Integrating New with the Existing

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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

Interim Report 2014/2015

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Mr. SUN Yong Sen, *Deputy Chairman*
(Retired on 15 September 2014)
Mr. ZHU Kai, *Deputy Chairman*
Dr. MAO Shuzhong
Mr. WU Likang
Ms. Gloria WONG
Mr. KONG Siu Keung

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

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

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STOCK CODE

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

COMPANY WEBSITE ADDRESS

www.pihl-hk.com

RESULTS AND FINANCIAL OVERVIEW

For the six months ended 30 September 2014 (the "Period"), Prosperity International Holdings (H.K.) Limited ("Prosperity" or "the Company") and its subsidiaries (collectively referred to as the "Group") recorded a 15% year-on-year increase in turnover to approximately HK$2,266 million.

Gross profit increased to approximately HK$348 million by about 688% from approximately HK$44 million for the six months ended 30 September 2013 ("the same period in the previous year"). The increase in revenue and gross profit was mainly due 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 Period.

The Group's administrative expenses were approximately HK$228 million, representing an increase by HK$78 million or 52% as compared to same period last year. The administrative expense mainly represented the staff costs, including director's emoluments, the legal and professional fee and other administrative expenses. The increase was mainly due to the Company has increased its equity interest from 35% to 85% in United Goalink Limited ("UGL") in June 2014 and UGL has been classified as a subsidiary of the Group thereafter. UGL, through its subsidiaries, engages in iron ore mining and processing operation in Ceara, Brazil. It incurred administrative expenses of HK$60 million, including an exchange loss of approximately HK$30.9 million, for the current Period.

The finance costs were approximately HK$146 million, as compared to approximately HK$89 million, of which HK$7 million were capitalized, for the same period last year. The increase was mainly due to the increase in the average amount of the outstanding bank borrowings.

During the year, the Group disposed of certain listed securities and realized a gain of approximately HK$76.6 million.

On 12 May 2014, the Company successfully redeemed the convertible loan notes with the aggregated principal amounts of US$30 million, from LIM Asia Multi-Strategy Fund Inc and LIM Asia Special Situations Master Fund Limited, in accordance with the terms of the convertible loan notes. In September 2014, the Company redeemed 25% of the convertible note loans with the aggregate principal amount of US$50 million, from ICBC International Investment Management Limited, in accordance with the terms stipulated in the convertible loan notes.

Net profit increased by about 88% year on year to approximately HK$78 million, compared with the net profit of approximately HK$42 million for the same period in the previous year. Basic earnings per share were 0.23 HK cents, compared with the basic earnings per share of 0.09 HK cents for the same period in the previous year.

The Board does not recommend payment of an interim dividend for the Period (the same period in the previous year: Nil).

BUSINESS REVIEW

PRC Steel Market

China's crude steel production increased by 2.3% year on year to 618 million tonnes for the first nine months of 2014, or 50.21% of the global output of about 1.231 billion tonnes and 74.13% of Asia's output of about 833.696 million tonnes, according to Worldsteel Association. Nevertheless, the increase in China's crude steel output contrasted with the 0.9% year-on-year decline in the country's steel consumption, which totaled 560 million tonnes during the period[1]. The decrease resulted from the country's economic slowdown amid its ongoing economic restructuring and after the property market had peaked. This, coupled with the overcapacity of the country's steel industry, triggered off a decline in steel prices. There was a general downtrend in the price of steel, from US$726 per tonne in January 2014 to US$696 per tonne in September of the year[2].

In an attempt to solve the problem, the State Council had already issued an edict to reduce the country's steel production capacity. The steel industry was also putting efforts to increase exports, especially those of the low value-added types of steel, in an attempt to clear the glut.

(1) Xinhua News Agency

(2) worldsteelprices.com

PRC Iron Ore Market

Stimulated by China's consistently rising steel output, iron ore imports to the country increased by 16.5% year on year to 699 million tonnes for the first nine months of 2014[(3)]. The imports satisfied about 65% of the country's demand during the period[(4)]. China, which imports almost 60% of the world's seaborne iron ore[(5)], has to rely heavily on the imports because of a shortfall in the domestic supply of quality iron ore and the more expensive domestic production and lower iron content of the country's iron ore.

Nevertheless, the iron ore price decreased by about 35.79% from US$128.12 per dry metric tonne in January 2014 to US$82.27 per dry metric tonne in September 2014[(6)] despite China's robust demand and shortfall in domestic supply. This was mainly because of the ongoing consolidation of the global iron ore industry where the world's leading and advanced iron ore producers had been ramping up their production capacity and increasing their output to reinforce their market dominance. In addition, China's slower economic expansion and the overcapacity in its steel industry also 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.

(1) Xinhua News Agency
(2) worldsteelprices.com
(3) China Economic Times
(4) Securities Times
(5) Market Realist
(6) Index mundi

Iron Ore Trading and Mining

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.

To cope with the complicated iron ore market and to capitalize on China's increasing reliance on iron ore imports, the Company forged ahead with its transformation into a principal iron ore trader and consolidated its iron ore mining, processing and trading operations. On 18 June 2014, the Company completed its acquisition of the entire interest in Million Sea Group Limited ("Million Sea"), which holds a 15% interest in Billion Win Capital Limited ("Billion Win"), for a consideration of approximately US$44 million (approximately HK$347 million). Billion Win, through its wholly-owned subsidiaries, operates an iron ore mine and an iron ore processing plant in the State of Pahang, Malaysia. On 10 October 2014, the Company completed the acquisition of the remaining 85% interest of Billion Win. Details of the transaction can be found in the section of "Significant and Discloseable Transactions" of this interim report.

In June 2014, the Company 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 Ceara, Brazil. During the Period, UGL delivered approximately 165,000 tonnes of iron ore with an iron content of approximately 62%. During the same period in the previous year, UGL delivered approximately 21,000 tonnes of iron ore with iron content of approximately 58% and approximately 62,000 tonnes of iron ore with an iron content of approximately 62%.

All these 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.

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.

During the Period, the Group shipped approximately 1.2 million tonnes of iron ore, 35% less year on year than that in the same period in the previous year, and recorded a segment loss of approximately HK$40 million, compared with a segment profit of approximately HK$1.3 million for the same period in the previous year.

The Group has now reinforced its business of iron ore mining and trading and is fine-tuning its operations.

Real Estate Investment and Development

China's property market seemed to have peaked and started declining, as evidenced by the 10.8% year-on-year decrease in sales of new homes during the period from January to September in 2014, according to China's National Bureau of Statistics. The bureau also released data indicating that growth of investment in real estate development decelerated to 12.5% for the first nine months of this year from 19.7% for the same period last year.

In an attempt to revive the flagging property market, the Chinese government had the People's Bank of China ("PBOC") loosen the control on mortgage loans. Under such a policy, home buyers as families have been able to take out mortgage loans from banks for their second home on the terms and conditions for first-home buyers if they have already paid off the mortgage for their first home. Moreover, more and more provincial and municipal governments tentatively eased or removed restrictions on the number of home purchases. These policies may help release the pent-up demand. The country's ongoing urbanization also supports the development of its property sector.

During the Period, the company's business of real estate investment and development continued to focus on economically vibrant areas such as Guangzhou in Guangdong province, Zhangzhou in Fujian province, Binhai county in Yancheng and Suzhou, the latter two places being in Jiangsu province, by strengthening its existing operations or by embarking on new projects.

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.

As at 30 September 2014, SilverBay Plaza had an occupancy rate of 96%. The commercial building contributed approximately HK$6 million in rental income during the Period, which is consistent with the same period in the previous year.

Oriental Landmark 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 part of the shopping arcade and the other three 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. By 30 September 2014, 597 of the 649 units were sold and had been delivered to the buyers. The Group received an aggregate of approximately RMB639 million in revenue from the sales for the Period.

Moreover, tenancy agreements have been signed over 70% of the shop spaces in the shopping arcade of Oriental Landmark by the end of September 2014. The shopping arcade was opened in August 2014.

2. Zhangzhou City, Fujian Province

The Group develops an integrated project of commercial and residential properties and recreational facilities in Zhangzhou City, Fujian province through a 50:50 joint venture.

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 30 September 2014, the Group had invested a total of RMB328 million in the project.

The presale started from November 2013 and 7 units had been sold with deposits received by the end of September 2014. About 199 residential properties were available for presale during the Period.

3. Binhai County in Yancheng City, Jiangsu Province

On 1 July 2014, the Group succeeded in bidding RMB455.05 million (equivalent to approximately HK$568.813 million) for a land use right over a piece of land of 159,698 sq.m. in Binhai county in Yancheng, Jiangsu province to develop residential and commercial properties there. The coastal county has been designated as a special economic zone of China for industrial and financial reform, and thus has a promising prospect. It is accessible through a convenient transportation network that includes two nearby airports, namely Lianyungang Baitabi Airport and Yancheng Airport, the national highway G204 and three expressways, namely Beijing-Shanghai Expressway, Nanjing-Lianyungang Expressway and Nanjing-Jinjiang-Yancheng Expressway.

To leverage the place's favourable policies and advantages, the Group plans to build residential properties such as apartments and houses, a shopping mall of approximately 368,000 sq.m. and about 2,000 car parking spaces on the piece of land that it acquired in the county. The property project will have a plot ratio between 1.0 and 2.3 and gross development area of 159,698 sq.m. to 367,305 sq.m.

Construction work and presale of the residential units are scheduled to be commenced in 2015, and sale of residential units is expected to be completed in 2017. The Group will finance the property development project with bank borrowings and is now negotiating with a bank to arrange the loan.

4. Suzhou City, Jiangsu Province

In June 2014, the Company completed the acquisition of a 55% equity interest in Suzhou Jiaxin Real Estate Development Company Limited, which owns the land use rights of a piece of land in Xishan Island, Wuzhong District, Suzhou city, the PRC, with a gross area of 100,483.3 square metres (the "Suzhou Project"). The project will comprise 51 villas, and pre-sale will be commenced during the last quarter of 2014. The consideration for the acquisition was RMB55 million and a gain on bargain purchase of HK$48 million arose from the acquisition.

On 27 October 2014, the Company entered into the sale and purchase agreement with an independent third party, pursuant to which the Company conditionally agreed to sell a 25% equity interest in the project in Suzhou for a consideration of RMB85,000,000. As at the date of this report, the disposal is not yet completed.

Clinker and Cement Trading Business and Operation

China's cement price index was declining for the first eight months of 2014, and only rebounded slightly in September. This partly reflected the country's slowing economy and its flagging property market. Nevertheless, China's cement output rose by 3% year on year to 1.82 billion tonnes. For the first eight months of the year, the country's cement industry made a combined profit of RMB46.2 billion, up by 29.71% year on year.

During the Period, 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. We also kept assessing the supply and demand in Southeast Asia to spot any advantageous situations.

The Group's management guided the clinker and cement trading business through the highly competitive environment with its experience, expertise and extensive regional network. For the Period, the business generated a segment profit of approximately HK$4.6 million, compared with the segment profit of approximately HK$1.4 million for the same period in the previous 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 six months ended 30 September 2014, ACC contributed an attributable profit of approximately HK$40.1 million to the Company (The same period in the previous year: approximately HK$9.8 million).

ACC has a designed saleable production capacity of six million tonnes of cement and clinker per annum. During the Period, ACC sold approximately 2.7 million tonnes of cement and clinker.

The Company announced on 10 October 2014 that ACC now intends to conduct an asset restructuring and ACC has also applied to the Shanghai Stock Exchange for the suspension of dealings in its shares pending negotiation, due diligence and finalization of this asset restructuring. As at the date of this report, the asset restructuring is not yet finalized and the trading of ACC shares is not yet resumed.

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

The Group has an investment in a public port and provides 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 port operation recorded a turnover of approximately HK$86.7 million during the Period and handled approximately 16.3 million tonnes of throughput, of which the majority were coal. It recorded an attributable profit of approximately HK$5.5 million during the Period, compared with the attributable profit of approximately HK$5 million for the same period in the previous 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.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL RESOURCES

The total shareholders' fund of the Group as at 30 September 2014 was approximately HK$2,746 million (31 March 2014: approximately HK$2,875 million). As at 30 September 2014, the Group had current assets of approximately HK$3,629 million (31 March 2014: approximately HK$3,599 million) and current liabilities of approximately HK$3,337 million (31 March 2014: approximately HK$3,455 million). The current ratio was 1.09 as at 30 September 2014 as compared to 1.04 at 31 March 2014. The Group generally finances its operations with internally generated cash flow, credit facilities provided by its principal bankers in Hong Kong and the PRC.

As at 30 September 2014, the Group's total time deposits, bank and cash balances were approximately HK$219 million (31 March 2014: approximately HK$814 million) and total outstanding debts (including bank borrowings and convertible notes) were approximately HK$2,023 million (31 March 2014: approximately HK$2,023 million).

The debt-to-equity ratio of the Group as at 30 September 2014, calculated on the basis of total interest-bearing debts divided by owners' equity, was approximately 0.71 (31 March 2014: approximately 0.70).

HUMAN RESOURCES

As at 30 September 2014, the Group had a total of 372 staff members, 280 of them based in the PRC and 92 based in Hong Kong.

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group pays a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. With a view to retaining certain important employees who continue to make valuable contributions to the Group, share options to subscribe for shares of the Company in accordance with the new share option scheme adopted on 25 September 2009 may be granted.

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

CHARGE ON GROUP ASSETS

The following assets held by the Group were pledged to banks to secure banking facilities granted to the Group:

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

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

(c) equity interests in certain subsidiaries of the Group.

SIGNIFICANT AND DISCLOSEABLE TRANSACTIONS

(a) Acquisition of the entire equity stake in Billion Win

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).

On 18 August 2014, the Company entered into various supplemental agreements which varied the original agreements about its acquisition of the remaining 85% interest in Billion Win for a total consideration of US$183.6 million (equivalent to approximately HK$1,432 million). The consideration was to be satisfied as to US$85 million (equivalent to approximately HK$663 million) by cash payment on a deferred term and as to US$98.6 million (equivalent to approximately HK$769 million) by the issue of the consideration shares at HK$0.35 each. The acquisition was completed on 10 October 2014 and Billion Win is thereafter, a wholly owned subsidiary of the Company.

Full details about the acquisition of Million Sea and Billion Win can be found in relevant announcements and circular of the Company.

(b) Reorganization of Brazilian Iron Ore Mines

On 14 April 2014, the Company entered into a sale and purchase agreement (the "UGL SPA") with Mr. Li Ping ("Mr. Li") to acquire a 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 an aggregate of US$3.09 million (equivalent to approximately HK$24.1 million) granted by the Group to Galaxy Mining Company Limited, a company wholly-owned by Mr. Li and the accrued interest and principal in an aggregate of US$581,460 (equivalent to approximately HK$4.5 million) granted by the Group to RGN Resources Holdings Limited, which is a joint venture of the Company. UGL also entered into a sale and purchase agreement with Mr. Li to acquire the remaining 0.01% interest in Globest Resources Limited ("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, which is through its wholly owned subsidiaries, holding an exploration right and mining concessions in Ceará, Brazil.

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

(c) Provision of financial assistance to a joint venture partner

In July 2014, Guangzhou Fuchun Dongfang Real Estate Investment Company Limited ("Guangzhou Fuchun"), a 55%-owned subsidiary of the Company, pledged certain units of Oriental Landmark, for the benefit of non-controlling shareholder of Guangzhou Fuchun, as security for the loans taken by its associate companies, in aggregation of RMB332.5 million.

Full details about the arrangement can be found in relevant announcements of the Company dated 10 July 2014 and 30 July 2014.

(d) Amendments to the terms and conditions of the convertible notes issued to ICBCI International Investment Management Limited

On 19 September 2014, the Company entered into the amendment deeds with ICBC International Investment Management Limited, pursuant to which the Company shall prepay and partially redeem a total principal amount of US$12,500,000 of the convertible notes on 19 September 2014 and a further total principal amount of US$12,500,000 of the convertible notes on or before 31 December 2014. Million Sea, a wholly-owned subsidiary of the Company, charged its beneficial interest in 1,500 ordinary shares in the capital of Billion Win, as to secure the Company's payment obligations under the convertible notes.

Full details can be found in a relevant announcement of the Company dated 19 September 2014.

OUTLOOK

In the iron market, the world's leading and advanced industry players are ramping up production and reinforcing their dominance. They are supplying more high quality iron ore at a lower cost, in an apparent attempt to supplant the high-cost, inefficient producers of lower quality iron ore. The ongoing industry consolidation has resulted in a glut, triggering off a decline in the price of the commodity.

Moreover, the industry consolidation has been complicated by China's slowing economy. The success will depend on how well the country will emerge from its economic restructuring and how soon the high-cost iron ore producers will be squeezed out of the market.

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 in the world.

Having anticipated such a trend, the Group has manoeuvred into a better position to capitalize on it. For instance, it has increased its equity stake in a low-cost and efficient producer of high quality iron ore such as UGL in Brazil, and has acquired an entire equity stake in Billion Win, an operator of an iron ore mine and an iron ore processing plant in Malaysia. These moves fit in the Group's strategy of transforming itself into a principal iron ore trader with stable supply of quality iron ore. This will enable it to weather the volatile market better and reap a bumper harvest when the iron ore industry's consolidation comes off.

Meanwhile, the Group has been seeking opportunities in China's property market, especially in the prime locations of the country's economically vibrant areas. In July 2014, the Group came across such an opportunity in Binhai county of Yancheng and Suzhou, Jiangsu province where the Group will try to replicate the success of its residential and commercial property project Oriental Landmark in Guangzhou.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The board of directors of the Company (the "Board") is pleased to announce the condensed consolidated results of the Group for the six months ended 30 September 2014, together with the comparative figures for the corresponding period of last year, as follows:

		For the six months ended 30 September	
	Note	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Turnover	4	2,265,758	1,963,427
Cost of goods sold		(1,917,986)	(1,919,314)
Gross profit		347,772	44,113
Other income	5	118,050	49,732
Selling and distribution costs		(30,752)	(17,580)
Administrative expenses		(228,304)	(150,570)
Profit/(loss) from operations		206,766	(74,305)
Finance costs	7	(146,143)	(82,081)
Share of profits less losses of associates		45,617	19,502
Share of profits less losses of joint ventures		3,248	(37,691)
Fair value gain on derivative financial instruments		36,329	30,306
Fair value gain on investment properties and investment properties under development		72,130	53,517
Gain on disposal of available-for-sale financial assets		76,559	2,846
Impairment loss on available-for-sale financial assets		(17,381)	–
(Loss)/gain on disposal of a joint venture		(11,482)	44,013
Gain on disposal of an associate		–	49,415
Reversal of the impairment loss on interests in a joint venture		–	42,789
Profit before tax		265,643	48,311
Income tax expense	8	(187,522)	(6,691)
Profit for the period	9	78,121	41,620

	Note	For the six months ended 30 September 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Attributable to:			
Owners of the Company		14,570	5,713
Non-controlling interests		63,551	35,907
		78,121	41,620
Earnings per share			
— basic (HK cents)	10(a)	0.23	0.09
— diluted (HK cents)	10(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Profit for the period	78,121	41,620
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	13,116	22,399
Fair value (loss)/gain on available-for-sale financial assets	(36,746)	18,324
Fair value gains reclassified to statement of profit or loss on disposal of available-for-sale financial assets	(114,481)	–
Other comprehensive income for the period, net of tax	(138,111)	40,723
Total comprehensive income for the period	(59,990)	82,343
Attributable to:		
Owners of the Company	(128,715)	25,349
Non-controlling interests	68,725	56,994
	(59,990)	82,343

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	204,408	73,153
Investment properties	12	2,016,151	239,653
Investment properties under development	12	–	1,869,935
Goodwill		63,394	38,105
Other intangible assets		456,395	169,739
Interests in associates	13	676,384	637,127
Interests in joint ventures	14	296,379	662,896
Finance lease receivable		138,706	149,625
Derivative financial assets		32,892	20,107
Available-for-sale financial assets		–	362,215
Non-current prepayments		345,183	468,867
Deferred tax assets		129,491	98,786
		4,359,383	4,790,208
Current assets			
Properties under development for sale		681,453	–
Inventories		1,373,633	1,533,266
Available-for-sale financial assets		474,530	16,198
Finance lease receivable		38,400	28,832
Trade and bills receivables	15	173,451	210,280
Prepayments, deposits and other receivables		591,103	858,300
Current tax assets		5,183	1,449
Pledged deposits		72,467	136,723
Time deposits		–	10,539
Bank and cash balances		219,109	803,606
		3,629,329	3,599,193
Total assets		7,988,712	8,389,401

	Note	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
EQUITY			
Capital and reserves			
Share capital	16	63,950	63,950
Reserves		2,682,304	2,811,019
Equity attributable to owners of the Company		2,746,254	2,874,969
Non-controlling interests		997,682	837,718
Total equity		3,743,936	3,712,687
LIABILITIES			
Non-current liabilities			
Bank borrowings	17	474,604	824,798
Finance lease payables		1,089	–
Deferred tax liabilities		432,446	397,065
		908,139	1,221,863
Current liabilities			
Trade and bills payables	18	457,843	603,286
Other payables and deposits received		600,077	1,136,207
Derivative financial liabilities		40,444	63,988
Current portion of bank borrowings	17	1,259,451	579,934
Finance lease payables		803	–
Convertible loan notes		289,397	617,923
Current tax liabilities		688,622	453,513
		3,336,637	3,454,851
Total liabilities		4,244,776	4,676,714
Total equity and liabilities		7,988,712	8,389,401
Net current assets		292,692	144,342
Total assets less current liabilities		4,652,075	4,934,550

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Foreign currency translation reserve (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Merger reserve (Unaudited) HK$'000	Share-based payment reserve (Unaudited) HK$'000	Investment reserve (Unaudited) HK$'000	Other reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 April 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
Total comprehensive income for the period	–	–	7,942	–	–	–	(151,227)	–	14,570	(128,715)	68,725	(59,990)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	91,239	91,239
Changes in equity for the period	–	–	7,942	–	–	–	(151,227)	–	14,570	(128,715)	159,964	31,249
At 30 September 2014	63,950	1,035,544	120,949	886,979	(12,880)	13,523	23,183	50	614,956	2,746,254	997,682	3,743,936
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 period	–	–	7,896	–	–	–	11,740	–	5,713	25,349	56,994	82,343
Purchase of non-controlling interests	–	–	–	–	–	–	–	–	405,859	405,859	(1,214,352)	(808,493)
Purchase of share options of a subsidiary	–	–	–	–	–	(16,328)	–	–	(21,780)	(38,108)	(1,919)	(40,027)
Changes in equity for the period	–	–	7,896	–	–	(16,328)	11,740	–	389,792	393,100	(1,159,277)	(766,177)
At 30 September 2013	63,950	1,035,544	125,247	886,979	(12,880)	13,522	16,626	50	475,382	2,604,420	720,478	3,324,898

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Net cash (used in)/generated from operating activities	(867,673)	24,666
Net cash generated from/(used in) investing activities	446,039	(186,721)
Net cash (used in)/generated from financing activities	(186,886)	511,357
Net (decrease)/increase in cash and cash equivalents	(608,520)	349,302
Effect of foreign exchange rate changes	13,484	(2,681)
Cash and cash equivalents at beginning of period	814,145	1,004,514
Cash and cash equivalents at end of period	219,109	1,351,135
Analysis of cash and cash equivalents		
Bank and cash balances	219,109	1,351,135

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 HM11, Bermuda. The principal place of business of the Company is Suites 1801–6, 18/F., Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company.

Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2014. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2014 except as stated below.

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

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2014:

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

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new or revised standards will also have no material impact on the results and the financial position of the Group.

3. FAIR VALUE MEASUREMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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.

Disclosures of level in fair value hierarchy at 30 September 2014:

Description	Fair value measurements as at 30 September 2014 using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements:				
Available-for-sale financial assets				
Equity securities listed in Hong Kong	116,163	–	–	116,163
Equity securities listed outside Hong Kong	12,230	–	–	12,230
Unlisted equity securities	–	16,197	329,940	346,137
Financial assets at fair value through profit or loss				
Derivative financial assets	–	32,892	–	32,892
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	40,444	–	40,444

Description	Fair value measurement as at 31 March 2014 using: Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Recurring fair value measurements:			
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
Financial assets at fair value through profit or loss			
Derivative financial assets	–	20,107	20,107
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	–	63,988	63,988

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

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 at 30 September 2014 (Unaudited) HK$'000
Derivative financial assets	Black — Scholes Model with Monte Carlo Simulation method	Share price Expected volatility	32,892
Derivative financial liabilities	Black — Scholes Model with Monte Carlo Simulation method	Share price Expected volatility	40,444
Unlisted equity securities	Fund's net asset value	N/A	16,197

Description	Valuation technique	Inputs	Fair value at 31 March 2014 (Audited) 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

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

Description	Available for-sale financial assets HK$'000
At 1 April 2014	–
Purchases	347,321
Impairment loss	(17,381)
At 30 September 2014	329,940

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 30 September 2014 (Unaudited) HK$
Private equity investments classified as available-for-sale financial assets	Discounted cash flow	weighted average cost of capital	15.27%	Decrease	
		net profit margin	14.7–19.2%	Increase	329,940

4. TURNOVER

The Group was principally engaged in mining and trading of iron ore and raw materials, trading of clinker, cement and other building materials, mining and processing of granite and selling of granite products and real estates investment and development during the six months ended 30 September 2014. The Group's turnover represents the sales of goods to customers, net of discount and returns, and the rental income received from real estates leasing.

5. OTHER INCOME

	For the six months ended 30 September	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Despatch income	3,350	1,101
Dividend income	4,407	938
Interest income	43,144	30,547
Interest income from finance lease receivable	16,095	10,623
Exchange difference, net	–	2,870
Gain on bargain purchase in respect of business combination	48,154	–
Others	2,900	3,653
	118,050	49,732

6. SEGMENT INFORMATION

The Group's reportable segments are strategic businesses 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 for the purpose of resources allocation and performance assessment, the Group has identified the following four reportable segments:

(i) Mining and trading of iron ore and raw materials

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

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

(iv) Real estates investment and development

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

In current period, the Group acquired additional 50% equity interest in United Goalink Limited ("UGL"). UGL and its subsidiaries (collectively referred to as "UGL Group") are principally engaged in the business of mining, ore processing and sales of iron ore products. As the economic characteristics of UGL Group and trading of iron ore business were similar in the nature of their products and the type of customers for their products, the reported information of UGL Group was aggregated with that of trading of iron ore and raw materials. The reporting segment is renamed "mining and trading of iron ore and raw materials" accordingly.

	Mining and trading of iron ore and raw materials HK$'000	Real estates investment and development HK$'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 segment HK$'000	Total HK$'000
For the six months ended 30 September 2014 (Unaudited)						
Revenue from external customers	1,008,060	764,396	420,404	67	72,831	2,265,758
Segment profit/(loss)	(39,981)	235,446	4,622	(2,089)	(4,294)	193,704

	Mining and trading of iron ore and raw materials HK$'000	Real estates investment and development HK$'000	Trading of clinker, cement and other building materials HK$'000	Mining and processing of granite and selling of granite products HK$'000	Total HK$'000
For the six months ended 30 September 2013 (Unaudited)					
Revenue from external customers	1,778,013	6,262	179,149	3	1,963,427
Segment profit/(loss)	1,290	(37,229)	1,371	(3,034)	(37,602)

Reconciliation of reportable segment profit or loss:

	For the six months ended 30 September	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Total profit or loss of reportable segments	193,704	(37,602)
Other profit or loss	103,853	48,475
Share of profits less losses of associates	45,617	19,502
Share of profits less losses of joint ventures	3,248	(37,691)
Fair value gain on investment properties and investment properties under development	72,130	53,517
Fair value gain on derivative financial instruments	36,329	30,306
Impairment loss of available-for-sale financial assets	(17,381)	–
Gain on disposal of available-for-sale financial assets	76,559	2,846
(Loss)/gain on disposal of a joint venture	(11,482)	44,013
Gain on disposal of an associate	–	49,415
Reversal of the impairment loss on interests in a joint venture	–	42,789
Finance costs	(146,143)	(82,081)
Unallocated amounts	(90,791)	(85,178)
Profit before tax	265,643	48,311

Geographic information:
For the six months ended 30 September

	Revenue	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
The People's Republic of China (the "PRC")	1,772,522	1,784,275
Others	493,236	179,152
	2,265,758	1,963,427

	Non-current assets	
	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
The PRC	3,259,443	3,394,850
Brazil	445,720	255,699
Macau	311,294	437,810
Others	180,543	202,754
	4,197,000	4,291,113

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

7. FINANCE COSTS

	For the six months ended 30 September	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Interest on bank loans wholly repayable within 5 years	95,653	43,658
Effective interest expense on convertible loan notes	50,490	44,965
Less: Borrowing costs capitalised into investment properties under development and properties under development for sale	–	(6,542)
	146,143	82,081

Borrowing costs were capitalised at 7.9% per annum for six months ended 30 September 2013.

8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Current tax	77,191	(158)
Deferred tax	(11,953)	6,849
Land Appreciation Tax ("LAT")	122,284	–
	187,522	6,691

Hong Kong Profits Tax is provided at 16.5% (2013: 16.5%) on the estimated assessable profit for the six months ended 30 September 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 six months ended 30 September 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 an associate 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.

9. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following:

	For the six months ended 30 September	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Depreciation and amortisation	3,925	2,122
Salaries, bonus, allowances and other costs (including directors' remuneration)	65,627	81,197
Retirement benefits scheme contributions	2,461	2,385

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 September 2014 of approximately HK$14,570,000 (six months ended 30 September 2013: approximately HK$5,713,000) and the weighted average number of ordinary shares of 6,394,962,539 (six months ended 30 September 2013: 6,394,962,539) in issue during the six months ended 30 September 2014.

(b) Diluted earnings per share

As the exercise of the Group's outstanding convertible loan notes would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding options during the six months ended 30 September 2014, no diluted earnings per share was presented.

11. DIVIDEND

No interim dividend has been declared by the Board for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

12. INVESTMENT PROPERTIES, INVESTMENT PROPERTIES UNDER DEVELOPMENT, AND PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2014, additions to investment properties, investment properties under development and property, plant and equipment amounted to approximately of HK$Nil, HK$22,994,000 and HK$1,218,000 respectively (2013: HK$29,000, HK$78,215,000 and HK$8,878,000 respectively). Property, plant and equipment amounted to HK$187,000 were disposed of during the same period (2013: HK$Nil).

13. INTERESTS IN ASSOCIATES

	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
Share of net assets other than goodwill	639,603	600,346
Goodwill	36,781	36,781
	676,384	637,127
Representing:		
Listed investment outside Hong Kong	583,215	549,617
Unlisted investments	93,169	87,510
	676,384	637,127

Details of the Group's associates at 30 September 2014 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by subsidiary	Principal activities
Yangzhou Haichang Port Industrial Company Limited (Formerly known as Jiang Du Haichang Port Industrial Company Limited)	The PRC	RMB220,500,000	25%	Operation of public port and the facilities business
Anhui Chaodong Cement Co. Ltd	The PRC	RMB242,000,000	33.06%	Manufacturing and sale of clinker and cement

14. INTERESTS IN JOINT VENTURES

	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
Unlisted investments		
Share of net assets	152,589	167,097
Goodwill	143,790	171,957
Loan to a subsidiary of a jointly controlled entity	–	301,353
Amount due from a joint venture	–	22,489
	296,379	662,896

Details of the Group's joint venture as at 30 September 2014 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by subsidiary	Voting power held by subsidiary	Principal activities
Changtai Jinhongbong Real Estate Development Co. Ltd.	The PRC	RMB100,000,000	50%	50%	Property development

15. TRADE AND BILLS RECEIVABLES

In relation to the trading of clinker and cement and iron ore, 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 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:

	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
0 to 90 days	173,451	206,262
91 to 180 days	–	4,018
	173,451	210,280

16. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2014 (Audited) and 30 September 2014 (Unaudited)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2014 (Audited) and 30 September 2014 (Unaudited)	6,394,962,539	63,950

17. BANK BORROWINGS

	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
Secured		
Bank loans	1,552,011	1,261,743
Trust receipt loans	182,044	142,989
	1,734,055	1,404,732

The bank borrowings are repayable as follows:

	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
On demand or with one year	1,224,300	540,493
In the second year	431,850	459,653
In the third to fifth years, inclusive	76,767	398,672
After five years	1,138	5,914
	1,734,055	1,404,732
Less: Amount due for settlement within 12 months	(1,224,300)	(540,493)
Amount due for settlement after one year which contain a repayment on demand clause	(35,151)	(39,441)
Amount due for settlement after 12 months	474,604	824,798

18. TRADE AND BILLS PAYABLES

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

	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
Not yet due	294,555	309,658
Due within 3 months or on demand	163,288	293,628
	457,843	603,286

19. ACQUISITION OF SUBSIDIARIES

(a) On 26 June 2014, the Group acquired additional 50% equity interest in United Goalink Limited ("UGL"), which used to be a joint venture, 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 of US$3,672,023 (equivalent to approximately HK$28,642,000). UGL is an investment holding company, together with its 100% owned subsidiaries, Globest Resources Limited and Globest Participacoes Ltda (collectively referred to as "UGL Group") are principally engaged in the business of mining, ore processing and sales of iron ore products.

The fair value of the identifiable assets and liabilities of UGL Group acquired as at its date of acquisition is as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	148,623
Intangible assets	301,623
Inventories	46,602
Prepayments, deposits and other receivables	53,904
Bank and cash balances	551
Trade payables	(13,379)
Other payables	(118,429)
Shareholder's loan	(332,244)
Deferred tax liabilities	(27,053)
	60,198
Non-controlling interests	1,434
Goodwill	25,289
	86,921

	HK$'000
Satisfied by:	
Cash	23,400
Loan receivables	28,642
Total consideration transferred	52,042
Interests in a joint venture	34,879
	86,921
Net cash outflow arising on acquisition:	
Cash consideration paid	23,400
Cash and cash equivalents acquired	551
	23,951

The directors are of the opinion that the goodwill arising on the acquisition of UGL Group is attributable to the anticipated future operating synergies from the business combination.

UGL Group contributed approximately HK$35,872,000 and HK$69,482,000 to the Group's turnover and loss for the period respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2014, total Group turnover for the period would have been increased by approximately HK$92,281,000, and profit for the period would have been decreased by approximately HK$50,145,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor is intended to be a projection of future results.

(b) On 24 June 2014, the Group acquired 55% interest in Suzhou Shi Jia Xin Real Estate Development Company Limited ("Jia Xin") for a cash consideration of RMB55,000,000 (equivalent to approximately HK$69,830,000). Jia Xin is principally engaged in property development in the PRC.

The fair value of the identifiable assets and liabilities of Jia Xin acquired as at its date of acquisition is as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	152
Properties under development	408,823
Prepayments, deposits and other receivables	8,389
Bank and cash balances	85,149
Trade payables	(1,180)
Accruals and other payables	(194,006)
Borrowings	(60,308)
Deferred tax liabilities	(32,503)
	214,516
Non-controlling interests	(96,532)
Gain on bargain purchase in respect of business combination	(48,154)
	69,830
Satisfied by:	
Cash	69,830
Net cash outflow arising on acquisition:	
Cash consideration paid	(69,830)
Cash and cash equivalents acquired	85,149
	15,319

The Group recognised a gain on bargain purchase of HK$48,154 in the business combination. The gain is included in other income.

The non-controlling interests recognised at the acquisition date were measured by the non-controlling shareholder's proportionate share of the net fair value of the identifiable assets and liabilities of Jia Xin at the acquisition date.

Jia Xin contributed approximately HK$1,643 to the Group's loss for the period respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2014, total Group turnover for the period would have been increased by approximately HK$2,265,758, and profit for the period would have been decreased by approximately HK$75,667. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor is intended to be a projection of future results.

20. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial information, the Group had the following material related party transactions:

		For the six months ended 30 September	
		2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Significant related party transactions			
(a)	Compensation of key management personnel		
	Directors' fees	939	1,354
	Basic salaries, allowances and benefits in kind	13,023	14,415
	Retirement benefits scheme contributions	615	557
		14,577	16,326
(b)	Despatch income received from a joint venture	33	–
(c)	Purchase of iron-ore from a joint venture	88,513	–
(d)	Sales of iron-ore to a related company (Note)	–	397,048
(e)	Purchase of iron-ore from a related company (Note)	88,480	29,874
(f)	Interest income from a joint venture	85,273	20,858
(g)	Loans advanced to the Group's joint ventures	–	54,288

		As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
Amounts due from related parties			
(h)	Prepayment for investment to a related company (Note)	–	54,600
(i)	Loans to the joint ventures of the Group	–	422,175
(j)	Long term loan receivable from a related party	15,600	–
(k)	Amount due from a joint venture	86,070	22,489
(l)	Interest receivable from joint ventures	–	63,523

Note: Mr. Wong Ben Koon ("Mr. Wong") is also a director of and has control over in the company.

21. CONTINGENT LIABILITIES

As at 30 September 2014, Guangzhou Fuchun Dongfang Real Estate Investment Company Limited, a 55% owned subsidiary of the Company, pledged certain investment properties, as a security for the loans taken by the non-controlling shareholder and its associate companies, in aggregate of RMB332.5 million. The fair value of the financial assistance as assessed by independent valuer is immaterial to the Group.

The Group did not have any other significant contingent liabilities as at 30 September 2014 (31 March 2014: Nil).

22. COMMITMENTS

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:

	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
Within one year	7,673	9,507
In the second to fifth years, inclusive	1,570	6,034
	9,243	15,541

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, 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 30 September 2014, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
Within one year	5,993	6,165
In the second to fifth years inclusive	4,523	5,873
Over five years	1,258	1,405
	11,774	13,443

(c) Capital and other commitments

At 30 September 2014, the Group and the joint venture did not have any significant capital commitments.

At 31 March 2014, the joint ventures are committed to incur capital expenditure of approximately HK$312,377,000, of which the Group's share of this commitment is approximately HK$156,188,000.

23. EVENTS AFTER THE REPORTING PERIOD

On 10 October 2014, the Company acquired the remaining 85% interests of Billion Win Capital Limited, which through its wholly owned subsidiary, operates an iron ore mine and an iron ore processing plant in the State of Pahang, Malaysia, for a consideration of US$183.6 million (approximately to HK$1,432 million).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2014 (30 September 2013: Nil).

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

As at 30 September 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 and underlying shares of the Company

	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 Ben Koon ("Mr. Wong")	2,103,142,840	4,342,326,416 *(Note)*	22,640,000	–	6,468,109,256	101.14%
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 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, by virtue of the fact that All Wealthy Capital Limited ("All Wealthy") is beneficially owned by Mr. Wong as to approximately 79.26%, Mr. Wong is deemed to be interested in 2,197,371,428 consideration shares to be issued to All Wealthy.

(b) Short positions in ordinary shares and underlying shares of the Company

	Number of shares held, capacity and nature of interest				
Name of Director	Directly beneficially owned	Through controlled corporation	Interest of director's spouse	Total	Percentage of the Company's issued share capital
Mr. Wong	–	46,527,701 *(Note)*	–	46,527,701	0.73%

Note: Pursuant to the warrant instruments executed between PMGL, Mr. Wong and Luck Well Management Limited ("Luck Well") on 8 April 2011 and 8 April 2013 respectively, PMGL granted the warrants to Luck Well conferring rights to purchase from PMGL of nominal value of HK$0.01 each in the capital of the Company, at the exercise price of HK$0.5152 per share in aggregate up to HK$78,000,000. Luck Well is the nominee of CCB International Asset Management Limited which is entitled to purchase 151,397,515 shares of the Company pursuant to the terms of the warrants agreements. As at 30 September 2014, Luck Well has redeemed part of the warrants and the shares entitled to be purchased by Luck Well was reduced to 46,527,701 shares.

Save as disclosed above, as at 30 September 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options holdings disclosed above, at no time during the Relevant Period 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 spouses 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.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

The Company operates a share option scheme which was adopted on 25 September 2009 (the "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.

Details of the shares options granted under the Scheme and outstanding during the Relevant Period are as follows:

Name or category of participant	Number of share options outstanding as at 1 April 2013	Granted/ exercised during the Relevant Period	Number of share options outstanding as at 30 September 2013	Date of grant of share options	Exercisable Period	Exercise price of share options HK$	Closing price of the shares immediately before date of grant of share options HK$
Director							
Dr. Mao Shuzhong	30,000,000	–	30,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Liu Yongshun	15,000,000	–	15,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
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
Other							
Other employees	66,800,000	–	66,800,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
	131,800,000	–	131,800,000				

Save for the above, no share option was granted, exercised, cancelled or lapsed under the Scheme during the Relevant Period.

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

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 30 September 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 positions:

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 e)*	Beneficial owner *(Note a)*	2,139,675,960	–	2,139,675,960	33.46%
Ms. Shing Shing Wai	Interest of spouse	6,445,469,256	–		
	Beneficial owner	22,640,000	–		
	(Note b)	6,468,109,256		6,468,109,256	101.14%
All Wealthy *(Note e)*	Beneficial owner *(Note c)*	2,197,371,428	–	2,197,371,428	34.36%
Elite Force (Asia) Limited ("Elite Force") *(Note e)*	Interest in controlled corporations *(Note c)*	2,197,371,428	–	2,197,371,428	34.36%
Industrial and Commercial Bank of China ("ICBC")	Interest in controlled corporations *(Note d)*	–	928,571,428	928,571,428	14.52%
Central Huijin Investment Ltd. ("CHI")	Interest in controlled corporations *(Note d)*	–	928,571,428	928,571,428	14.52%

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 2,197,371,428 consideration shares, as referred to in the note to the paragraph headed "Long positions in the Shares and underlying Shares of the Company" under the sub-section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" at page 25 to page 26. 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) These shares are held by ICBC International Investment Management Limited, a wholly-owned subsidiary of ICBC International Holdings Limited, which in turn a wholly-owned subsidiary of ICBC, which 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.

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

Short positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Madam Hon Ching Fong	*(a) & (c)*	Through PMGL	46,527,701	0.73%
PMGL	*(a) & (c)*	Directly beneficially owned	46,527,701	0.73%
Ms. Shing Shing Wai	*(b) & (c)*	Interest of substantial shareholder's spouse	46,527,701	0.73%

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.

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

(c) Pursuant to the warrant instruments executed between PMGL, Mr. Wong and Luck Well on 8 April 2011 and 8 April 2013, 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. Luck Well is the nominee of CCB International Asset Management Limited which is entitled to purchase 151,397,515 shares of the Company pursuant to the terms of the warrants agreements. As at 30 September 2014, Luck Well has redeemed part of the warrant and the shares entitled to be purchased by Luck Well was reduced to 46,527,701 shares.

Save as disclosed above, as at 30 September 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.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (chairman of the audit committee), Mr. Yung Ho and Mr. Ma Jianwu.

The main duties of the audit committee are to review the half-yearly and annual financial information of the Group and oversee the Group's financial reporting system and internal control procedures.

The audit committee held one meeting during the Relevant Period. The audit committee has reviewed the Group's unaudited interim information for the six months ended 30 September 2014.

CORPORATE GOVERNANCE

In the opinion of the Directors, during the Relevant Period, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code") except the following:

Communications with shareholders

Under the CG Code, the chairman of the Board should attend the annual general meeting and arrange for the chairman of each of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at any general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Whilst the Board endeavours to maintain an on-going dialogue with its shareholders, the chairman of the Company may not always be able to attend general meetings due to other important business engagements. Mr. Kong Siu Keung, being an executive Director, attended the annual general meeting of the Company on 15 September 2014 and was delegated to make himself available to answer questions if raised at the meeting. The absence of the chairman of the Company in the annual general meeting constituted a deviation from the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the required standard of dealings as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions.

Having made specific enquiry with all the Directors, each of them confirms that he has complied in full with the required standard of dealings regarding directors' securities transactions throughout the Relevant Period.

APPRECIATION

On behalf of the Company, I would like to express my sincere gratitude to our shareholders and business partners for their confidence and loyal support to the Group. In addition, I would like to take this opportunity to thank the management and all staff members for their dedication and valuable contribution. As we enter into the second half of the financial year 2015, we look forward to achieving continued growth for the Group.

By order of the Board
Prosperity International Holdings (H.K.) Limited
Wong Ben Koon
Chairman

Hong Kong, 28 November 2014

The Directors of the Company as at the date of this report are:

Executive Directors
Mr. Wong Ben Koon (Chairman)
Mr. Zhu Kai (Deputy Chairman)
Dr. Mao Shuzhong (Chief Executive Officer)
Mr. Wu Likang
Ms. Gloria Wong
Mr. Kong Siu Keung

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