$'000
Included in non-current prepayments		
A related company (Note)	–	62,400
Included in current prepayments		
A subsidiary of a jointly controlled entity	–	10,304
	–	72,704

44. RELATED PARTY TRANSACTIONS *(Continued)*

(i) Prepayment for investments as at 31 March 2013

	2013	2012
	HK$'000	HK$'000
A related company (Note)	**54,600**	54,600

(j) Loans to and amount due from jointly controlled entities and its subsidiary as at 31 March 2013

	2013	2012
	HK$'000	HK$'000
Loans to jointly controlled entities	**279,723**	32,222
Loans to a jointly controlled entity and its subsidiary	**99,840**	184,439
Amount due from a jointly controlled entity	**22,197**	21,995
	401,760	238,656

(k) Interest receivable as at 31 March 2013

	2013	2012
	HK$'000	HK$'000
Jointly controlled entities	**29,827**	–

Note: Mr. Wong Ben Koon is also a director of and has beneficial interest in these companies.

45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2013 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest		Principal activities
			Direct	Indirect	
Bliss Hero Investment Limited	Hong Kong	3,000,100 ordinary shares of HK$1 each	–	64.07%	Investment holding
# Δ Guangzhou Bliss Hero Real Estate Development Limited	The PRC	Registered capital of HK$245,000,000	–	64.07%	Property leasing
* Δ Guangzhou Fuchun Dongfang Real Estate Investment Company Limited	The PRC	Registered capital of RMB420,000,000	–	35.24%	Property development, sales and leasing
# Guilin Star Brite Stone Materials Co., Ltd.	The PRC	Registered capital of US$4,300,000	–	60%	Mining and processing of granite and selling of granite products
#Δ Hangzhou Chengzhuo Trading Company Limited	The PRC	Registered capital of RMB30,000,000	–	64.07%	Trading of iron ore and steel
Lead Hero	BVI/Hong Kong	33,334 ordinary shares of US$1 each	–	44.85%	Investment holding
MCO	Macao	100,000 ordinary shares of MOP 1 each	–	64.07%	Trading of iron ore
PMHL	Jersey/Hong Kong	143,391,230 ordinary shares of GBP0.01 each	64.07%	–	Investment holding
Pro-Rise Business Limited	BVI/Hong Kong	1,000 ordinary shares of US$1 each	–	64.07%	Investment holding
Profit World Ventures Limited	BVI/Hong Kong	20,000 ordinary shares of US$1 each	100%	–	Investment holding
Prosperity Cement (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of clinker, cement and other building materials

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
Prosperity Cement (Asia) Limited — Macao Commercial Offshore	Macao	1 ordinary share of MOP 100,000 each	–	100%	Trading of clinker, cement and other building materials
Prosperity Minerals Limited	Hong Kong	2 ordinary shares of HK$1 each	–	64.07%	Provision of advisory, planning and administrative services
Prosperity Minerals Management Limited	Hong Kong	100,000 ordinary shares of HK$1 each	–	64.07%	Provision of human resources and administrative services
Prosperity Trading Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Trading of building materials
Sharp Advance International Limited	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
Success Top	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of building materials
Super Data Limited	BVI/Macao	1,000 ordinary shares of US$1 each	–	64.07%	Provision of chartering services
WM Aalbrightt Investment Holdings (Hong Kong) Limited	Hong Kong	100,000 ordinary shares of HK$1 each	–	60%	Investment holding
#Δ Zhejiang Changxing Investment Co. Ltd	The PRC	Registered capital of US$58,600,000	–	64.07%	Investment holding

a wholly-owned foreign enterprise established in the PRC

* a sino foreign equity joint venture established in the PRC

Δ the English translation of the companies' names is for reference only. The official name of these companies are in Chinese

46. EVENTS AFTER THE REPORTING PERIOD

(a) The Company entered into three conditional sale and purchase agreements dated 29 October 2012 with All Wealthy Capital Limited ("AWC"), Million Sea Group Limited ("Million Sea") and Sun Honest to acquire 100% of the issued share capital of Billion Win at a consideration of US$500,000,000 (approximately HK$3,900,000,000), subject to adjustment and a maximum amount of US$650,000,000 (approximately HK$5,070,000,000). Billion Win and its subsidiaries are principally engaged in (i) the operation of the iron mines located in Sri Jaya, Pahang State, Malaysia (the "Sri Jaya Mines"); (ii) the operation of the iron ore processing plant which is adjacent to the Sri Jaya Mines; and (iii) the sale of iron ore mined in Malaysia.

AWC and Sun Honest are considered as related companies of the Group as Mr. Wong Ben Koon has beneficial interests in AWC and Sun Honest.

As the Billion Win Acquisition is not yet completed, it is impracticable at this moment to disclose further information about the acquisition.

(b) On 8 May 2013, the Group entered into a conditional sale and purchase agreement to dispose of its 50% equity interest in a jointly controlled entity, Hangzhou Prosperous Property Limited with the carrying amount of approximately HK$247,744,000 for a cash consideration of RMB221,800,000 (equivalent to approximately HK$277,250,000). The completion of this disposal is subject to government approval and is not completed up to the date of this consolidated financial statements.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2013.

Summary Financial Information

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in note below:

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Turnover	**3,512,306**	6,190,034	8,136,491	2,564,656	786,492
(Loss)/profit before tax	**(309,758)**	(19,956)	(219,075)	(2,939)	23,937
Income tax expense	**(8,737)**	(15,956)	(2,406)	(13,072)	(878)
(Loss)/profit from continuing operations	**(318,495)**	(35,912)	(221,481)	(16,011)	23,059
Profit from discontinued operation	**—**	—	878,328	142,115	—
(Loss)/profit for the year	**(318,495)**	(35,912)	656,847	126,104	23,059
Attributable to:					
Owners of the Company	**(205,841)**	(49,387)	326,913	67,689	24,573
Non-controlling interests	**(112,654)**	13,475	329,934	58,415	(1,514)
	(318,495)	(35,912)	656,847	126,104	23,059

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**3,940,413**	3,865,528	2,472,519	1,513,041	228,488
Current assets	**5,011,971**	3,613,165	4,499,469	8,535,673	147,046
Current liabilities	**(3,783,025)**	(2,230,396)	(1,938,287)	(4,949,462)	(80,612)
Non-current liabilities	**(1,078,284)**	(841,541)	(523,059)	(856,726)	(77,781)
Total equity	**4,091,075**	4,406,756	4,510,642	4,242,526	217,141
Attributable to:					
Owners of the Company	**2,211,320**	2,396,957	2,520,257	2,089,734	160,897
Non-controlling interests	**1,879,755**	2,009,799	1,990,385	2,152,792	56,244
	4,091,075	4,406,756	4,510,642	4,242,526	217,141

Note: Amounts disclosed in the summary financial information for prior years were extracted from the annual report for the year ended 31 March 2012.