Integrating New with the Existing

Sparks New Records

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

2014 Annual Report

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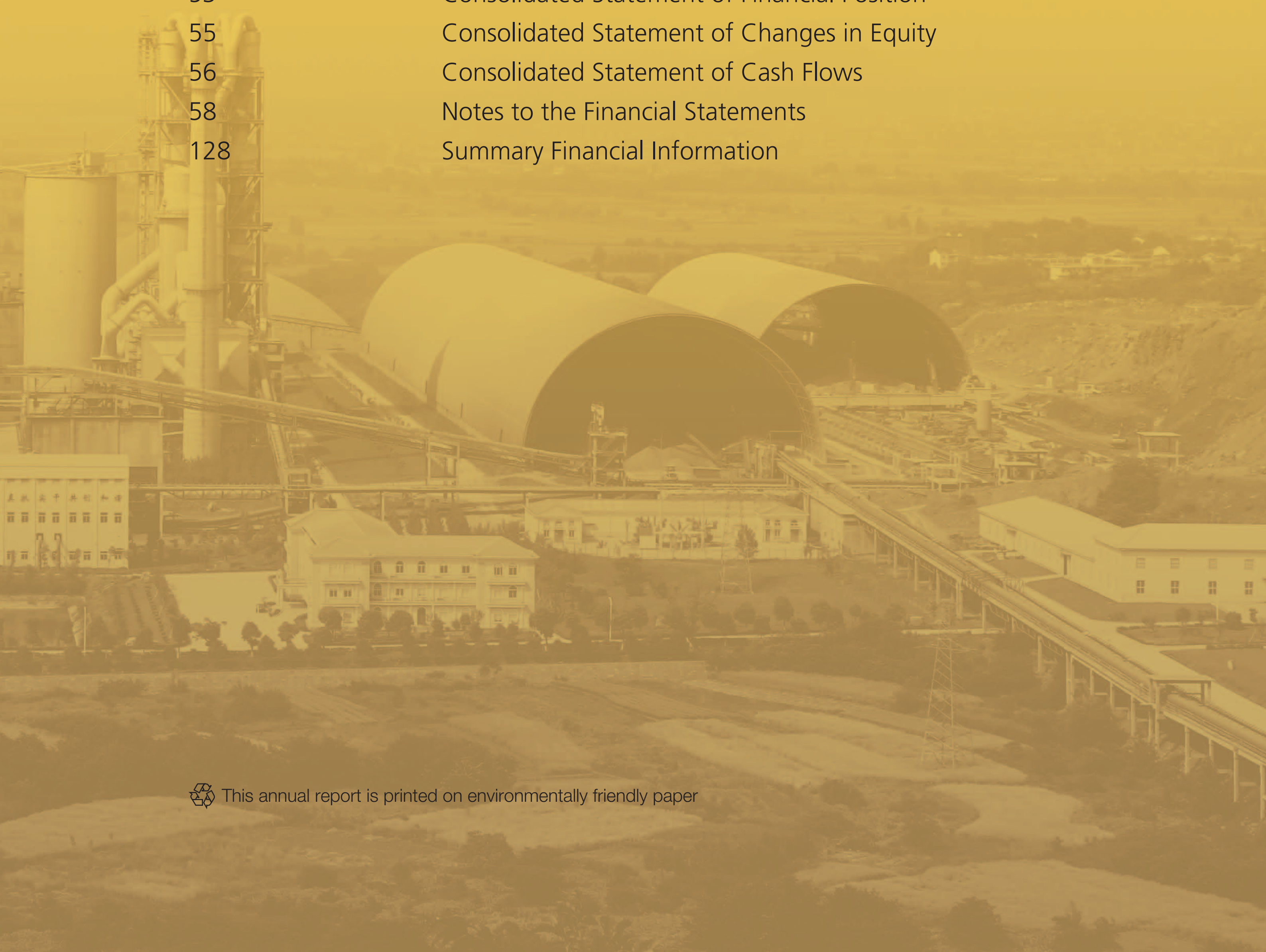

This annual report is printed on environmentally friendly paper

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Mr. SUN Yong Sen, *Deputy Chairman*
Dr. MAO Shuzhong
Mr. Zhu Kai, *Deputy Chairman* (appointed on 25 September 2013)
Mr. Johannes Petrus MULDER (resigned on 31 January 2014)
Mr. Wu Likang (appointed on 1 February 2014)
Ms. Gloria WONG
Mr. KONG Siu Keung

Non-executive Directors

Mr. LIU Benren, Deputy Chairman (resigned on 25 September 2013)
Mr. LIU Yongshun (re-designated as non-executive director on 1 February 2014)

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

Suites 1801–6
18th Floor
Tower 2
The Gateway
25 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

803

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

SOLICITORS

Stephenson Harwood
35th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

COMPANY WEBSITE

www.pihl-hk.com

> "Our transformation into a principal iron ore trader has put us in a better position to capitalize on China's increasing demand amid its urbanization."

Prosperity International Holdings (H.K.) Limited (the "Company", which together with its subsidiaries, is collectively referred to as the "Group") turned around with a net profit for the year ended 31 March 2014 (the "Year") mainly because of the recognition of profit and revenue at its key property development project Oriental Landmark in Guangzhou, China.

During the Year, the Group continued with its strategy of transforming itself from an agency into a principal iron ore trader to cope with the complicated iron ore market. The move has enabled it to manoeuvre into a better position to capitalize on China's increasing demand for iron ore imports as the country's urbanization is gathering momentum. Meanwhile, its keen eye for golden investment opportunities in the country's property market and its effective project execution also contributed to the better results.

RESULTS OVERVIEW

The Company turned around with a net profit of approximately HK$287 million for the Year, against the net loss of approximately HK$318 million for the year ended 31 March 2013. This was mainly attributable to (i) handover of the residential units of our Guangzhou property project Oriental Landmark, and recognition of the relevant revenue and profit from the sales and (ii) the gains from the disposal of our property project in Hangzhou and our 16.11% interest in TCC Liaoning Cement Company Limited ("TCC Liaoning"). Turnover increased by 55% to approximately HK$5,452 million. The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the Year (2013: nil) as it deems it prudent to bolster the internal reserve for implementing its development strategy and enhancing its businesses.

BUSINESS REVIEW

Iron Ore Operations

The iron ore market remained volatile during the Year. While China's demand for iron ore was robust on the back of its increased steel output, the iron ore price was influenced by a number of industrial, economic and systemic factors and, to a certain extent, the Chinese government's fiscal policy. China has been increasing iron ore imports to meet the needs of its ongoing urbanization. The country is also relying increasingly on iron ore imports because of their lower cost and higher quality. This is likely to benefit the Group's business of shipping the commodity to the country. However, the country's slower economic growth and credit-tightening policy, as well as the increased iron ore supply from the world's leading and advanced iron ore producers exerted downward pressure on the commodity's price.

Faced with the situation, the Group took a prudent approach to iron ore trading, pressed ahead with its strategy of shifting from agency to principal trading in the commodity, and consolidated its iron ore mining, processing and trading operations. For instance, it increased its equity stake in a Brazilian iron ore mining operation, United Goalink Limited (the "UGL"), from 35% to 85% in June of 2014 and privatized its London-listed subsidiary, Prosperity Minerals Holdings Limited ("PMHL"), in November of 2013. The moves will enable the Group to weather the changes in the market better with a more stable supply of quality iron ore.

Property Investment and Development

The Group's strategy of investing in property projects in prime locations of China's economically buoyant cities and of cashing out certain lands in a timely manner paid off. Its major property investments, Oriental Landmark and SilverBay Plaza, in Guangzhou benefited from the city's booming property market during the Year. Profit and revenue from the sales of residential units at Oriental Landmark were recognized as legal titles were passed to the buyers, enabling the Group to reap a bumper gain. Moreover, construction of 36,190 sq.m. in gross floor area of the shopping arcade and 500 car park spaces at the project was also completed. They will be able to generate a stable recurrent income for the Group. SilverBay Plaza, the Group' investment property in Guangzhou, had an occupancy rate of 95%.

In Zhangzhou, which is near the thriving Xiamen City in Fujian Province, the Group's joint venture to develop an integrated project of commercial and residential properties and recreational facilities made encouraging progress. Presale of residential properties at the project started in November 2013.

The Group also completed the disposal of its 50% equity interest in a property development project in Hangzhou City, the provincial capital of Zhejiang and thus recorded a gain of approximately HK$44 million. The transaction reflected the Group's keen sense of making timely and good returns on its property investment in its best interest.

Clinker and Cement Business

During the Year, countries which were more cost-competitive in producing clinker and cement were replacing China as the more important exporters of the commodities. Moreover, such countries were selling the products at lower prices because their weak domestic demand led to serious oversupply. The Group took advantage of the situation by sourcing lower-cost clinker and cement from such countries.

The Group holds a 33.06% interest in Anhui Chaodong Cement Company Limited ("ACC") which is listed on the Shanghai Stock Exchange (stock code: 600318). ACC is a cement and clinker manufacturer located in Anhui Province. For the year ended 31 March 2014, ACC contributed an attributable profit of approximately HK$54.8 million (2013: approximately HK$23.6 million).

On 23 August 2013, the Group announced the completion of disposal of its 16.11% interest in TCC, and recorded a gain of approximately HK$54 million on it.

Business Operations of Public Ports and Related Facilities

Since October 2006, the Group has invested in a public port and has been providing warehousing services in Jiangsu Province, mainland China, through its 25% equity stake in a joint venture with Anhui Conch Venture Investment Company Limited.

The public port is located in Jiangdu City of Jiangsu Province, and is one of the few deep water ports along the Yangtze River Delta, accommodating ten berth docks (three for 70,000-tonnage vessels and seven for 5,000-tonnage vessels) which provide inland waterway cargo transportation services and lightering service. The public port has a terminal storage area of approximately 340,000 sq.m. with stockpiling capacity of 3.5 million tonnes. The terminal can handle a huge throughput of 20 million tonnes per year. The port operation recorded a turnover of approximately HK$176 million for the Year and handled approximately 20.5 million tonnes of throughput, of which the majority were coal. It reported an attributable profit of approximately HK$11 million for the Year.

PROSPECTS

We expect the iron ore market to remain complicated this year as factors with opposite effects on the commodity's price have been jockeying with each other. For a start, China's ongoing urbanization, which is gaining momentum, will continue to drive the growth in the country's iron ore imports although the growth is likely to be slower as its economic growth decelerates. Secondly, the country is expected to increase its reliance on the lower-cost, higher-quality iron ore imports as the world's leading and cost-efficient iron ore producers are expanding production. Moreover, major iron ore producers have been seeking to transact business directly with steel mills.

To gear up for the opportunities in the trends, the Group has been working to secure stable supplies of quality iron ore for competitive prices. For instance, it consolidated its iron ore business by increasing its equity stake in a Brazilian iron ore mining operation, UGL, from 35% to 85% and by privatizing its London-listed subsidiary PMHL. It has also been furthering the endeavour by seeking to complete the acquisition of the entire equity interest in Billion Win, an owner of a Malaysian iron ore operation. The Group believes that its transformation into a principal trader from an agency one will give it a competitive advantage of supplying quality iron ore stably for competitive prices. This will ultimately improve its profitability.

Meanwhile, we will keep our eyes open for promising investments in mainland China's property sector and other industries so that we will be able to capitalize on the country's fast development and thus bring good returns to the shareholders.

WORDS OF THANKS

On behalf of the Company, 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 during the Year. I believe we can create a bright future with our concerted effort.

WONG Ben Koon

Chairman

Hong Kong, 27 June 2014

Bridging SUCCESS

RESULTS OVERVIEW

For the financial year ended 31 March 2014 (the "Year"), Prosperity International Holdings (H.K.) Limited ("Prosperity" or "the Company") and its subsidiaries (collectively referred to as the "Group") turned around with net profit of HK$287 million, against the net loss of approximately HK$318 million for the year ended 31 March 2013 (the "Previous Financial Year"). Turnover increased by 55% to approximately HK$5,453 million. Basic earnings per share were 2.044 HK cents, against the basic loss per share of 3.218 HK cents for the Previous Financial Year.

The Board does not recommend payment of a final dividend for the Year (2013: Nil).

BUSINESS REVIEW

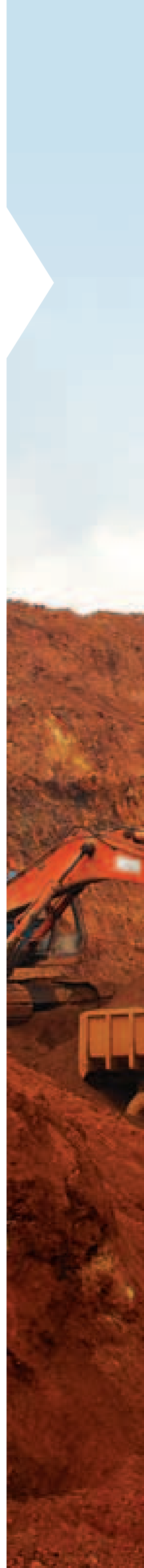
PRC Steel Market

China's crude steel production rose to 779 million tonnes in 2013, or 48.47% of the global output of about 1.607 billion tonnes and 72.07% of Asia's output of about 1.081 billion tonnes, according to Worldsteel Association. The strong showing contrasted with the performance of such major steel-producing regions and countries as the European Union, North America, South America and the Commonwealth of Independent States, all of which recorded decreases in crude steel production.

China's steel consumption was 693 million metric tonnes in 2013, compared with the 677.8 million metric tonnes in 2012. Nevertheless, the country's steel industry has long been plagued by overcapacity. The country's annual steel production capacity grew to 976 million metric tonnes in 2013 from about 700 million metric tonnes in 2009[1]. As at the end of March of 2014, the country's steel stockpiles rose by 43.65% to 19.41 million metric tonnes when compared with that at the beginning of the year[2]. The oversupply caused the steel price to remain at a low level. In an attempt to solve the problem, the State Council had already issued an edict to reduce the country's steel production capacity. The annual growth in China's crude steel production was decelerating from 2009 to 2012 but accelerated in 2013. However, a closer look at the country's monthly steel output showed that it had been decelerating since September 2013, and decreased in December to its lowest level of the year[3].

PRC Iron Ore Market

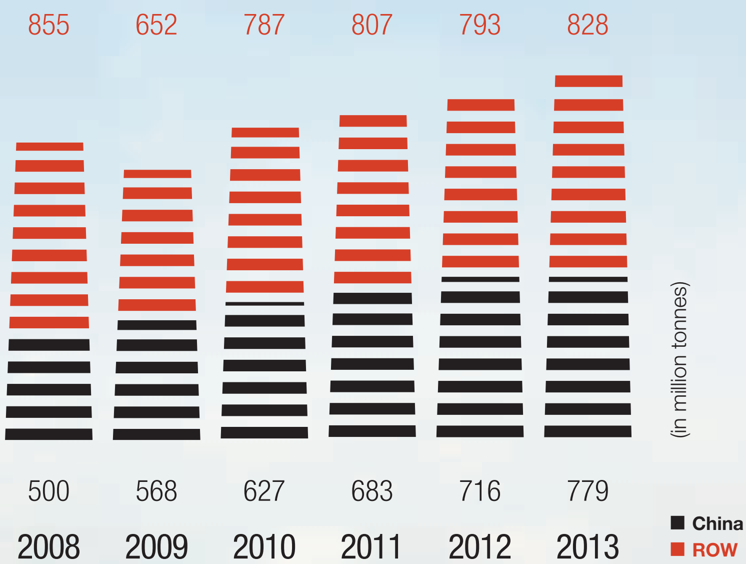
Iron ore imports to China rose by 10% to a record high of 820 million tonnes in 2013 on the back of growth in the country's steel output[4]. The imports accounted for about 72% of the country's total iron ore consumption in the year. The heavy reliance on the imports was due to shortage in supply, the more expensive domestic production and the lower iron content of the country's iron ore. It required the cost of about RMB457 (US$75) to produce a tonne of iron ore in the country, compared with the US$30 to US$60 per tonne for imported iron ore.



(1) *中國質量新聞網*
(2) *企業家日報*
(3) *Wall Street Journal*
(4) *Reuters News Report*

GLOBAL STEEL PRODUCTION:
CHINA VS REST OF THE WORLD 2008-2013

SOURCE: WORLDSTEEL

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Nevertheless, the iron ore price decreased by 18.6% from US$137.39 per dry metric tonne on 30 April 2013 to US$111.83 per dry metric tonne on 31 March 2014 despite China's robust demand and shortage in domestic supply[1]. This was mainly because the world's leading and advanced iron ore producers had been expanding their production capacity and increasing their output. In addition, the country's slowing economic growth and credit-tightening policy exerted downward pressure on the commodity's price.

To secure stable supplies of iron ore, China has been diversifying the sources of procurement beyond Australia and Brazil. Meanwhile, the Chinese government was also encouraging domestic corporations to acquire overseas ore mines.

Iron Ore Trading and Mining

The Group consolidated its iron ore trading and mining business amid a complicated and volatile market for the commodity during the Year. The Group increased its equity stake in a Brazilian iron ore mining operation, United Goalink Limited (the "UGL"), from 35% to 85% in June of 2014 and privatized its London-listed subsidiary, Prosperity Minerals Holdings Limited ("PMHL"), in November of 2013. The moves facilitated the Company's strategy of switching from agency to principal iron ore trading, and enabled it to weather the changes in the market better with a more stable supply of quality iron ore.

The Group sources iron ore from iron ore producers in South Africa and Malaysia, and also produces the commodity in its 85%-held mine in Brazil, and then ships it mainly to the large steel mills in China. The country is the world's biggest buyer of iron ore, and accounted for 63% of global imports in 2013.

For the Year, the Group shipped approximately 3 million tonnes of iron ore, same as that in the Previous Financial Year, and recorded a segment loss of approximately HK$12.9 million, compared with a segment loss of approximately HK$55.9 million for the Previous Financial Year. The improvement was mainly attributable to the absence of a non-recurring loss of approximately HK$27 million incurred by a customer who reneged on an agreement to accept a shipment of 200,000 tonnes of iron ore in the Previous Financial Year.

China imported a record high of 820 million tonnes of iron ore in 2013, or 10% more than it did in 2012. The growth was driven by the country's crude steel output, which rose to the all-time-high of 779 million tonnes in 2013, according to data from the China Iron & Steel Association. The growth rate of the country's steel output outpaced the world's average of 3.5%.

Notwithstanding China's robust demand, the iron ore price decreased by 18.6% from US$137.39 per dry metric tonne on 30 April 2013 to US$111.83 per dry metric tonne on 31 March 2014. There were several reasons behind that. Firstly, the global iron ore supply was increasing, especially those from the more cost-efficient major iron ore producers who had been ramping up production capacity. Secondly, China's steel industry was suffering from overcapacity. Thirdly, concerns about the country's decelerating economy and credit-tightening measures triggered a fall in iron ore price because a lot of the commodity had been purchased through financing deals.

Nevertheless, China is expected to rely more on iron ore imports in the future because of their lower production cost and higher quality when compared to the domestically produced ones.

(1) Indexmundi

PRC IRON ORE IMPORT QUANTITIES 2004-13 AND Q1 2014

SOURCE: UMETAL.COM AND TEX REPORT

(in million tonnes)

To cope with the complicated iron ore market and to capitalize on the trend of increasing iron ore imports to the country, the Company pressed ahead with its strategy of shifting from agency to principal iron ore trading and consolidated its iron ore mining, processing and trading operations. In June 2014, it increased its equity stake from 35% to 85% in UGL, a joint venture company holding an exploration right over a mining site of approximately 600 square kilometers (sq.km.) and mining concessions over three sq.km. of the site in Ceará, Brazil. The construction of the processing plant there was completed in May 2013. In the Year, UGL delivered approximately 21,000 tonnes of iron ore with an iron content of approximately 58% (2013: approximately 111,490 tonnes) and approximately 148,000 tonnes of iron ore with an iron content of approximately 62% (2013: Nil).

Meanwhile, the Company made progress in its pending acquisition of an entire equity interest in Billion Win Capital Limited ("Billion Win"), which operates an iron ore mine and an iron ore processing plant in the State of Pahang, Malaysia. On 18 June 2014, the Company completed its acquisition of the entire equity interest in Million Sea Group Limited ("Million Sea"), which holds a 15% equity interest in Billion Win, for a consideration of US$44,528,333 (equivalent to approximately HK$347 million).

In addition, the Group owns an iron ore processing plant in Malaysia which is leased back to one of the Group's long-term iron ore suppliers on an exclusive basis for a fee of HK$19.5 million per annum.

Real Estate Investment and Development

Urbanization progressed rapidly in China in 2013, the third year of the country's Twelfth Five-year Plan. The development called for immense construction of infrastructure and properties. During 2013, total investment in the country's property development rose by 19.8% to about RMB8.6 trillion, which accounted for 20% of its total fixed asset investment. In particular, investment in residential property development increased by 19.4% to about RMB5.9 trillion, which was 68.5% of the total amount spent on the property development. The property sector was robust as the government tried to strike a balance between maintaining economic growth momentum and reining in speculation in property.

In Guangzhou, an economically vibrant southern Chinese city where the Company has its major property business, the property market grew faster in 2013. The transactions there increased to approximately RMB260 billion, compared with approximately RMB216.5 billion in 2012. Specifically, 93,035 residential properties changed hands in the city in 2013, with the average price rising by 8.1% to approximately RMB13,100 per square metre (sq.m.), compared with approximately RMB12,118 per sq.m. in 2012, according to Guangzhou Municipal Land Resources and Housing Administrative Bureau. The Company's property investments in the city benefited from the booming property market there.

1. Guangzhou City, Guangdong Province

Through its wholly-owned subsidiary Bliss Hero Investment Limited ("Bliss Hero"), the Company has two major property investments in Guangzhou's downtown area, including approximately 11,472 sq.m. of office and commercial space in a commercial building SilverBay Plaza, and a 55% interest in a commercial and residential property project called Oriental Landmark.

SilverBay Plaza was completed in 2004 and, as at 31 March 2014, had an occupancy rate of 95%. SilverBay Plaza contributed approximately HK$12 million in rental income during the Year, compared with HK$11 million in the Previous Fiscal Year.

Oriental Landmark, which was completed during the Year, is just a few minutes' walk from Beijing Road, a popular pedestrianized shopping street in the centre of the city. The property development project 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), four residential buildings, of which three are 35-floor high and one is 29-floor high, and a 26-floor commercial building. The aggregate gross floor area of the entire project is approximately 169,202 sq.m.

Presale of residential units at Oriental Landmark commenced in December 2011 and the construction was completed by the end of 2013. As at 31 March 2014, 614 out of 649 units were sold and 447 units of which or 43,069 sq.m. out of 67,953 sq.m. had been delivered to buyers in the current year and generated revenue of approximately RMB1,392 million for the Year. The Group has already received approximately RMB2.1 billion in cash for the Year.

Moreover, construction of 36,190 sq.m. in gross floor area of the shopping arcade and 500 car park spaces were also completed. Model units of the complex were opened for prospective tenants to view during the Year, and tenancy agreements have been signed over 52% of the units in the complex. The shopping mall is expected to be opened in the third quarter of 2014.

2. Zhangzhou City, Fujian Province

In May 2010, the Group entered into an agreement to form a 50:50 joint venture to develop an integrated project of commercial and residential properties and recreational facilities in Zhangzhou City, Fujian Province, in southern China.

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

Under the joint venture agreement, the Group's maximum investment is RMB480 million (approximately HK$594 million). Up to 31 March 2014, the Group had invested a total of RMB243 million (approximately HK$308 million) in the project.

The presale of the 54 residential properties started from November 2013 and three units have been sold with deposits received. More residential properties will be available for presale in the coming financial year.

3. Hangzhou City, Zhejiang Province

On 12 July 2013, the Group announced that it had completed the disposal of its 50% interest in a property development project in Hangzhou City, the provincial capital of Zhejiang Province and thus recorded a gain of approximately HK$44 million. The Company sold the equity interest to Hangzhou Xihu Tea Market Company Limited for a cash consideration of RMB221.8 million (approximately HK$277 million).

The Group acquired a 50% interest in the project in March 2011. The price of the disposal represents a reasonable premium to the value of the equity stake in the investment as in February 2013. Construction of the project, which had originally been due to start in 2012, did not commence due to the delay of the issue of a construction permit. The Group believes it is prudent to realize 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 Group was able to satisfy its customer's demand for more cost-competitive clinker and cement by sourcing them from countries where the suppliers were pricing the commodities aggressively because of the oversupply in their domestic markets. We seized this opportunity by matching our customers' preferences to our suppliers' need to export, especially those from Vietnam. We also kept assessing the supply and demand in Southeast Asia to spot any advantageous situations.

The Group's management guided the trading business through the highly competitive environment with its experience, expertise and extensive regional network. For the Year, the business generated a segment profit of approximately HK$0.6 million, compared with the segment profit of approximately HK$12 million for the Previous Financial Year.

In addition, the Group holds a 33.06% interest in Anhui Chaodong Cement Company Limited ("ACC") which is listed on the Shanghai Stock Exchange (stock code: 600318). ACC is a cement and clinker manufacturer located in Anhui Province. For the Year, ACC contributed an attributable profit of approximately HK$54.8 million (2013: approximately HK$23.6 million).

ACC has a designed saleable production capacity of 6 million tonnes of cement and clinker per annum. During the Year, ACC sold approximately 5.6 million tonnes of cement and clinker.

As at 31 March 2014, its closing share price was RMB8.72, representing ACC's market capitalization of approximately RMB2.1 billion (approximately HK$2.7 billion) and the market value of approximately HK$885.3 million of the Group's shareholding in ACC.

During the Year, the Company as a shareholder received dividend of RMB2.4 million (approximately HK$3.1 million) from ACC.

On 23 August 2013, the Group announced the completion of disposal of its 16.11% interest in TCC Liaoning Cement Company Limited ("TCC Liaoning"), and recorded a gain of approximately HK$54 million on it.

Granite Production

The Group owns the Xiang Lu Shan Granite Mining Site in Guangxi, the PRC, and has a mining permit to produce up to 40,000 cubic metres (equivalent to approximately 102,000 tonnes) of granite products per annum at the site. Its feldspar powder plant there has a designed annual production capacity of 100,000 tonnes.

Operation of Public Port and Other Related Facilities Business

Since October 2006, the Group has invested in a public port and has been providing warehousing services in Jiangsu Province, the PRC, through its 25% equity stake in a joint venture with Anhui Conch Venture Investment Company Limited which is listed on the Hong Kong Stock Exchange (stock code: 586).

The public port is located in Jiangdu City of Jiangsu Province, and is one of the few deep water ports along the Yangtze River Delta, accommodating ten berth docks (three for 70,000-tonnage vessels and seven for 5,000-tonnage vessels) which provide inland waterway cargo transportation services and lightering service. The public port has a terminal storage area of approximately 340,000 sq.m. with stockpiling capacity of 3.5 million tonnes. The terminal can handle a huge throughput of 20 million tonnes per year.

The port operation recorded a turnover of approximately HK$179 million for the Year and handled approximately 20.5 million tonnes of throughput, of which the majority were coal. It reported an attributable profit of approximately HK$11 million for the Year, compared with the attributable profit of HK$5.7 million for the Previous Financial Year.

With the modern equipment, the public port operation mainly handles 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

For the year ended 31 March 2014, turnover rose to approximately HK$5,452 million, compared with the approximately HK$3,512 million for the Previous Financial Year. Net profit attributable to the owners of the Company for the year ended 31 March 2014 was approximately HK$131 million, against a net loss of approximately HK$206 million for the Previous Financial Year. The increase in revenue and gross profit was mainly attributable to the delivery of residential units of Oriental Landmark to the buyers and the recognition of the relevant sales and cost of goods sold for the Year. The basic earnings per share for the Year were HK2.044 cents, against the basic loss per share of HK3.218 cents for the Previous Financial Year.

The Group's distribution and selling expenses was approximately HK$39 million for the Year as compared to approximately HK$82 million for the Previous Financial Year. It represented about 0.7% of the revenue for the Year, compared to 2.3% for the Previous Financial Year. The selling and distribution expenses decreased significantly for the Year because of the higher comparison base for the Previous Financial Year when substantial promotion and marketing activities were conducted for the presale 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.

The Group's financing costs were approximately HK$247 million, of which approximately HK$8 million was capitalized into investment properties under development and properties under development for sale, as compared to approximately HK$117 million, of which approximately HK$57 million was capitalized, for the Previous Financial Year. The increase in financing costs was mainly due to the increase in the average amounts of the outstanding bank borrowings and convertible loan notes and the additional interest on early redemption of the convertible loan notes during the Year. The Group issued a convertible loan note of principal amount of US$25 million (the "CAF Convertible Loan Note") and convertible loan notes of aggregated principal amounts of US$30 million (the "LIM Convertible Loan Notes"), both bearing a cash coupon rate of 8.25%, in December 2012 and February 2013, respectively. Both of the convertible loan notes were subsequently redeemed by the Company in February 2014 and in May 2014 respectively. The net proceeds from the CAF Convertible Loan Note were used for the following purposes: (i) US$22 million was used to secure iron ore from suppliers in the state of Pahang, Malaysia and (ii) approximately US$500,000 was used to pay professional fees and third-party expenses in relation to the acquisition of Billion Win. Please refer to the section headed "MATERIAL ACQUISITION AND DISPOSAL" below for more details. The net proceeds from the LIM Convertible Loan Notes were used for expansion of the Group's existing business and general working capital.

The Group further issued two convertible loan notes of an aggregate principal amount of US$50 million in March 2014 (the "ICBCI Convertible Loan Notes"). The ICBCI Convertible Loan Notes bore a cash coupon rate of 8.25%. Approximately US$30 million of the net proceeds from the ICBCI Convertible Loan Notes were used for repayment of the existing indebtedness of the Group and the remaining balance of the net proceeds were used for working capital. During the Year, the total effective interest expenses on convertible loan notes were approximately HK$85 million (2013: HK$17 million) and the additional interest on early redemption of CAF Convertible Loan Note and the LIM Convertible Loan Notes was approximately HK$59 million in aggregate (2013: Nil).

In July 2013, the Group disposed of its 50% equity interest in a commercial property development project in Hangzhou for a cash consideration of RMB221.8 million. A gain of approximately HK$44 million arising from the said disposal was recognized. In August 2013, the Group disposed of its 16.11% equity interest in TCC Liaoning Cement Company Limited at a cash consideration of RMB144.5 million. A gain of approximately HK$54 million from the disposal was recognized.

The derivative financial instruments mainly represented (i) derivatives embedded in convertible loan notes and (ii) put option granted to the LIM Convertible Loan Notes holders to require the Company to purchase all or part of ordinary shares of PMHL held by the LIM Convertible Loan Note holders. During the Year, the fair value gain on revaluation of the derivative financial instruments amounted to approximately HK$39 million (2013: HK$25 million).

MATERIAL ACQUISITION AND DISPOSAL

(i) Investment in Malaysian Mine

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 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.

On 6 June 2014, the Company entered into a sale and purchase agreement (the "Million Sea Acquisition") with Dato Sri' Tan Hoe Beng to acquire his entire equity interest in Million Sea, which holds a 15% interests in Billion Win, for a consideration of US$44,528,333 (equivalent to approximately HK$347 million). The Million Sea Acquisition was completed on 18 June 2014.

Full details about the investments in Malaysian iron ore mining business can be found in the relevant announcements of the Company.

(ii) Privatization of PMHL

On 22 July 2013, Jetgo Development Limited ("Jetgo"), a wholly-owned subsidiary of the Company, made an offer (the "Privatization Offer") to acquire the entire ordinary shares of PMHL, other than those PMHL shares already owned by the Company, with an offer price of £1.3 to each PMHL share. The Privatization Offer also extended to the 5,590,000 PMHL share options which are outstanding as at the date of Privatization Offer, with an offer price of £0.60 to each PMHL share option. The Company financed up to 90% of the total consideration of the Privatization Offer with a term loan facility of up to US$108 million (equivalent to approximately HK$842.4 million).

On 2 October 2013, PMHL was successfully delisted from the AIM of London Stock Exchange. In early November 2013, Jetgo completed the compulsory acquisition of the then outstanding PMHL shares to which the Privatization Offer relates and PMHL thereafter became a wholly owned subsidiary of the Group.

Full details about the privatization of PMHL can be found in the relevant announcements of the Company posted on the website of the HKEx.

(iii) Reorganization of Brazilian Iron Ore Mine Interests

On 14 April 2014, the Company entered into a sale and purchase agreement (the "UGL SPA") with Mr. Li Ping ("Mr. Li") to acquire 50% interest in UGL from Mr. Li for a total cash consideration of US$3 million (equivalent to approximately HK$23.4 million) and the accrued interest and the principal in relation to the loans in an aggregate principal amount of US$2.61million (equivalent to approximately HK$20.4 million) granted by the Company to Galaxy Mining Company Limited, a company wholly-owned by Mr. Li and the accrued interest and principal in relation to the loans in an aggregate principal amount of US$500,000 (equivalent to approximately HK$3.9 million) granted by the Company to RGN Resources Holdings Limited, which is a jointly controlled entity of the Company. UGL also entered into a sale and purchase agreement with Mr. Li to acquire the remaining 0.01% interest in Globest from Mr. Li for a nominal consideration of HK$1 ("Globest SPA"). Upon completion of the UGL SPA and the Globest SPA in June 2014, the Company increased its equity state from 35% to 85% in UGL, a joint venture company holding a exploration right over a mining site of approximately 600 sq.km. and mining concessions over three sq.km. of the sites in Ceará, Brazil.

Full details about the reorganization of Brazilian iron ore mining interest can be found in relevant announcements of the Company dated on 14 April 2014 and 22 April 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' fund of the Group as at 31 March 2014 was HK$2,875 million (31 March 2013: HK$2,211 million). As at 31 March 2014, the Group had current assets of HK$3,599 million (31 March 2013: HK$5,012 million) and current liabilities of HK$3,455 million (31 March 2013: HK$3,783 million). The current ratio was 1.04 as at 31 March 2014 as compared to 1.32 at 31 March 2013. 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 proceeds from the issuance of convertible loan notes. As at 31 March 2014, the Group had outstanding debts (including bank borrowings and convertible loan notes) of HK$2,023 million (31 March 2013: HK$1,673 million). As at 31 March 2014, the Group maintained time deposits, bank and cash balances of HK$814 million (31 March 2013: HK$1,426 million), whilst the pledged deposits amounted to HK$137 million (2013: HK$10 million). The Group's debt-to-equity ratio (total debts to shareholders' equity) decreased slightly from 0.76 as at 31 March 2013 to 0.70 as at 31 March 2014. The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

FOREIGN EXCHANGE EXPOSURE

The trading in the clinker and cement and trading in 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 ventures for public port operations and cement manufacturing plants are conducted in Renminbi. The Group has not experienced any material difficulties with 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 2014, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits, available-for-sale financial assets, property, plant and equipment, investment properties, investment properties under development of the Group;

(b) equity interests of certain subsidiaries of the Group;

(c) a 33.06% equity interest in ACC, an associate company of the Group; and

(d) assignment of the Group's sale and purchase agreements of iron ore with the subsidiary of a joint venture.

COMMITMENTS

As at 31 March 2014, 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:

	2014 **HK$'000**	2013 HK$'000
Within one year	9,507	7,275
In the second to fifth years, inclusive	6,034	5,988
	15,541	13,263

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 under operating leases. The leases typically run for an initial period of 1 to 10 years (2013: 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 2014, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	6,165	11,349
In the second to fifth years inclusive	5,873	10,889
After five years	1,405	–
	13,443	22,238

(c) Capital and other commitments

	2014 **HK$'000**	2013 HK$'000
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	–	259,639

In respect of its interests in joint ventures, the joint ventures are committed to incur capital expenditure of approximately HK$312,377,000 (2013: HK$60,411,000), of which the Group's share of this commitment is approximately HK$156,188,000 (2013: HK$30,206,000).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2014, the Group had a total of 313 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.

The Group has not experienced any significant problems with its employees or any 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

Iron ore market will remain complicated this year as factors with opposite effects on the commodity's price have been jockeying with each other. For a start, China's iron ore imports are expected to keep growing, albeit more slowly with its decelerating economic growth, because its urbanization is gaining momentum. Meanwhile, the increased production by the world's leading and cost-efficient iron ore producers will replace China's more costly domestic iron ore to a larger extent. The country is expected to increase its reliance on the lower-cost and higher-quality iron ore imports.

Iron ore price can be buoyed up by China's robust demand, but can also be weighed down by the increased supply from the more cost-efficient producers, who can still maintain a satisfactory profit margin by selling the commodity for lower prices.

Other factors which are added to the price-demand equation are the overcapacity of China's steel mills and the shift in iron ore pricing mechanism from an annual benchmark to a quarterly one since 2010.

The Group judges that the iron ore price may become less volatile in the long term as demand of China and other developing and industrialized countries can be satisfied with a more stable supply of lower-priced and higher-quality iron ore from the more advanced and efficient low-cost producers of the commodity in the world.

To succeed in iron ore trading, the Group has been working to secure stable supplies of quality iron ore for competitive prices. For instance, it consolidated its iron ore business by increasing its equity stake in a Brazilian iron ore mining operation from 35% to 85% and by privatizing its London-listed subsidiary PMHL. It has also been furthering the endeavour by seeking to complete the acquisition of Billion Win, an owner of a Malaysian iron ore operation. The Group believes that its transformation into a principal trader from an agency one will give it a competitive advantage of supplying quality iron ore stably for competitive prices. This will ultimately improve its profitability.

Meanwhile, the Group will attempt to replicate the success of its residential and commercial property project Oriental Landmark elsewhere in China by seeking business opportunities in the country's property sector, capitalizing on its urbanization.

The Group will keep developing itself into a leading supplier of building materials and mineral resources in Asia and taking advantage of China's booming property market in order to bring good returns to the shareholders.

DIRECTORS

Executive directors

Mr. WONG Ben Koon, aged 61, 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 68, 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 52, 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. Zhu Kai, aged 49, was appointed as an executive director and deputy chairman on 25 September 2013. Mr. Zhu holds a bachelor's degree in economics from the University of Foreign Economics and Trade and an executive master in business administration from the Cheung Kong Graduate School of Business. Mr. Zhu has over 25 years of extensive international experience in the strategies, sales and marketing. Prior to joining the Company, Mr. Zhu has been appointed as a managing director and country manager of Singapore Branch of Vale S.A. (the "Vale"), which the shares of which are traded on the New York Stock Exchange (the "NYSE") under the ticker symbols VALE and VALE.P, the BM&F BOVESPA S.A. under the ticker symbols Vale3 and Vale5, LATIBEX of the Madrid Stock Exchange under the ticker symbols XVALO and XVALP, the NYSE Euronext Paris under the ticker symbols Vale3 and Vale5 and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under stock codes 6210 and 6230. Mr. Zhu also held several senior positions in Vale, including the president in the China Branch of Vale, and as the commercial general manager in the China Branch of Vale.

Mr. Wu Likang, aged 47, was appointed as an executive director of the Company on 1 February 2014. He holds a bachelor's degree in Ceramic Engineering from the Wuhan University of Technology. Mr. Wu has over 25 years of extensive experience in the building materials productions and logistic development. Prior to joining the Company, Mr. Wu was appointed as an assistant to the general manager in Anhui Conch Cement Company Limited (the "Conch", stock code: 0914), the shares of which are traded on the Stock Exchange, the general manager of Anhui Xuancheng cement Co., Limited and Ningguo Cement Plant of Conch and the head of the Anhui Conch Construction Materials Design Institute. Mr. Wu also held several senior positions in Conch.

Mr. Wu joined the Company as a general manager in the cement division in July 2007 until the disposal of the major cement production business in April 2010. Mr. Wu re-joined the Company in July 2012 as the general manager and chief operating officer of the mineral division of the Company.

Ms. Gloria WONG, aged 31, was appointed as an executive director of the Company on 1 June 2010. Ms. Wong has over 6 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 45, 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 21 years' experience in finance and accounting field. Mr. Kong is a member of the nomination committee of the Company.

Non-executive director

Mr. LIU Yongshun, aged 53, has been appointed as an executive director of the Company with effect from 19 September 2011 and re-designated as non-executive director from 1 February 2014. 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 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.

Independent non-executive directors

Mr. YUEN Kim Hung, Michael, aged 53, 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 19 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 69, 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 68, 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 65, 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. LI Siu Ming Patrick, aged 51, is an executive director of ("Prosperity Minerals Holdings Limited") PMHL. He is responsible for the banking and treasury of PMHL. Patrick joined PMHL in May 2004 and he has more than 28 years' experience in the banking and financial services industry. 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 52, is the general manager of 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. CHEN Hao, aged 55, is the group general manager of the Group'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 China Calxon Group Co., Limited (the "Calxon"), which was successfully listed on the Shenzhen Stock Exchange (Stock code: 918). Before joining the Group in April 2013, he was an executive director and standing vice president of Calxon.

Mr. HONG Cheng Zhang, aged 53, is a deputy general manager of the Group'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. TOK Beng Tiong, aged 43, 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 16 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.

Ms. LEE Yee Man Hester, aged 38, 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. Hester has over 15 years' experience in international accounting firms and companies listed in Hong Kong. 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.

Mr. CHU Kin Ming, aged 33, 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 11 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 2014 (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 2014, 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 as at 31 March 2014 is set out below:

Executive Directors:

Mr. Wong Ben Koon *(Chairman of the Board)*
Mr. Sun Yong Sen *(Deputy Chairman of the Board)*
Mr. Zhu Kai *(Deputy Chairman of the Board)*
Dr. Mao Shuzhong *(Chief Executive Officer)*
Mr. Wu Likang *(Chief Operating Officer)*
Mr. Kong Siu Keung *(Chief Financial Officer)*
Ms. Gloria Wong

Non-executive Director:

Mr. Liu Yongshun

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 26 and 28 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.

20 Board meetings were held during the year ended 31 March 2014 and the details of attendance are set out below:

Name of Directors	**Attendance/ Number of Board Meetings**
Mr. Wong Ben Koon ("Mr. Wong")	16/20
Mr. Sun Yong Sen	11/20
Mr. Zhu Kai (appointed on 25 September 2013)	3/7
Dr. Mao Shuzhong	12/20
Mr. Johannes Petrus Mulder (resigned on 31 January 2014)	8/15
Mr. Wu Likang (appointed on 1 February 2014)	1/4
Ms. Gloria Wong	16/20
Mr. Kong Siu Keung	20/20
Mr. Liu Yongshun	12/20
Mr. Liu Benren (resigned on 25 September 2013)	9/12
Mr. Yuen Kim Hung, Michael	18/20
Mr. Yung Ho	12/20
Mr. Chan Kai Nang	18/20
Mr. Ma Jianwu	15/20

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 complied with Rule 3.10A of 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 Rule 3.13 of 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 2014, the Audit Committee (i) reviewed the reports from the auditor of the Company (the "Auditor"), accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 March 2013 and the interim results for the six months ended 30 September 2013; (ii) reviewed the financial reports for the year ended 31 March 2013 and for the six months ended 30 September 2013 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 2014. 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.

Three 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	3/3
Mr. Yung Ho	3/3
Mr. Chan Kai Nang	3/3

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;

(d) to ensure that the Board has a balance of skill, knowledge, experience and diversity of perspective appropriate to the requirements of the Company's business; and

(e) 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; to assess the independence of independent non-executive directors; and to evaluate the implementation of the Board Diversity Policy.

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 2014.

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 49 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, interim 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 16 September 2013 (the "AGM") due to business engagement. Mr. Kong Siu Keung, being the executive director of the Company, attended the AGM 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 participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminars to develop professional skills.

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. He fulfilled the hours of training required under Rule 3.29 of the Listing Rules to perform the duties required.

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.

BOARD DIVERSITY POLICY

The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. In this connection, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board (the "Diversity Policy").

Pursuant to the Diversity Policy, the Company considers Board diversity from a number of perspectives, including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of service.

The ultimate decision would be based on merit and contribution the selected candidates would bring to the Board. The Nomination Committee opined that the Company has a diverse Board. The Nomination Committee and the Board would review the Diversity Policy at least annually.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It has made donations from time to time, supports the communities and encourages its employees to participate in any charitable events and caring services.

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.

SHAREHOLDERS' RIGHTS

(i) Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting (the "SGM") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the company secretary will ask the Board to convene a SGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after expiration of two months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

(ii) Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

(iii) Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at Suites 1801–06, 18/F., Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Tricor Tengis Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

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$3,285,300, of which HK$2,800,000 was incurred for statutory audit and HK$485,300 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.

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 iron ore and raw materials; (ii) real estate investment and development; (iii) trading of clinker, cement and other building materials; (iv) mining and processing of granite and selling of granite products and (v) investment of public port and other related facilities business in the PRC.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2014 is set out in the consolidated statement of profit or loss on page 51 and the state of affairs of the Group as at 31 March 2014 are set out in the consolidated statement of financial position on pages 53 and 54.

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 2014 is set out on page 128. 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 17 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 18 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2014 are set out in note 45 to the consolidated financial statements.

CONVERTIBLE LOAN NOTES

Details of the convertible loan notes are set out in note 38 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 55 of the consolidated financial statements.

BANK BORROWINGS

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

DISTRIBUTABLE RESERVES

At 31 March 2014, 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$1,780 million (2013: HK$1,958 million). The Company's share premium, in the amount of approximately HK$1,036 million as at 31 March 2014 (2013: 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 51% of total sales and sales to the largest customer included therein amounted to approximately 19% of total sales. The Group's five largest suppliers accounted for approximately 66% of total purchases for the Year and purchases from the largest supplier included therein amounted for approximately 53% 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$3,836,000.

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. Zhu Kai (appointed on 25 September 2013)
Mr. Johannes Petrus Mulder (resigned on 31 January 2014)
Mr. Wu Likang (appointed on 1 February 2014)
Ms. Gloria Wong
Mr. Kong Siu Keung

Non-executive Directors:

Mr. LIU Yongshun (re-designated as non-executive director on 1 February 2014)
Mr. LIU Benren (resigned on 25 September 2013)

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. Sun Yong Sen, Mr. Yung Ho, Mr. Kong Siu Keung and Mr. Wong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Pursuant to the bye-law 86(2) of the Company's bye-laws, Mr. Wu Likang will retire from office at the forthcoming annual general meeting and being eligible will offer himself for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 28 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 13 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 2014, 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

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	1,962,570,697	7,240,807,131 (Note)	22,640,000	1,326,000,000 (Note)	10,552,017,828	165.01%
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

	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	–	93,055,402 (Note)	–	–	93,055,402	1.46 %

Note: 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 2014, the amount of warrants outstanding was HK$47,942,143. Luck Well is the nominee of CCB International Asset Management Limited which is entitled to purchase 93,055,402 Shares pursuant to the terms of the warrants agreements.

Save as disclosed above, as at 31 March 2014, 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

During the Year, the following Director was considered having interests in the following businesses ("Excluded Businesses"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which the Group was interested and the Director's only interests are as directors appointed to represent the interests of the Group.

Mr. Wong, the substantial shareholder and an executive director of the Company, directly and through his controlled associates, held beneficial interests in the following companies, which were also engaged in the trading of iron ore:

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

Grace Wise is a limited liability company incorporated in Singapore and engaged in the sale of iron ore exported from Malaysia. Mr. Wong, through his controlled associates, held interests in Grace Wise and was also a director of Grace Wise. The Board believes that as the size of that part of these Excluded Businesses in the PRC, where the Group has iron ore trading business, is not insignificant when compared with the iron ore trading business of the Group in the PRC, it is likely that these Excluded Businesses may compete with the iron ore trading business of the Group in the PRC.

Nonetheless, pursuant to the off-take agreement between Prosperity Materials Macao Commercial Offshore Limited ("MCO"), an indirect wholly-owned subsidiary of the Company, and Grace Wise dated 16 May 2013, and as amended by deed of amendment on 15 August 2013, 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 April 2013 and 31 March 2016, in which whenever Grace Wise has iron ore to sell, it must first offer the same to MCO. Therefore, 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. Mr. Wong, through his controlled associates, held interests in Century Holdings and was also a director of Century Holdings. The Board believes that as the size of that part of these Excluded Businesses in the PRC, where the Group has iron ore trading business, is not insignificant when compared with the iron ore trading business of the Group in the PRC, it is likely that these Excluded Businesses may compete with the iron ore trading business of the Group in the PRC.

During the Year, the Excluded Businesses were operated and managed by companies (and in the case of Century Holdings, by a publicly listed company) with independent management and administration. On this basis, the Directors believe that the Group is capable of carrying on its business independently of the Excluded Businesses and at arm's length from the Excluded Businesses.

Save as aforesaid, during the Year, none of the Directors had 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 2014, 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 f)	Beneficial owner (Note a)	2,139,675,960	–	2,139,675,960	33.46%
Ms. Shing Shing Wai	Interest of spouse	10,529,377,828	–		
	Beneficial owner	22,640,000	–		
	(Note b)	10,552,017,828	–	10,552,017,828	165.01%
All Wealthy (Note f)	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 f)	Interest in controlled corporations (Note c)	4,059,900,000	1,092,000,000	5,151,900,000	80.56%
Sun Honest (Note f)	Beneficial owner (Note d)	936,000,000	234,000,000	1,170,000,000	18.30%
LIM Asia Special Situations Master Fund Limited ("LASSMF")	Beneficial owner (Note e)	5,400,000	398,666,667	404,066,667	6.32%
LIM Asia Special Situations Fund Limited ("LASSF")	Interest in controlled corporation (Note e)	5,400,000	398,666,667	404,066,067	6.32%
LIM Advisors Limited ("LIM")	Investment manager (Note e)	56,383,400	520,000,000	576,383,400	9.01%
Industrial Commercial Bank of China Limited ("ICBC")	Interest in controlled corporation (Note f)	866,666,667	–	866,666,667	13.55%
Central Huijin Investment Ltd. ("CHI")	Interest in controlled corporation (Note f)	866,666,667	–	866,666,667	13.55%

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 40. 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 40.

(e) 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.

(f) These Shares are held by ICBC International Investment Management Limited, a wholly-owned subsidiary of ICBC International Holdings Limited, which is in turn a wholly-owned subsidiary of ICBC, which is in turn owned as to 35.5% by CHI. CHI and ICBC are therefore deemed to be interested in the Shares held by ICBC International Investment Management Limited.

(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) & (c)	Interest of controlled corporation	93,055,402	1.46%
PMGL	(a) & (c)	Beneficial owner	93,055,402	1.46%
Ms. Shing Shing Wai	(b) & (c)	Interest of spouse	93,055,402	1.46%

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) 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 31 March 2014, the amount of warrants outstanding was HK$47,942,143. Luck Well is the nominee of CCB International Asset Management Limited which is entitled to purchase 93,055,402 Shares pursuant to the terms of the warrants agreements.

Save as disclosed above, as at 31 March 2014, 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	Guangdong Sendao Group Limited (previously known as "Guangdong 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%
Prosperity Materials (Malaysia) Sdn. Bhd.	Ecocem Industries Sdn. Bhd.	Beneficially owner	4	40%
Gain Fortune Limited	Yamada Sangyo Co., Ltd.	Beneficially owner	1,500	15%
Landmark Mining and Metallurgy Limited	Wu Xiao Jiang	Beneficially owner	3,800	38%

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 March 2014, 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 2014, 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 continuing connected transactions between the connected persons (as defined in Rule 14A.06(7) of the Listing Rules) and the Company. 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.

   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 (the "New Off-take Period"), subject to early termination by the Parties in accordance with the terms of the New Malaysian Master Off-take Agreement. The maximum value of the transactions contemplated under New Malaysian Off-take Agreement during the New Off-take Period will be US$1,140 million. On 15 August 2013, MCO and Grace Wise entered into a deed of amendment to amend the maximum value of the transactions contemplated under the New Malaysian Off-take Agreement to US$863 million. Please refers to the relevant announcements of Company for details.

   During the Year, the Group purchased iron ore amounted to HK$72,673,000 from Grace Wise pursuant to the New Off-take Agreement (2013: HK$23,275,000)).

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 2014, Century Holdings has repaid the whole prepayments to the Group and 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$Nil with respect to Nanjing Steel Off-take Agreement (2013: Nil).

4. 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 (as supplemented by the first supplemental agreement dated 1 March 2013, the second supplemental agreement dated 21 June 2013 and the third supplemental agreement dated 31 December 2013), 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 relevant announcements of the Company.

5. Continuing connected transactions with respect to the master equipment sale and purchase agreement with Phoenix Lake Sdn. Bhd (the "Master Equipment Sale & Purchase Agreement").

On 8 November 2013, Hangzhou Gangchang Technology & Trade Company Limited ("Hangzhou Gangchang"), an indirect wholly-owned subsidiary of the Company, entered into the Master Equipment Sale and Purchase Agreement with Phoenix Lake pursuant to which Hangzhou Gangchang has agreed from 8 November 2013 to 31 March 2014 (the "Term") (a) to assist Phoenix Lake in reviewing the facility requirements of its iron ore processing plant in Malaysia and identifying the equipment to be purchased by Phoenix Lake for use in its iron ore processing plant; and (b) to source from the PRC the equipment so identified by Phoenix Lake and on-sell them to Phoenix Lake, on the terms of and subject to the conditions set out in the Master Equipment Sale and Purchase Agreement.

The maximum value of the transactions between Hangzhou Gangchang and Phoenix Lake contemplated under the Master Equipment Sale and Purchase Agreement during the Term will be RMB89 million (approximately HK$112 million).

During the Year, Hangzhou Gangchang has entered into the equipment contracts with Phoenix Lake with aggregate amounts of RMB85 million (approximately US$13.8 million), of which HK$8,799,000 was recognized as revenue for the Year upon delivery of the equipment.

Pursuant to Rule 14A.55 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.

Pursuant to Rule 14A.56 of the Listing Rules, 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.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 29 to 36 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, 27 June 2014

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 51 to 127, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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.

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 2014, 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
27 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	7	5,451,942	3,512,306
Cost of goods sold		(4,787,030)	(3,439,509)
Gross profit		664,912	72,797
Other income	8	203,444	65,856
Selling and distribution costs		(39,107)	(82,164)
Administrative expenses		(281,332)	(281,089)
Profit/(loss) from operations		547,917	(224,600)
Finance costs	10	(239,397)	(60,826)
Share of profits less losses of associates		66,198	39,016
Share of profits less losses of joint ventures		(66,706)	(47,336)
Gain on disposal of an associate		54,100	–
Gain on disposal of a joint venture		44,013	–
Net gain on sale of available-for-sale financial assets		4,039	742
Reversal of impairment loss on interest in a joint venture		42,789	–
Impairment loss on available-for-sale financial assets		(1,439)	(87,681)
Impairment loss on other intangible assets, property, plant and equipment and non-current prepayments		–	(25,000)
Fair value gain on derivative financial instruments		38,805	24,815
Fair value gain on investment properties and investment properties under development		239,034	71,112
Profit/(loss) before tax		729,353	(309,758)
Income tax expense	11	(442,177)	(8,737)
Profit/(loss) for the year	12	287,176	(318,495)
Attributable to:			
Owners of the Company		130,717	(205,841)
Non-controlling interests		156,459	(112,654)
		287,176	(318,495)
Earnings/(loss) per share			
— basic (HK cents)	16(a)	2.044	(3.218)
— diluted (HK cents)	16(b)	2.044	(3.219)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Profit/(loss) for the year	287,176	(318,495)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	6,847	34,753
Fair value gains reclassified to statement of profit or loss on disposal of available-for-sale financial assets	(7,836)	(692)
Fair value gains on available-for-sale financial assets	183,944	4,924
Other comprehensive income for the year, net of tax	182,955	38,985
Total comprehensive income for the year	470,131	(279,510)
Attributable to:		
Owners of the Company	295,897	(185,637)
Non-controlling interests	174,234	(93,873)
	470,131	(279,510)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	73,153	19,635
Investment properties	18	239,653	227,687
Investment properties under development	18	1,869,935	1,402,642
Goodwill	19	38,105	38,105
Other intangible assets	20	169,739	169,739
Interests in associates	21	637,127	567,842
Interests in joint ventures	22	662,896	731,348
Finance lease receivable	23	149,625	135,572
Available-for-sale financial assets	24	362,215	128,882
Derivative financial assets	38	20,107	4,136
Non-current prepayments and loan receivables	25	468,867	514,825
Deferred tax assets	35	98,786	–
		4,790,208	3,940,413
Current assets			
Inventories	26	1,533,266	2,259,908
Available-for-sale financial assets	24	16,198	16,285
Finance lease receivable	23	28,832	17,333
Trade and bills receivables	27	210,280	231,165
Prepayments, deposits and other receivables	28	858,300	875,019
Current tax assets		1,449	41,873
Pledged deposits	29	136,723	9,679
Time deposits	29	10,539	421,942
Bank and cash balances	29	803,606	1,004,514
		3,599,193	4,877,718
Non-current assets held for sale	30	–	134,253
		3,599,193	5,011,971
TOTAL ASSETS		8,389,401	8,952,384

	Note	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	31	63,950	63,950
Reserves	33	2,811,019	2,147,370
Equity attributable to owners of the Company		2,874,969	2,211,320
Non-controlling interests		837,718	1,879,755
Total equity		3,712,687	4,091,075
Non-current liabilities			
Bank borrowings	34	824,798	666,263
Deferred tax liabilities	35	397,065	412,021
		1,221,863	1,078,284
Current liabilities			
Trade and bills payables	36	603,286	306,729
Other payables and deposits received	37	1,136,207	2,406,780
Derivative financial liabilities	38	63,988	60,843
Current portion of bank borrowings	34	579,934	647,525
Convertible loan notes	38	617,923	359,956
Current tax liabilities		453,513	1,192
		3,454,851	3,783,025
Total liabilities		4,676,714	4,861,309
TOTAL EQUITY AND LIABILITIES		8,389,401	8,952,384
Net current assets		144,342	1,228,946
Total assets less current liabilities		4,934,550	5,169,359

Approved by the Board of Directors on 27 June 2014

Wong Ben Koon
Chairman and Executive Director

Kong Siu Keung
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	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

	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 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
Total comprehensive income for the year	–	–	(4,344)	–	–	–	169,524	–	130,717	295,897	174,234	470,131
Purchase of non-controlling interests (note 40)	–	–	–	–	–	–	–	–	405,859	405,859	(1,214,352)	(808,493)
Purchase of share options of a subsidiary	–	–	–	–	–	(16,327)	–	–	(21,780)	(38,107)	(1,919)	(40,026)
Changes in equity for the year	–	–	(4,344)	–	–	(16,327)	169,524	–	514,796	663,649	(1,042,037)	(378,388)
At 31 March 2014	63,950	1,035,544	113,007	886,979	(12,880)	13,523	174,410	50	600,386	2,874,969	837,718	3,712,687

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	287,176	(318,495)
Adjustments for:		
Income tax expense	442,177	8,737
Finance costs	239,397	60,826
Interest income	(86,253)	(43,124)
Depreciation	7,209	4,548
Share of profits less losses of associates	(66,198)	(39,016)
Share of profits less losses of joint ventures	66,706	47,336
Fair value gain on investment properties and investment properties under development	(239,034)	(71,112)
Reversal of impairment loss on interest in a joint venture	(42,789)	–
Impairment loss on other intangible assets, property, plant and equipment and non-current prepayments	–	25,000
Impairment loss on available-for-sale financial assets	1,439	87,681
Net gain on sale of available-for-sale financial assets	(4,039)	(742)
Fair value gain on derivative financial instruments	(38,805)	(24,815)
Gain on disposal of an associate	(54,100)	–
Gain on disposal of a joint venture	(44,013)	–
Operating profit/(loss) before working capital changes	468,873	(263,176)
Decrease/(increase) in properties under development for sale	764,018	(627,822)
Decrease/(increase) in trade and bills receivables	20,885	(144,070)
(Increase)/decrease in prepayments, deposits and other receivables	(9,337)	12,130
Increase in trade and bills payables	296,557	238,524
(Decrease)/increase in other payables and deposits received	(1,276,232)	1,649,520
Cash generated from operating activities	264,764	865,106
Income tax paid	(27,095)	(46,793)
Net cash generated from operating activities	237,669	818,313

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in pledged deposits and time deposits	284,359	(405,702)
Interest received	15,335	42,609
Purchases of property, plant and equipment	(52,888)	(7,093)
Addition of investment properties	(29)	(84)
Addition of investment properties under development	(228,599)	(319,046)
Advance to jointly controlled entities	(42,613)	(171,343)
Advance from/(to) joint venturers	24,360	(44,717)
Advance to business associates	(94,601)	(43,680)
Acquisition of available-for-sales financial assets	(102,593)	(91,509)
Receipt of repayment for finance lease receivable	4,914	–
Proceed from disposal of available-for-sale financial assets	47,108	51,963
Proceed from disposal of property, plant and equipment	34	–
Proceed from disposal of an associate	174,335	–
Proceed from disposal of a joint venture	279,199	–
Dividends received from an associate	3,058	8,931
Proceed from disposal of held-to-maturity investments	–	6,252
Net cash generated from/(used in) investing activities	311,379	(973,419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loans raised	1,916,122	882,154
Purchase of non-controlling interests	(808,493)	–
Purchase of share options of a subsidiary	(40,026)	–
Payment for arrangement fee attributable to the issuance of convertible loan notes	(39,624)	–
Repayment of bank loans	(1,826,476)	(1,420,054)
Redemption of convertible loan notes	(245,299)	–
Proceed from issuance of convertible loan notes	385,466	423,000
Interests paid	(66,771)	(76,213)
Dividend paid to non-controlling shareholders	–	(36,171)
Net cash used in financing activities	(725,101)	(227,284)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(176,053)	(382,390)
Effect of foreign exchange rate changes	(24,855)	(7,628)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,004,514	1,394,532
CASH AND CASH EQUIVALENTS AT END OF YEAR	803,606	1,004,514
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	803,606	1,004,514

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").

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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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.

a. Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries, associates and joint arrangements in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

c. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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 statement of profit or loss and consolidated statement of profit or loss and other 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 (dd) 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 policy decision 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, including potential voting rights held by other entities are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

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. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

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.

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture 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 venture'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 joint venture'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 joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture 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 joint venture 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 joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 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 recognised 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.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

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.

(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 recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases *(Continued)*

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 the unit of production method.

(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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables *(Continued)*

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.

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

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.

(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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, 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.

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 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

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.

Recoverable amount is the higher of fair value less costs of disposal 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

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

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 for non-current assets

As set out in note 3(dd), if circumstances indicate that the carrying amount of an asset may not be recoverable, the asset may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36, Impairment of Assets. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less cost of disposal and the value in use. It is difficult to precisely estimate market value because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume and amount of operating costs. During the year ended 31 March 2014, reversal of impairment loss of approximately HK$42,789,000 for the interest in a joint venture was recognised in profit or loss. Detail of the reversal of impairment for the interest in a joint venture is set out in note 22.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the cash-generating unit to which goodwill has been allocated. The value in use 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.

(c) 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.

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

Key sources of estimation uncertainty *(Continued)*

(d) 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.

(e) 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.

(f) 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)*

(g) 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.

(h) Derivative financial instruments

As disclosed in note 38 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 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.

(i) 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") 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 profit after tax HK$'000
Year ended 31 March 2014		
US$	2%/(2%)	27,608/(27,608)(i)
RMB	2%/(2%)	(6,804)/6,804(ii)
CAD	2%/(2%)	(313)/313(iii)

	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)
RMB	2%/(2%)	18/(18)(ii)
CAD	2%/(2%)	(183)/183(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 deposits and other receivables, bank and cash balances and other payables denominated in RMB.

(iii) 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 2014, 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$37,841,000 (2013: HK$14,517,000) higher/lower respectively, arising as a result of the fair value gain/loss on the investments.

(b) Derivative financial instruments

At 31 March 2014, if the share price of the Company had increased/decreased by 10% with all other variables held constant, consolidated profit after tax would be HK$12,676,000/HK$10,967,000 lower/higher arising as a result of the fair value loss/gain, respectively, on the derivative financial instruments.

At 31 March 2013, 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 higher/lower arising as a result of the fair value loss/gain, respectively, on the derivative financial instruments.

At 31 March 2013, if the share price of Prosperity Minerals Holdings Limited ("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 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, 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 2014, the three largest trade and bills receivables represent approximately 85% (2013: 96%) 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.

(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.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

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

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2014			
Bank borrowings subject to a repayment on demand clause	52,648	–	–
Other bank borrowings	597,580	499,302	393,427
Trade and bills payables	603,286	–	–
Other payables	160,175	–	–
Convertible loan notes	728,688	–	–
Financial guarantees	515,404	–	–
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	–	–

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.

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 2014	15,900	10,889	28,228	6,029
At 31 March 2013	34,677	16,466	28,828	14,895

The maturity analysis of the convertible loan notes, assuming the entire principal amounts of the convertible loan notes will be repaid on the maturity dates 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 2014	284,818	256,856	276,222	–
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 approximately HK$823,786,000 (2013: HK$1,435,344,000) and HK$1,404,732,000 (2013: HK$1,313,788,000) respectively bear interests at variable rates varied with the then prevailing market condition.

	Increase/ (decrease) in basis point	Increase/ (decrease) in consolidated profit after tax HK$'000
Year ended 31 March 2014		
Bank deposits	10/(10)	824/(824)[(i)]
Bank borrowings	100/(100)	(14,025)/14,025[(ii)]

	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)]

(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

	2014 HK$'000	2013 HK$'000
Financial assets:		
Available-for-sale financial assets	378,413	145,167
Financial assets at fair value through profit or loss		
— held for trading	20,107	4,136
Loans and receivables (including cash and cash equivalents)	1,645,663	2,155,263
Financial liabilities:		
Financial liabilities at fair value through profit or loss		
— held for trading	63,988	60,843
Financial liabilities measured at amortised cost	2,786,116	2,085,263

(g) Fair values

Except as disclosed in note 6 to the financial statements, 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.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 March:

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2014
Description	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Assets:				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	20,107	–	20,107
Available-for-sale financial assets				
Equity securities listed in Hong Kong	336,595	–	–	336,595
Equity securities listed outside Hong Kong	15,607	–	–	15,607
Unlisted equity securities	–	26,211	–	26,211
	352,202	26,211	–	378,413
Investment properties				
Commercial — Hong Kong	–	–	16,800	16,800
Commercial — PRC	–	–	222,853	222,853
	–	–	239,653	239,653
Investment properties under development				
Commercial — PRC	–	–	1,869,935	1,869,935
Total recurring fair value measurements	352,202	46,318	2,109,588	2,508,108
Liabilities:				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	63,988	–	63,988

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 March: *(Continued)*

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2013 HK$'000
Recurring fair value measurements:				
Assets:				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	4,136	–	4,136
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
	119,060	26,107	–	145,167
Investment properties				
Commercial — Hong Kong	–	–	32,900	32,900
Commercial — PRC	–	–	194,787	194,787
	–	–	227,687	227,687
Investment properties under development				
Commercial —PRC	–	–	1,402,642	1,402,642
Total recurring fair value measurements	119,060	30,243	1,630,329	1,779,632
Liabilities:				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	60,843	–	60,843

During the two years, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(b) Reconciliation of assets measured at fair value based on level 3:

The movements in the investment properties and investment properties under development under Level 3 fair value measurements during the year are presented in note 18 to the financial statements. Fair value adjustment on investment properties are recognised in the line item "fair value gain on investment properties and investment properties under development" on the face of the consolidated statement of profit or loss.

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 March:

The Group's finance director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The finance director reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the finance director and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2014 HK$'000
Derivative financial assets	Black — Scholes Model with Monte Carlo Simulation method	Share price Expected volatility	20,107
Derivative financial liabilities	Black — Scholes Model with Monte Carlo Simulation method	Share price Expected volatility	63,988
Unlisted equity securities	Fund's net asset value	N/A	26,211

Description	Valuation technique	Inputs	2013 HK$'000
Derivative financial assets	Black — Scholes Model with Monte Carlo Simulation method	Share price Expected volatility	4,136
Derivative financial liabilities	Black — Scholes Model with Monte Carlo Simulation method	Share price Expected volatility	60,843
Unlisted equity securities	Fund's net asset value	N/A	26,107

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 March: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2014 HK$'000
Investment properties					
Commercial — Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	9,767–11,631	Increase	16,800
Commercial — PRC	Direct comparison	Adjusted market price (RMB/square meter)	22,747–25,981	Increase	8,123
	Income capitalisation	Terminal yield	6%–6.5%	Decrease	214,730
		Reversionary yield	6.5%–7%	Decrease	
		Monthly rental (RMB/square meter)	88–100	Increase	
Investment properties under development	Residual method	Adjusted market price (RMB/square meter)	22,750–91,000	Increase	1,869,935
		Adjusted market price (RMB/car parking space)	550,000	Increase	
		Developer's profit	2.5%	Decrease	
		Discount rate	6%	Decrease	

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 March: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2013 HK$'000
Investment properties					
Commercial — Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	9,878–10,787	Increase	32,900
Commercial — PRC	Income capitalisation	Terminal yield	7%	Decrease	194,787
		Reversionary yield	7%	Decrease	
		Monthly rental (RMB/square meter)	86–98	Increase	
Investment properties under development	Residual method	Adjusted market price (RMB/square meter)	27,000–90,000	Increase	1,402,642
		Adjusted market price (RMB/car parking space)	300,000	Increase	
		Developer's profit	7.5%	Decrease	
		Discount rate	6%	Decrease	

During the two years, there were no changes in the valuation techniques used.

7. TURNOVER

	2014 HK$'000	2013 HK$'000
Trading of iron ore and raw materials	3,294,181	3,035,585
Sales of properties	1,772,639	–
Trading of clinker, cement and other building materials	364,021	465,385
Trading of equipment	8,799	–
Rental income	12,302	11,336
	5,451,942	3,512,306

8. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Commission received	1,123	2,845
Despatch income	4,699	5,783
Interest income	55,787	40,574
Interest income from finance lease receivable	30,466	2,550
Reversal of provision for direct costs related to disposal of subsidiaries in prior years	101,400	–
Exchange difference, net	3,347	–
Others	6,622	14,104
	203,444	65,856

9. 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) Trading of iron ore and raw materials

(ii) Real estate investment and development

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

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

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 for determining reportable segments are combined as "all other segments".

Segment profits or losses do not include share of profits less losses of associates and joint ventures, 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, gain on disposal of an associate and a joint venture, reversal of impairment loss on interest in a joint venture, fair value gain on investment properties and investment properties under development, 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.

9. SEGMENT INFORMATION *(Continued)*

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

	Trading of iron ore and raw materials HK$'000	Real estate investment and development HK$'000	Trading of clinker, cement and other building materials HK$'000	Mining and processing of granite and selling of granite products HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 March 2014						
Revenue from external customers	3,294,181	1,784,941	364,021	–	8,799	5,451,942
Intersegment revenue	–	600	–	–	–	600
Segment profit/(loss)	(12,850)	523,961	613	(5,691)	(8,012)	498,021
Other information:						
Interest revenue	77,080	6,481	1	–	–	83,562
Interest expense	30,022	3,296	1,549	–	53	34,920
Depreciation	1,302	1,847	160	1,033	145	4,487
Income tax expense	4	440,751	521	–	–	441,276

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

9. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue and profit or loss:

	2014 HK$'000	2013 HK$'000
Revenue		
Total revenue from reportable segments	5,452,542	3,512,306
Elimination of intersegment revenue	(600)	–
Consolidated revenue	5,451,942	3,512,306
Profit or loss		
Total profit or loss of reportable segments	498,021	(155,142)
Other profit or loss	191,403	50,875
Share of profits less losses of associates	66,198	39,016
Share of profits less losses of joint ventures	(66,706)	(47,336)
Impairment loss on other intangible assets, property, plant and equipment and non-current prepayments	–	(25,000)
Impairment loss on available-for-sale financial assets	(1,439)	(87,681)
Net gain on sale of available-for-sale financial assets	4,039	742
Gain on disposal of an associate	54,100	–
Gain on disposal of a joint venture	44,013	–
Fair value gain on derivative financial instruments	38,805	24,815
Fair value gain on investment properties and investment properties under development	239,034	71,112
Finance costs	(239,397)	(60,826)
Reversal of impairment loss on interest in a joint venture	42,789	–
Unallocated amounts	(141,507)	(120,333)
Consolidated profit/(loss) before tax	729,353	(309,758)

Geographical information:

	Revenue		Non-current assets	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
PRC	5,078,622	3,046,161	3,394,850	2,993,919
Macau	–	–	437,810	454,983
Others	373,320	466,145	458,453	358,493
	5,451,942	3,512,306	4,291,113	3,807,395

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

Revenue from major customers are set out below:

Trading of iron ore and raw materials segment	2014 HK$'000	2013 HK$'000
Customer a	822,843	1,098,084
Customer b	422,975	–
Customer c	414,012	404,447
Customer d	367,137	731,143

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank loans wholly repayable within 5 years	103,530	100,411
Effective interest expense on convertible loan notes	85,083	17,043
Interest on early redemption of convertible loan notes	58,696	–
Less: Borrowing costs capitalised into investment properties under development and properties under development for sale	(7,912)	(56,628)
	239,397	60,826

Borrowing costs were capitalised at a rate of 7.38% (2013: 7.98%) per annum for the year ended 31 March 2014.

11. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Hong Kong Profits Tax		
Provision for the year	403	1,490
Over-provision in prior year	(42)	(39)
	361	1,451
PRC corporate income tax		
Provision for the year	233,540	982
Under-provision in prior year	–	1,100
	233,540	2,082
Land Appreciation Tax ("LAT")		
Provision for the year	326,957	–
Deferred tax (note 35)	(118,681)	5,204
	442,177	8,737

Hong Kong Profits Tax is provided at 16.5% (2013: 16.5%) on the estimated assessable profit for the year ended 31 March 2014.

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% (2013: 25%) during the year ended 31 March 2014.

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

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

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

11. INCOME TAX EXPENSE (Continued)

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

	2014 HK$'000	2013 HK$'000
Profit/(loss) before tax	729,353	(309,758)
Tax at the applicable rates in the jurisdictions concerned	188,500	(23,044)
Tax effect of income that are not taxable	(55,900)	(10,431)
Tax effect of expenses that are not deductible	58,358	27,248
Tax effect of unrecognised temporary differences	(6,568)	7
Tax effect of tax loss not recognised	12,171	5,136
Tax effect of utilisation of tax losses not previously recognised	(271)	(1,381)
PRC withholding tax	711	297
LAT	326,957	–
Tax effect on LAT deductible for calculation of income tax purpose	(81,739)	–
Tax losses previously recognised and expired during the year	–	9,844
(Over)/under-provision in prior year	(42)	1,061
Income tax expense	442,177	8,737

The weighted average applicable rate was 25.8% (2013: 7.4%). The increase is caused by a change in the profitability of the Group's subsidiaries in the PRC.

12. PROFIT/(LOSS) FOR THE YEAR

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

	2014 HK$'000	2013 HK$'000
Auditor's remuneration	2,800	1,200
Reversal of allowance for trade and other receivables	–	(248)
Cost of inventories sold	4,710,431	3,360,828
Depreciation	7,209	4,548
Fair value gain on derivative financial instruments	(38,805)	(24,815)
Impairment loss on available-for-sale financial assets	1,439	87,681
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$1,314,000 (2013: HK$1,413,000)	10,988	9,923
Operating lease charges in respect of land and buildings	9,336	6,212
Reversal of write off of non-current prepayments	–	(573)
Staff costs including directors' emoluments		
Salaries, bonuses, allowances and other costs	131,212	153,449
Retirement benefits scheme contributions	5,203	4,714
	136,415	158,163

13. 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:

	2014 HK$'000	2013 HK$'000
Fees		
Independent non-executive directors	1,847	1,741
Non-executive director	500	1,000
Other emoluments:		
Executive directors		
— Basic salaries, allowances and benefits in kind	37,585	30,873
— Retirement benefits scheme contributions	1,115	988
Independent non-executive directors		
— Retirement benefits scheme contributions	38	37
	41,085	34,639

The emoluments of each director for the years ended 31 March 2014 and 2013 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	–	11,455	11,843	573	23,871
Mr. SUN Yong Sen	–	840	–	–	840
Dr. MAO Shuzhong	–	3,317	–	125	3,442
Ms. Gloria WONG	–	1,730	–	80	1,810
Mr. KONG Siu Keung	–	2,717	–	125	2,842
Mr. Zhu Kai (note (a))	–	1,033	–	52	1,085
Mr. Wu Likang (note (b))	–	175	200	19	394
Mr. Johannes Petrus MULDER (note (c))	–	2,675	–	61	2,736
Mr. LIU Yongshun	–	1,600	–	80	1,680
Mr. YUEN Kim Hung, Michael	903	–	–	13	916
Mr. YUNG Ho	264	–	–	–	264
Mr. CHAN Kai Nang	500	–	–	25	525
Mr. MA Jianwu	180	–	–	–	180
Mr. LIU Benren (note (d))	500	–	–	–	500
Total for 2014	2,347	25,542	12,043	1,153	41,085

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

	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

Notes:

(a) Appointed on 25 September 2013

(b) Appointed on 1 February 2014

(c) Resigned on 31 January 2014

(d) Resigned on 25 September 2013

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 three (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2013: three) highest paid individuals are set out below:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	9,107	9,598
Discretionary bonus	1,282	11,104
Retirement benefits scheme contributions	330	515
	10,719	21,217

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

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
HK$3,000,001 to HK$3,500,000	1	–
HK$4,500,001 to HK$5,000,000	–	2
HK$7,500,001 to HK$8,000,000	1	–
HK$11,500,001 to HK$12,000,000	–	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.

14. 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.

15. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2014 (2013: Nil).

16. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on (i) the profit for the year attributable to the owners of the Company of approximately HK$130,717,000 (2013: loss of approximately HK$205,841,000); and (ii) the weighted average number of ordinary shares of 6,394,962,539 (2013: 6,394,962,539) in issue during the year.

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

(b) Diluted earnings/(loss) per share

The exercise of the Group's outstanding convertible loan notes for the year ended 31 March 2014 would be anti-dilutive.

For the year ended 31 March 2013, the calculation of diluted loss per share attributable to owners of the Company is based on the following:

	2013 HK$'000
Loss	
Loss for the purpose of calculating basic loss per share	(205,841)
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)

	2013
Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	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

There was no dilutive potential ordinary shares for the Company's share options during the years ended 31 March 2014 and 2013.

17. 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 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
Additions	1,445	184	9,210	584	1,020	844	39,601	52,888
Disposal and write off	(8)	–	(1,810)	(46)	–	–	–	(1,864)
Transfer from investment properties	–	–	–	–	–	–	16,100	16,100
Transfer to investment properties	–	–	–	–	–	–	(8,463)	(8,463)
Exchange differences	3	–	54	18	69	113	(100)	157
At 31 March 2014	5,255	544	26,808	2,758	6,450	9,778	47,840	99,433
Accumulated depreciation and impairment								
At 1 April 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
Charge for the year	1,061	51	3,078	609	1,033	–	1,377	7,209
Disposal and write off	(2)	–	(1,810)	(18)	–	–	–	(1,830)
Transfer to investment properties	–	–	–	–	–	–	(164)	(164)
Exchange differences	2	–	39	13	31	–	–	85
At 31 March 2014	3,775	217	14,688	1,431	3,894	1,054	1,221	26,280
Carrying amount								
At 31 March 2014	1,480	327	12,120	1,327	2,556	8,724	46,619	73,153
At 31 March 2013	1,101	194	5,973	1,375	2,531	7,767	694	19,635

At 31 March 2014, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately HK$34,016,000 (2013: Nil). (notes 34 and 42)

18. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

	Investment properties		Investment properties under development	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
At beginning of year	227,687	222,494	1,402,642	985,746
Additions	29	84	228,599	334,997
Transfer from property, plant and equipment	8,299	–	–	–
Transfer to property, plant and equipment	(16,100)	(702)	–	–
Fair value gain	17,266	3,738	221,768	67,374
Exchange differences	2,472	2,073	16,926	14,525
At end of year	239,653	227,687	1,869,935	1,402,642

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

	2014 HK$'000	2013 HK$'000
Medium-term leases		
In the PRC	2,092,788	1,597,429
In Hong Kong	16,800	32,900
	2,109,588	1,630,329

(b) Majority of the investment properties are rented out under operating leases. The leases typically run for an initial period of one to ten years (2013: 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.

The fair values of the Group's investment properties and investment properties under development as at 31 March 2014 and 31 March 2013 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 2014, investment properties with carrying amount of approximately HK$231,530,000 were pledged as security for the Group's bank borrowings (notes 34 and 42)

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

19. 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:

	2014 HK$'000	2013 HK$'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 value in use. The key assumptions for the value in use 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% (2013: 0%). The rate used to discount the forecast cash flows from the trading of iron ore business is 20% (2013: 20%).

20. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000
Cost	
At 1 April 2012, 31 March 2013 and 2014	192,640
Accumulated amortisation and impairment	
At 1 April 2012	–
Impairment	22,901
At 31 March 2013 and 2014	22,901
Carrying amount	
At 31 March 2014	169,739
At 31 March 2013	169,739

At 31 March 2014, the mining rights represent the mining permits of granite mining sites located in the PRC.

21. INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Investments in the PRC:		
Share of net assets other than goodwill	600,346	531,061
Goodwill	36,781	36,781
	637,127	567,842
Representing:		
Listed investment outside Hong Kong	549,617	492,704
Unlisted investment	87,510	75,138
	637,127	567,842
Fair value of listed investments in associates based on quoted market price (level 1 fair value measurement)	885,318	1,006,128

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:

	2014 HK$'000	2013 HK$'000
Manufacture and sales of clinker and cement		
Anhui Chaodong Cement Co., Ltd. ("Anhui Chaodong")	36,440	36,440
Others		
Yangzhou Haichang Port Industrial Company Limited ("Yangzhou Haichang")	341	341
	36,781	36,781

Details of the associates at 31 March 2014 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by a subsidiary 2014	2013	Principal activities
Anhui Chaodong (note (a), (b) and (c))	The PRC	RMB242,000,000	33.06%	33.06%	Manufacturing and selling of clinker and cement
Yangzhou Haichang (note (c))	The PRC	RMB220,500,000	25%	25%	Operation of public port and the facilities business

Notes:

(a) During the year, the shares in Anhui Chaodong, listed on the Shanghai Stock Exchange, with a carrying amount of approximately HK$549,617,000 (2013: 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 2014, 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 2013, but taking into account the effect of significant transactions or events that occurred in the subsequent period from 1 January 2014 to 31 March 2014. The Group has taken advantage of the provision contained in HKAS 28 (2011) "Investments in Associates and Joint Ventures" 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.

21. INTERESTS IN ASSOCIATES *(Continued)*

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

	Anhui Chaodong		Yangzhou Haichang	
Name	2014	2013	2014	2013
Principal place of business/ country of incorporation	The PRC/ The PRC	The PRC/ The PRC	The PRC/ The PRC	The PRC/ The PRC
% of ownership interests/ voting rights held by the Group	33.06%/ 33.06%	33.06%/ 33.06%	25%/ 25%	25%/ 25%
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March:				
Non-current assets	2,536,330	2,707,293	709,471	646,733
Current assets	407,597	411,700	391,298	167,731
Non-current liabilities	(518,230)	(731,817)	(437,245)	(37,575)
Current liabilities	(873,436)	(1,007,066)	(314,848)	(477,701)
Net assets	1,552,261	1,380,110	348,676	299,188
Group's share of net assets	513,177	456,264	87,169	74,797
Goodwill	36,440	36,440	341	341
Group's share of carrying amount of interests	549,617	492,704	87,510	75,138
Year ended 31 March:				
Revenue	1,500,026	1,266,721	179,086	119,525
Profit from continuing operations	187,030	95,121	61,129	30,810
Profit after tax from continuing operations	165,674	71,499	45,705	22,732
Total comprehensive income	165,674	71,499	45,705	22,732
Dividends received from associates	3,058	9,809	–	–

As at 31 March 2014, the pledged deposits and bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to approximately HK$409,839,000 (2013: HK$82,702,000). 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.

22. INTERESTS IN JOINT VENTURES

	2014 HK$'000	2013 HK$'000
Unlisted investments:		
Share of net assets	167,097	481,814
Goodwill	171,957	170,286
Loans to joint ventures (note (a))	301,353	99,840
Amount due from a joint venture (note (b))	22,489	22,197
	662,896	774,137
Less: Impairment (note (c))	–	(42,789)
	662,896	731,348

Notes:

(a) Included in loans to joint ventures are amounts of approximately:

(i) HK$215,320,000 (2013: HK$99,840,000) made to a joint venture that is secured by all the shares in United Goalink Limited ("UGL") owned by the joint venturer, interest-bearing at 8% to 12% (2013: 8%) per annum and repayable after one year.

(ii) HK$86,033,000 (2013: Nil) made to a joint venture that is unsecured, interest-free and repayable after one year.

(b) The amount due from a joint venture is unsecured, interest free and has no fixed terms of repayment. This amount is not expected to be settled within one year.

(c) The Group carried out reviews of the recoverable amount of interest in a joint venture, having regard to the exploration of new mineral resources. The review led to the reversal of impairment losses of approximately HK$42,789,000 that have been recognised in profit or loss. The recoverable amount has been determined on the basis of their value in use using discounted cash flow method.

Details of the joint ventures at 31 March 2014 are as follows:

Name	Place of incorporation/ registration	Particulars of registered capital	Percentage of interest held by a subsidiary 2014	2013	Principal activities
Changtai Jinhongbong Real Estate Development Co., Ltd. ("Changtai") (note)	The PRC	RMB100,000,000	50%	50%	Property development
UGL	BVI	US$50,000	50%	50%	Investment holding
RGN Resources Holdings Limited ("RGN")	BVI	US$50,000	50%	50%	Dormant

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

22. INTERESTS IN JOINT VENTURES *(Continued)*

The following tables show information of joint ventures that are material to the Group. These joint ventures are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

	UGL		Changtai	
Name	2014	2013	2014	2013
Principal place of business/ country of incorporation	Hong Kong/ BVI	Hong Kong/ BVI	The PRC/ The PRC	The PRC/ The PRC
Effective % of ownership interests/ voting rights held by the Group	35%/50%	35%/50%	50%/50%	50%/50%
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March:				
Non-current assets	390,873	432,987	209,739	209,227
Current assets	84,762	55,619	608,546	550,281
Non-current liabilities	(99,597)	(252,981)	(81,762)	(80,864)
Current liabilities	(380,858)	(110,347)	(397,510)	(335,712)
Net assets/(liabilities)	(4,820)	125,278	339,013	342,932
Group's share of net assets	(2,410)	62,639	169,507	171,466
Goodwill	42,789	42,789	129,168	127,497
Less: Impairment	–	(42,789)	–	–
Group's share of carrying amount of interests	40,379	62,639	298,675	298,963
Cash and cash equivalents included in current assets	993	9,385	577	483
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	(299,392)	(66,598)	(217,905)	(177,175)
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	(99,597)	(252,981)	–	–

22. INTERESTS IN JOINT VENTURES *(Continued)*

	UGL		Changtai	
Name	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Year ended 31 March:				
Revenue	118,409	69,598	–	–
Depreciation and amortisation	24,232	13,413	2,673	2,626
Interest income	34,808	20,514	6	10
Interest expense	90,688	66,180	1	–
Income tax expense	843	1,192	241	235
Loss for the year	(127,062)	(86,403)	(8,378)	(6,767)
Other comprehensive income	–	–	–	–
Total comprehensive income	(127,062)	(86,403)	(8,378)	(6,767)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial joint ventures that are accounted for using the equity method.

	2014 HK$'000	2013 HK$'000
At 31 March:		
Carrying amounts of interests	–	247,709
Year ended 31 March:		
Profit/(loss) for the year	1,014	(751)
Other comprehensive income	–	–
Total comprehensive income	1,014	(751)

The Group has not recognised loss for the year amounting to approximately HK$238,000 (2013: HK$Nil) for RGN. The accumulated losses not recognised were approximately HK$238,000 (2013: HK$Nil).

As at 31 March 2014, the bank and cash balances of the Group' joint ventures in the PRC denominated in Renminbi ("RMB") amounted to HK$577,000 (2013: HK$483,000). 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.

23. FINANCE LEASE RECEIVABLE

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Within one year	33,942	19,204	28,832	17,333
In the second to fifth years, inclusive	209,977	229,664	149,625	135,572
	243,919	248,868	178,457	152,905
Less: Unearned finance income	(65,462)	(95,963)	N/A	N/A
Present value of minimum lease payments receivable	178,457	152,905	178,457	152,905
Less: Amount receivable within 12 months (shown under current assets)			(28,832)	(17,333)
Amount receivable after 12 months			149,625	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.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 HK$'000	2013 HK$'000
Listed equity securities in Hong Kong, at fair value	336,595	109,913
Listed equity securities outside Hong Kong, at fair value	15,607	9,147
Unlisted equity securities, at fair value	26,211	26,107
	378,413	145,167
Analysed as:		
Current assets	16,198	16,285
Non-current assets	362,215	128,882
	378,413	145,167

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

Unlisted equity securities represent the Group's investments in funds, of which the investment portfolio mainly comprise of listed equity securities. The fair values of unlisted equity securities are based on prices quoted by the financial institutions or fund administrators.

At 31 March 2014, listed equity securities with an aggregate carrying amount of HK$78,017,000 (2013: Nil) have been pledged as security for the Group's bank borrowings (notes 34 and 42).

25. NON-CURRENT PREPAYMENTS AND LOAN RECEIVABLES

	2014 HK$'000	2013 HK$'000
Prepayments for purchase of iron ore (note (a))	437,801	454,961
Prepayments for investments	–	54,600
Prepayments for property, plant and equipment	4,025	3,450
Prepayments for leases	1,659	1,814
	443,485	514,825
Loan receivables (note (b))	25,382	–
	468,867	514,825

Notes:

(a) As at 31 March 2014, the Group has entered into off-take agreements with certain iron ore suppliers with respect to the balance of prepayments of approximately HK$437,801,000 (2013: HK$454,961,000), which are expected to be recovered or recognised as expense after one year.

(b) HK$25,382,000 (2013: Nil) made to a third party that is unsecured, interest bearing at 20% (2013: Nil) per annum and repayable after one year.

26. INVENTORIES

	2014 HK$'000	2013 HK$'000
Properties under development for sale	579,569	2,259,908
Properties held for sale	953,697	–
	1,533,266	2,259,908

At 31 March 2014, the properties held for sale and 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.

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 0 to 90 (2013: 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.

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

	2014 HK$'000	2013 HK$'000
0 to 90 days	206,262	231,165
91 to 180 days	4,018	–
	210,280	231,165

As at 31 March 2014, an allowance was made for estimated irrecoverable trade receivables of approximately HK$4,720,000 (2013: HK$4,720,000).

Reconciliation of allowance for trade receivables:

	2014 HK$'000	2013 HK$'000
At 1 April	4,720	4,835
Reversal of allowance for the year	–	(248)
Exchange differences	–	133
At 31 March	4,720	4,720

As of 31 March 2014, trade receivables of HK$24,965,000 (2013: HK$nil) were past due but not impaired. These relate to an independent customer for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2014 HK$'000	2013 HK$'000
Up to 3 months	24,965	–

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

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Prepayments		
— purchase of iron ore (note (a))	248,968	238,336
— investment properties under development and properties under development for sale	–	50
— other tax expenses (note (b))	48,460	149,319
— plant and machinery	23,346	–
— investments	73,618	–
— others	1,421	987
	395,813	388,692
Other deposits	6,862	3,609
Other receivables (note (c))	142,092	87,003
Loan receivables (note (d))	313,533	395,715
	858,300	875,019

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 2014 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$238,121,000 ("First Prepayments") (2013: HK$255,281,000). 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 23).

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 2014, the remaining balance of the First and Second Prepayments classified as current asset and non-current asset was approximately HK$221,520,000 (2013: HK221,520,000) and approximately HK$125,801,000 (2013: HK$142,961,000) respectively.

On 6 June 2014, the Group, the Supplier and Nominated Distributors agreed to terminate the Off-take Agreement and Purchase Agreement. The balance of the First and Second Prepayments will be satisfied by the shareholder of the Supplier and Nominated Distributors transferring to the Group his entire shareholding in Million Sea Group Limited.

(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$63,520,000 (2013: HK$29,827,000) representing the interests accrued in respect of the loan to a joint venture.

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

(i) HK$116,922,000 (2013: HK$178,116,000) made to a joint venture that is secured by all the shares in UGL owned by the joint venturer, interest-bearing at 12% (2013: 8%) per annum and repayable within one year.

(ii) HK$3,900,000 (2013: 101,607,000) made to a joint venture that is unsecured, interest-bearing at 12% (2013: 8% to 12%) per annum and repayable within one year.

(iii) HK$7,800,000 (2013: 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% (2013: 8%) per annum and repayable within one year.

(iv) HK$20,358,000 (2013: HK$44,718,000) made to joint venturer that is unsecured, interest-bearing at 12% (2013: 12%) per annum and repayable within one year.

(v) HK$16,498,000 (2013: HK$10,021,000) made to a non-controlling shareholder of a subsidiary that is unsecured, interest-bearing at 7.98% to 10% (2013: 7.98%) per annum and repayable within one year.

(vi) HK$46,800,000 (2013: nil) made to a business associate that is secured by all the shares in the business associate, interest-bearing at 7% per annum and repayable within one year.

(vii) HK$46,800,000 (2013: HK$43,680,000) made to business associates that are unsecured, interest-bearing at 4% (2013: 6%) per annum and repayable on demand.

(viii) HK$25,382,000 (2013: nil) made to business associates that are unsecured, interest-free and repayable within one year.

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

The pledged deposits and time deposits of approximately HK$115,400,000 and HK$10,539,000, respectively (2013: HK$nil) are at fixed interest rate ranged from 2.8% to 3.3% per annum (2013: nil) and therefore are subject to fair value interest rate risk. The bank deposits of approximately HK$823,786,000 (2013: HK$1,435,344,000) 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$65,986,000 (2013: HK$245,396,000) 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$220,817,000 as at 31 March 2014 (2013: HK$576,144,000) 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). 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. On 22 August 2013, the transaction was completed.

31. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2012, 31 March 2013 and 2014	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2012, 31 March 2013 and 2014	6,394,962,539	63,950

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 2014, the Group's strategy, which was unchanged from 2013, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-equity ratio, which represented total debts over shareholders' equity, at 31 March 2014 and at 31 March 2013 were 54% and 41%, 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

	2014 HK$'000	2013 HK$'000
Property, plant and equipment	113	150
Investments in subsidiaries	2,445,226	2,327,369
Other non-current assets	36,305	4,136
Other current assets	69,801	152,819
Bank borrowings	–	(16,667)
Convertible loan notes	(617,923)	(359,956)
Other current liabilities	(75,536)	(71,893)
NET ASSETS	1,857,986	2,035,958
Share capital	63,950	63,950
Reserves (note 33(b))	1,794,036	1,972,008
TOTAL EQUITY	1,857,986	2,035,958

33. RESERVES

(a) Group

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

(b) Company

	Share premium HK$'000	Contributed Surplus HK$'000	Share-based payment reserve HK$'000	Investment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 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
Total comprehensive income and changes in equity for the year	–	–	–	598	(178,570)	(177,972)
At 31 March 2014	1,035,544	872,101	13,523	598	(127,730)	1,794,036

33. RESERVES *(Continued)*

(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.

(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

	2014 HK$'000	2013 HK$'000
Secured		
Bank loans	1,261,743	1,281,945
Trust receipt loans	142,989	31,843
	1,404,732	1,313,788

The borrowings are repayable as follows:

	2014 HK$'000	2013 HK$'000
On demand or within one year	540,493	594,465
In the second year	459,653	184,899
In the third to fifth years, inclusive	398,672	519,865
After five years	5,914	14,559
	1,404,732	1,313,788
Less: Amount due for settlement within 12 months	(540,493)	(594,465)
Amount due for settlement after one year which contain a repayment on demand clause	(39,441)	(53,060)
Amount due for settlement after 12 months	824,798	666,263

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.

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
2014				
Bank loans	38,285	74,933	1,148,525	1,261,743
Trust receipt loans	–	–	142,989	142,989
2013				
Bank loans	422,128	166,740	693,077	1,281,945
Trust receipt loans	–	–	31,843	31,843

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

	2014 HK$'000	2013 HK$'000
Bank loans	1.2% to 6.9%	1.4% to 8.0%
Trust receipt loans	2.2% to 2.9%	2.3% to 2.5%

Bank 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

The following are the major deferred tax liabilities and assets recognised by the Group:

	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$'000	Temporary difference on LAT HK$'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 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
Charged/(credited) to profit or loss for the year	(113,829)	(33)	59,803	(68,144)	–	–	711	2,811	(118,681)
Payment	–	–	–	–	–	–	(297)	(32)	(329)
Exchange difference	3,174	–	2,270	224	(400)	–	–	–	5,268
At 31 March 2014	102,505	414	250,046	(67,920)	(30,867)	42,435	711	955	298,279

Note: The tax losses will expire within five years.

The following is the analysis of the deferred tax balances (after offset) for the statement of financial position purposes:

	2014 HK$'000	2013 HK$'000
Deferred tax liabilities	397,065	412,021
Deferred tax assets	(98,786)	–
	298,279	412,021

At the end of the reporting period the Group has unused tax losses of approximately HK$353,780,000 (2013: HK$269,401,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$123,468,000 (2013: HK$121,868,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$230,312,000 (2013: HK$147,533,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$15,483,000 (2013: HK$15,733,000) 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:

	2014 HK$'000	2013 HK$'000
Not yet due	309,658	–
Due within 3 months or on demand	293,628	255,245
Due after 6 months	–	51,484
	603,286	306,729

36. TRADE AND BILLS PAYABLES *(Continued)*

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

	2014 HK$'000	2013 HK$'000
US$	255,469	255,245
RMB	347,817	51,484
	603,286	306,729

37. OTHER PAYABLES AND DEPOSITS RECEIVED

	2014 HK$'000	2013 HK$'000
Accrued expenses	42,755	21,844
Other payables	225,144	291,687
Receipts in advance (note)	860,908	2,090,102
Rental deposits received	7,400	3,147
	1,136,207	2,406,780

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

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.

On 20 December 2013, the Company received a redemption notice from Sidero to redeem all the Sidero Convertible Note in accordance with the terms of the Sidero Convertible Note. On 6 February 2014, the Company had repaid the Sidero Convertible Note at the Sidero Accreted Principal Amount.

(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").

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. During the year ended 31 March 2014, the put option deed was lapsed upon the Group acquired all the remaining interest in PMHL.

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)*

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.

On 25 March 2014, the Company received a redemption notice from LIM to redeem all the LIM Convertible Note in accordance with the terms of the LIM Convertible Note. On 12 May 2014, the Company had repaid the LIM Convertible Note at the LIM Accreted Principal Amounts.

(c) US$50 million convertible loan notes to ICBC International Investment Management Limited ("ICBC")

On 14 March 2014, the Company issued the 2015 Convertible Notes ("2015 Convertible Notes") and the 2017 Convertible Notes ("2017 Convertible Notes") to ICBC with an nominal value of US$25,000,000 each ("ICBC Convertible Notes").

The 2015 Convertible Notes, at the option of ICBC, are convertible in whole or in part of the outstanding principal amount of the ICBC Convertible Notes at any time before the maturity date falling on 21 December 2015 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 Billion Win Acquisition, which is initially set at HK$0.50 per share.

The 2017 Convertible Notes, at the option of ICBC, are convertible in whole or in part of the outstanding principal amount of the ICBC Convertible Notes at any time before the maturity date falling on the third anniversary of the date of issue of the ICBC Convertible Note. 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 ICBC Convertible Notes will bear interest at the rate of 8.25% per annum on the outstanding principal amount of the ICBC Convertible Notes which will be paid semi-annually.

If the Company fails the Billion Win Acquisition on or before 31 December 2014, ICBC may require the Company to repay the ICBC Convertible Notes at an amount that would yield an internal rate of return of not less than 16% on the then outstanding principal amount (the "ICBC Accreted Principal Amount").

Provided that no event of default as set out under the ICBC Convertible Notes has occurred and is continuing, the Company may repay all or any part of the ICBC Convertible Notes at any time after 1 July 2015 (the "ICBC Prepayment Date") by paying ICBC the relevant ICBC Accreted Principal Amount on the ICBC 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 ICBC Convertible Notes.

The ICBC Convertible Notes are not transferable or assignable without the prior written 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:

	2014 HK$'000	2013 HK$'000
Nominal value of convertible loan notes	390,000	429,000
Transaction cost related to liability component	(4,534)	(6,000)
Derivative financial assets	18,624	3,633
Derivative financial liabilities	(44,603)	(83,720)
	359,487	342,913

The movement of the liability component and derivative components are as follows:

	2014 HK$'000	2013 HK$'000
Liability component:		
Convertible loan notes		
At 1 April	359,956	–
Issued during the year	359,487	342,913
Interest charged	85,083	17,043
Interest on early redemption of convertible loan notes	58,696	–
Redemption during the year	(245,299)	–
At 31 March	617,923	359,956
Derivative financial assets:		
Derivative assets embedded in convertible loan notes		
At 1 April	4,136	–
Issued during the year	18,624	3,633
Fair value (loss)/gain	(2,653)	503
At 31 March	20,107	4,136
Derivative financial liabilities:		
(a) Derivative liabilities embedded in convertible loan notes		
At 1 April	34,854	–
Issued during the year	44,603	56,103
Fair value gain	(15,469)	(21,249)
At 31 March	63,988	34,854
(b) Put option		
At 1 April	25,989	–
Issued during the year	–	27,617
Fair value gain	(25,989)	(1,628)
At 31 March	–	25,989
	63,988	60,843

38. CONVERTIBLE LOAN NOTES *(Continued)*

The interest charged for the year is calculated by applying an effective interest rate of 22.0%, 26.0% and 20.0% to the liability components of Sidero Convertible Note, LIM Convertible Notes and ICBC Convertible Notes respectively for the 12-month period since the respective convertible loan notes were issued.

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:

2015 Convertible Notes

	31 March 2014	Date of issue
Share price — PIHL	HK$0.30	HK$0.26
Expected volatility	47.33%	47.28%
Expected life (years)	1.73	1.75
Risk free rate	0.57%	0.56%
Expected dividend yield	0%	0%

2017 Convertible Notes

	31 March 2014	Date of issue
Share price — PIHL	HK$0.30	HK$0.26
Expected volatility	47.29%	46.85%
Expected life (years)	2.98	3.00
Risk free rate	1.03%	1.01%
Expected dividend yield	0%	0%

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 control over 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.

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.

39. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

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

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.

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 2013	Reclassification during the year	Number of options outstanding as at 31 March 2014	Date of grant of share options	Exercisable Period	Exercise price of share options	Closing price of the shares immediately before date of grant of share options
						HK$	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	(30,000,000)	65,000,000				
Other							
Other employees	36,800,000	(5,000,000)	31,800,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Third parties	–	35,000,000	35,000,000	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:

	2014		2013	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning and 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	131,800,000	0.41

At 31 March 2014, the options outstanding have a weighted average remaining contractual life of 7 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.

(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 2013	Purchased during the year (note)	Number of options outstanding as at 31 March 2014	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 2014		At 31 March 2013	
	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	5,590,000	0.70
Purchased during the year (note)	(5,590,000)	0.70	–	–
Outstanding at the end of year	–	–	5,590,000	0.70
Exercisable at the end of year	–	–	5,590,000	0.70

Note: On 22 July 2013, the Group made the cash offer to acquire the then outstanding share options of PMHL, with an offer price of £0.60 to each PMHL share option.

The options outstanding at 31 March 2013 have a weighted average remaining contractual life of approximately 0.6 years.

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

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Purchase of non-controlling interests

During the year, the Group acquired the remaining interests in PMHL, a 64.07% subsidiary, from the non-controlling shareholders at a cash consideration of approximately GBP66,984,000 (equivalent to approximately HK$808,493,000). The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$'000
Share of net assets in the subsidiary acquired	1,214,352
Consideration	(808,493)
Gain on acquisition recognised directly in equity	405,859

41. CONTINGENT LIABILITIES

Financial guarantees issued

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	2014 HK$'000	2013 HK$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	453,218	–

Pursuant to the terms of the guarantees, if there are any defaults on the mortgages, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees will be released upon issuance of the purchasers' property ownership certificates and completion of the relevant registration of the mortgaged properties.

At the reporting date, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

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

(b) At 31 March 2014, the Group's share of the contingent liabilities jointly with a joint venture partner in relation to a guarantee to a financial institution amounted to approximately HK$62,186,000 (2013: HK$ Nil).

(c) As at 31 March 2014, 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$1,075 million (2013: HK$109 million).

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 Group and the Company did not have other significant contingent liabilities.

42. BANKING FACILITIES

As at 31 March 2014, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits (note 29), available-for-sale financial assets (note 24), property, plant and equipment (note 17) and investment properties (note 18) of the Group;

(b) Equity interests in certain subsidiaries 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; and

(h) assignment of the Group's sale and purchase agreements of iron ore with the subsidiary of a joint venture.

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 18) and investment properties under development (note 18) 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 4,800,000 tonnes of iron ore; and

(i) assignment of the Group's sale and purchase agreements of iron ore with the subsidiary of a joint venture.

43. COMMITMENTS

As at 31 March 2014, 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:

	2014 HK$'000	2013 HK$'000
Within one year	9,507	7,275
In the second to fifth years, inclusive	6,034	5,988
	15,541	13,263

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 under operating leases. The leases typically run for an initial period of 1 to 10 years (2013: 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 2014, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	6,165	11,349
In the second to fifth years inclusive	5,873	10,889
After five years	1,405	–
	13,443	22,238

(c) Capital and other commitments

	2014 HK$'000	2013 HK$'000
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	–	259,639

In respect of its interests in joint ventures (note 22), the joint ventures are committed to incur capital expenditure of approximately HK$312,377,000 (2013: HK$60,411,000), of which the Group's share of this commitment is approximately HK$156,188,000 (2013: HK$30,206,000).

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

	2014 HK$'000	2013 HK$'000
Directors' fees	2,347	2,741
Basic salaries, allowances and benefits in kind	42,624	36,983
Retirement benefits scheme contributions	1,384	1,244
	46,355	40,968

(b) Sales of iron ore during the year

	2014 HK$'000	2013 HK$'000
Related companies(i)	30,748	38,009

(c) Sales of iron ore equipment during the year

	2014 HK$'000	2013 HK$'000
A related company(i)&(ii)	8,799	–

(d) Purchase of iron ore during the year

	2014 HK$'000	2013 HK$'000
A related company(i)&(ii)	72,673	23,275
A joint venture	80,465	–
A subsidiary of a joint venture	–	26,551
	153,138	49,826

(e) Agency income for the year

	2014 HK$'000	2013 HK$'000
A related company(i)	–	991

(f) Interest income for the year

	2014 HK$'000	2013 HK$'000
A joint venture	33,696	21,044

(g) Advertising expenses for the year

	2014 HK$'000	2013 HK$'000
A related company(i)&(iii)	–	1,006

44. RELATED PARTY TRANSACTIONS *(Continued)*

(h) Demurrage expenses for the year

	2014 HK$'000	2013 HK$'000
A joint venture	1,076	–

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

	2014 HK$'000	2013 HK$'000
A joint venture	26,996	–

(j) Trade receivables as at 31 March

	2014 HK$'000	2013 HK$'000
Related companies[i]	8,907	–

(k) Trade payables as at 31 March

	2014 HK$'000	2013 HK$'000
A joint venture	12,909	–
A subsidiary of a joint venture	663	–
A related company[i]	156	–
	13,728	–

(l) Receipts in advance as at 31 March

	2014 HK$'000	2013 HK$'000
A related company[i]	17,168	–

(m) Prepayment for investments as at 31 March

	2014 HK$'000	2013 HK$'000
A related company[i]	54,600	54,600

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

	2014 HK$'000	2013 HK$'000
Loans to joint ventures	422,175	279,723
Loans to a joint venture and its subsidiary	–	99,840
Amount due from a joint venture	22,489	22,197
	444,664	401,760

44. RELATED PARTY TRANSACTIONS *(Continued)*

(o) Interest receivable as at 31 March

	2014 HK$'000	2013 HK$'000
A joint venture	63,523	29,827

Notes:

(i) Mr. Wong Ben Koon is also a director of and has beneficial interest in these companies.

(ii) The related party transactions also constitute connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(iii) It constitutes exempted connected transaction as defined in Chapter 14A of the Listing Rules.

45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2014 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
Bliss Hero Investment Limited	Hong Kong	3,000,100 ordinary shares of HK$1 each	–	100%	Investment holding
# Δ Guangzhou Bliss Hero Real Estate Development Limited	The PRC	Registered capital of HK$245,000,000	–	100%	Property leasing
* Δ Guangzhou Fuchun Dongfang Real Estate Investment Company Limited ("Guangzhou Fuchun")	The PRC	Registered capital of RMB420,000,000	–	55%	Property development, sales and leasing
# Guilin Star Brite Stone Materials Co., Ltd. ("Guilin Star Brite")	The PRC	Registered capital of US$6,300,000	–	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	–	100%	Trading of iron ore and steel
Lead Hero	BVI/Hong Kong	33,334 ordinary shares of US$1 each	–	70%	Investment holding
MCO	Macao	100,000 ordinary shares of MOP 1 each	–	100%	Trading of iron ore
PMHL	Jersey/Hong Kong	143,391,230 ordinary shares of GBP0.01 each	64.07%	35.93%	Investment holding
Pro-Rise Business Limited	BVI/Hong Kong	1,000 ordinary shares of US$1 each	–	100%	Investment holding

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Indirect	Principal activities
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
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	–	100%	Provision of advisory, planning and administrative services
Prosperity Minerals Management Limited	Hong Kong	100,000 ordinary shares of HK$1 each	–	100%	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
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	–	100%	Investment holding
#Δ Hungzhou Gongcheng Technology & Trade Company Limited	The PRC	Registered capital of RMB35,000,000	–	100%	Trading of iron ore equipment

\# 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

45. PRINCIPAL SUBSIDIARIES *(Continued)*

The following table shows information of a subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Guangzhou Fuchun	
	2014	2013
Principal place of business and country of incorporation	The PRC	The PRC
% of ownership interests and voting rights held by NCI	45%	45%
	HK$'000	HK$'000
At 31 March:		
Non-current assets	2,000,288	1,433,538
Current assets	1,717,822	2,880,724
Non-current liabilities	(333,496)	(354,103)
Current liabilities	(1,621,150)	(2,538,695)
Net assets	1,763,464	1,421,464
Accumulated NCI	793,559	639,659
Year ended 31 March:		
Revenue	1,772,639	–
Profit/(loss) for the year	324,414	(11,530)
Total comprehensive income	324,414	(11,530)
Profit/(loss) allocated to NCI	145,986	(5,189)
Net cash generated from operating activities	334,099	788,356
Net cash used in investing activities	(233,411)	(339,629)
Net cash used in financing activities	(394,832)	(236,012)
Net (decrease)/increase in cash and cash equivalents	(294,144)	212,715

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 control over 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 14 April 2014, the Company entered into several agreements with a joint venture partner as follows:

(i) to acquire the remaining 50% interests in UGL for a total cash consideration of US$3,000,000 (equivalent to approximately HK$23,400,000) and the aggregate outstanding amounts due from a joint venturer and a joint venture.

(ii) to acquire the remaining 0.01% interest in Globest Resources Limited for a cash consideration of HK$1.

(iii) to dispose of its 50% interests in RGN to the joint venturer at a cash consideration of US$1.

Since the acquisition was completed in June 2014, there is not sufficient time for the management to prepare the financial statements of the subsidiaries and joint venture. It is impracticable at this moment to disclose further information about the acquisition and disposal.

(c) On 25 December 2013, the Group entered into a conditional share transfer and capital contribution agreement with three independent individuals, to acquire 55% interest in Suzhou Shi Jia Xin Real Estate Development Company Limited ("Jia Xin") [Δ] at a consideration of RMB55,000,000 (equivalent to approximately HK$70,387,000). Jia Xin is principally engaged in property development in the PRC. As the capital contribution is not yet completed, it is impracticable at this moment to disclose further information about the acquisition.

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

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2014.

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				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
RESULTS					
Continuing operations					
Turnover	5,451,942	3,512,306	6,190,034	8,136,491	2,564,656
Profit/(loss) before tax	729,353	(309,758)	(19,956)	(219,075)	(2,939)
Income tax expense	(442,177)	(8,737)	(15,956)	(2,406)	(13,072)
Profit/(loss) from continuing operations	287,176	(318,495)	(35,912)	(221,481)	(16,011)
Profit from discontinued operation	–	–	–	878,328	142,115
Profit/(loss) for the year	287,176	(318,495)	(35,912)	656,847	126,104
Attributable to:					
Owners of the Company	130,717	(205,841)	(49,387)	326,913	67,689
Non-controlling interests	156,459	(112,654)	13,475	329,934	58,415
	287,176	(318,495)	(35,912)	656,847	126,104

	As at 31 March				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES					
Non-current assets	4,790,208	3,940,413	3,865,528	2,472,519	1,513,041
Current assets	3,599,193	5,011,971	3,613,165	4,499,469	8,535,673
Current liabilities	(3,454,851)	(3,783,025)	(2,230,396)	(1,938,287)	(4,949,462)
Non-current liabilities	(1,221,863)	(1,078,284)	(841,541)	(523,059)	(856,726)
Total equity	3,712,687	4,091,075	4,406,756	4,510,642	4,242,526
Attributable to:					
Owners of the Company	2,874,969	2,211,320	2,396,957	2,520,257	2,089,734
Non-controlling interests	837,718	1,879,755	2,009,799	1,990,385	2,152,792
	3,712,687	4,091,075	4,406,756	4,510,642	4,242,526

Note: Amounts disclosed in the summary financial information for prior years were extracted from the annual report for the year ended 31 March 2013.