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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

The board of Directors (the "Board") of the Company is pleased to announce the consolidated results of Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2015 (the "Year") together with the comparative figures for the previous financial year, which have been reviewed by the Company's audit committee, as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Turnover	*4*	**3,578,700**	5,451,942
Cost of goods sold		**(3,388,314)**	(4,787,030)
Gross profit		**190,386**	664,912
Other income	*5*	**195,012**	203,444
Selling and distribution costs		**(56,132)**	(39,107)
Administrative expenses		**(386,174)**	(281,332)
Other operating expenses		**(1,099,354)**	(1,439)
(Loss)/profit from operations		**(1,156,262)**	546,478
Finance costs	*7*	**(248,068)**	(239,397)
Share of profits less losses of associates		**47,484**	66,198
Share of profits less losses of joint ventures		**(25,304)**	(66,706)
Gains on disposal of associates		**469,186**	54,100
(Losses)/gains on disposal of joint ventures		**(12,174)**	44,013
Net (losses)/gains on disposal of available-for-sale financial assets		**(29,742)**	4,039
Reversal of impairment loss on interest in a joint venture		**–**	42,789
Fair value gains on derivative financial instruments		**41,055**	38,805
Fair value gains on investment properties and investment properties under development		**278,316**	239,034
(Loss)/profit before tax		**(635,509)**	729,353
Income tax expense	*8*	**(122,392)**	(442,177)
(Loss)/profit for the year	*9*	**(757,901)**	287,176
Attributable to:			
Owners of the Company		**(839,453)**	130,717
Non-controlling interests		**81,552**	156,459
		(757,901)	287,176
(Loss)/earnings per share			
— basic *(HK cents)*	*11(a)*	**(11.29)**	2.044
— diluted *(HK cents)*	*11(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(757,901)**	287,176
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(147,030)**	6,847
Fair value gains reclassified to statement of profit or loss on disposal of available-for-sale financial assets	**(153,120)**	(7,836)
Fair value (losses)/gains on available-for-sale financial assets	**(18)**	183,944
Other comprehensive income for the year, net of tax	**(300,168)**	182,955
Total comprehensive income for the year	**(1,058,069)**	470,131
Attributable to:		
Owners of the Company	**(1,114,633)**	295,897
Non-controlling interests	**56,564**	174,234
	(1,058,069)	470,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**654,977**	73,153
Investment properties		**2,359,799**	239,653
Investment properties under development		**–**	1,869,935
Goodwill		**38,105**	38,105
Other intangible assets		**2,272,965**	169,739
Interests in associates		**–**	637,127
Interests in joint ventures		**87,066**	662,896
Finance lease receivable		**–**	149,625
Available-for-sale financial assets		**–**	362,215
Derivative financial assets		**11,973**	20,107
Non-current prepayments and loan receivables		**319,328**	468,867
Deferred tax assets		**122,972**	98,786
		5,867,185	4,790,208
Current assets			
Inventories		**1,772,336**	1,533,266
Available-for-sale financial assets		**139,236**	16,198
Finance lease receivable		**103,506**	28,832
Trade and bills receivables	*12*	**129,623**	210,280
Prepayments, deposits and other receivables		**1,144,114**	858,300
Current tax assets		**3,811**	1,449
Pledged deposits		**95,930**	136,723
Time deposits		**1,493**	10,539
Bank and cash balances		**269,027**	803,606
		3,659,076	3,599,193
Assets classified as held for sale		**312,629**	–
		3,971,705	3,599,193
TOTAL ASSETS		**9,838,890**	8,389,401

	Note	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital		**85,923**	63,950
Reserves		**2,322,637**	2,811,019
Equity attributable to owners of the Company		**2,408,560**	2,874,969
Non-controlling interests		**953,174**	837,718
Total equity		**3,361,734**	3,712,687
Non-current liabilities			
Bank borrowings		**582,699**	824,798
Finance lease payables		**2,716**	–
Other loans and payables		**1,094,780**	–
Deferred tax liabilities		**836,739**	397,065
		2,516,934	1,221,863
Current liabilities			
Trade and bills payables	*13*	**354,761**	603,286
Other payables and deposits received		**586,205**	1,136,207
Derivative financial liabilities		**14,799**	63,988
Current portion of bank borrowings		**2,092,611**	579,934
Finance lease payables		**1,703**	–
Convertible loan notes		**200,181**	617,923
Current tax liabilities		**709,962**	453,513
		3,960,222	3,454,851
Total liabilities		**6,477,156**	4,676,714
TOTAL EQUITY AND LIABILITIES		**9,838,890**	8,389,401
Net current assets		**11,483**	144,342
Total assets less current liabilities		**5,878,668**	4,934,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"), continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32). These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules.

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

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these consolidated financial statements as the Company does not qualify to be an investment entity.

Amendment to HKAS 32, Offsetting financial assets and financial liabilities

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group consolidated financial statements.

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. TURNOVER

	2015	2014
	HK$'000	*HK$'000*
Mining and trading of iron ore and raw materials	**1,728,294**	3,294,181
Sales of properties	**917,872**	1,772,639
Trading of clinker, cement and other building materials	**819,725**	364,021
Trading of equipment	**99,509**	8,799
Rental income	**13,300**	12,302
	3,578,700	5,451,942

5. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Commission received	**6,051**	1,123
Despatch income	**5,275**	4,699
Interest income	**18,392**	55,787
Interest income from finance lease receivable	**32,842**	30,466
Reversal of provision for direct costs related to disposal of subsidiaries in prior years	**109,755**	101,400
Gain on bargain purchase in respect of business combination	**10,801**	–
Exchange difference, net	**–**	3,347
Others	**11,896**	6,622
	195,012	203,444

6. SEGMENT INFORMATION

Operating segments

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

(i) Mining and 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, allowance for loan receivable and uncollectible minimum lease payments receivable, impairment loss/reversal of impairment loss on other intangible assets, property, plant and equipment, goodwill, interest in a joint venture and available-for-sale financial assets, fair value gains on derivative financial instruments, investment properties and investment properties under development, net loss on disposal of available-for-sale financial assets, gain/loss on disposal of associates and joint ventures, finance costs, income tax expense and other corporate income and expenses.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

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 consolidated financial statements.

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

	Mining and 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 2015						
Revenue from external customers	**1,728,294**	**931,172**	**819,725**	**–**	**99,509**	**3,578,700**
Intersegment revenue	**–**	**600**	**–**	**–**	**–**	**600**
Segment profit/(loss)	**(273,531)**	**194,420**	**6,245**	**(8,436)**	**(28,835)**	**(110,137)**
Other information:						
Interest revenue	**37,781**	**4,664**	**–**	**–**	**3,733**	**46,178**
Interest expense	**36,597**	**20,893**	**1,600**	**25**	**16,019**	**75,134**
Depreciation	**26,057**	**4,059**	**212**	**1,336**	**1,149**	**32,813**
Amortisation	**5,965**	**–**	**–**	**–**	**–**	**5,965**
Income tax expense/(credit)	**(149,671)**	**215,612**	**3,645**	**(8,814)**	**61,620**	**122,392**
Other material non-cash items:						
Allowance for loan receivable	**15,600**	**–**	**–**	**–**	**–**	**15,600**
Allowance for inventories	**109,538**	**–**	**–**	**3,625**	**–**	**113,163**
Allowance for uncollectible minimum lease payments receivable	**90,347**	**–**	**–**	**–**	**–**	**90,347**
Impairment of assets	**789,847**	**162,726**	**–**	**38,000**	**2,834**	**993,407**

	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

Reconciliations of reportable segment revenue and profit or loss:

	2015 *HK$'000*	2014 *HK$'000*
Revenue		
Total revenue from reportable segments	**3,579,300**	5,452,542
Elimination of intersegment revenue	**(600)**	(600)
Consolidated revenue	**3,578,700**	5,451,942
Profit or loss		
Total profit or loss of reportable segments	**(110,137)**	498,021
Other profit or loss	**156,796**	191,403
Share of profits less losses of associates	**47,484**	66,198
Share of profits less losses of joint ventures	**(25,304)**	(66,706)
Allowance for loan receivable	**(15,600)**	–
Allowance for uncollectible minimum lease payments receivable	**(90,347)**	–
Impairment loss on other intangible assets	**(627,175)**	–
Impairment loss on property, plant and equipment	**(165,166)**	–
Impairment loss on goodwill	**(35,506)**	–
Impairment loss on interest in a joint venture	**(162,726)**	–
Impairment loss on available-for-sale financial assets	**(2,834)**	(1,439)
Net gains/(losses) on disposal of available-for-sale financial assets	**(29,742)**	4,039
Gain on disposal of associates	**469,186**	54,100
(Losses)/gains on disposal of joint ventures	**(12,174)**	44,013
Fair value gains on derivative financial instruments	**41,055**	38,805
Fair value gains on investment properties and investment properties under development	**278,316**	239,034
Finance costs	**(248,068)**	(239,397)
Reversal of impairment loss on interest in a joint venture	**–**	42,789
Unallocated amounts	**(103,567)**	(141,507)
Consolidated (loss)/profit before tax	**(635,509)**	729,353

Geographical information:

	Revenue		**Non-current assets**	
	2015 ***HK$'000***	2014 *HK$'000*	**2015** ***HK$'000***	2014 *HK$'000*
PRC	**2,671,526**	5,078,622	**2,651,980**	3,394,850
Macau	**–**	–	**312,002**	437,810
Malaysia	**208,148**	–	**2,438,213**	–
Taiwan	**351,300**	265,697	**–**	–
Others	**347,726**	107,623	**330,045**	458,453
	3,578,700	5,451,942	**5,732,240**	4,291,113

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

Revenue from major customers are set out below:

Mining and trading of iron ore and raw materials segment	**2015** *HK$'000*	2014 *HK$'000*
Customer a	**266,831**	822,843
Customer b	**376,874**	228,653

7. FINANCE COSTS

	2015 *HK$'000*	2014 *HK$'000*
Finance lease charges	**413**	–
Interest on bank and other borrowings wholly repayable within 5 years	**177,651**	103,530
Effective interest expense on other loans	**9,486**	–
Effective interest expense on convertible loan notes	**69,394**	85,083
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	**(8,876)**	(7,912)
	248,068	239,397

Borrowing costs were capitalised at a rate of 10%–12% (2014: 7.38%) per annum for the year ended 31 March 2015.

8. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2015 *HK$'000*	2014 *HK$'000*
Hong Kong Profits Tax		
Provision for the year	**70**	403
Under/(over)-provision in prior year	**4,026**	(42)
	4,096	361
Overseas Profits Tax		
Provision for the year	**945**	–
Over-provision in prior year	**(1,663)**	–
	(718)	–
PRC corporate income tax		
Provision for the year	**163,702**	233,540
Under-provision in prior year	**64**	–
	163,766	233,540
Land Appreciation Tax ("LAT")		
Provision for the year	**112,791**	326,957
Deferred tax	**(157,543)**	(118,681)
	122,392	442,177

Hong Kong Profits Tax is provided at 16.5% (2014: 16.5%) on the estimated assessable profit for the year ended 31 March 2015.

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% (2014: 25%) during the year ended 31 March 2015.

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.

9. (LOSS)/PROFIT FOR THE YEAR

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

	2015	2014
	HK$'000	*HK$'000*
Acquisition-related costs (included in administrative expenses)	**12,476**	–
Amortisation of other intangible assets (included in cost of sales)	**5,965**	–
Allowance for inventories (included in cost of inventories sold)	**117,024**	–
Allowance for loan receivable#	**15,600**	–
Auditor's remuneration	**3,000**	2,800
Bad debts	**6,997**	–
Cost of inventories sold	**3,074,811**	4,710,431
Depreciation	**33,825**	7,209
Fair value gains on derivative financial instruments	**41,055**	(38,805)
Impairment loss on available-for-sale financial assets#	**2,834**	1,439
Impairment loss on other intangible assets#	**627,175**	–
Impairment loss on property, plant and equipment#	**165,166**	–
Allowance for uncollectible minimum lease payments receivable#	**90,347**	–
Impairment loss on goodwill#	**35,506**	–
Impairment loss on interest in a joint venture#	**162,726**	–
Direct operating expenses of investment properties that generate rental income	**1,563**	1,314
Operating lease charges in respect of land and buildings	**9,734**	9,336
Staff costs including directors' emoluments		
Salaries, bonuses, allowances and other costs	**159,373**	131,212
Retirement benefits scheme contributions	**5,909**	5,203
	165,282	136,415

Included in other operating expenses

10. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2015 (2014: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on (i) the loss for the year attributable to the owners of the Company of approximately HK$839,453,000 (2014: profit of approximately HK$130,717,000); and (ii) the weighted average number of ordinary shares of 7,436,456,394 (2014: 6,394,962,539) in issue during the year.

(b) Diluted (loss)/earnings per share

The exercise of the Group's outstanding convertible loan notes for the years ended 31 March 2015 and 2014 would be anti-dilutive.

There was no dilutive potential ordinary shares for the Company's share options during the years ended 31 March 2015 and 2014.

12. 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 (2014: 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:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**122,266**	206,262
91 to 180 days	**7,357**	4,018
	129,623	210,280

As at 31 March 2015, an allowance was made for estimated irrecoverable trade receivables of approximately HK$4,720,000 (2014: HK$4,720,000).

Reconciliation of allowance for trade receivables:

	2015	2014
	HK$'000	*HK$'000*
At beginning of the year and end of the year	**4,720**	4,720

As of 31 March 2015, trade receivables of HK$43,650,000 (2014: HK$24,965,000) 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:

	2015	2014
	HK$'000	*HK$'000*
Up to 3 months	**42,424**	24,965
Over 3 months	**1,226**	–
	43,650	24,965

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

	2015	2014
	HK$'000	*HK$'000*
HK$	**–**	900
US$	**79,457**	184,415
RMB	**50,166**	24,965
	129,623	210,280

13. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Not yet due	**202,247**	309,658
Due within 3 months or on demand	**151,159**	293,628
Due after 3 months	**1,355**	–
	354,761	603,286

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

	2015	2014
	HK$'000	*HK$'000*
US$	**102,212**	255,469
RMB	**240,291**	347,817
Brazilian Reais ("R$")	**12,258**	–
	354,761	603,286

RESULTS OVERVIEW

During the Year, the net loss of the Group was approximately HK$758 million, against with the net profit of HK$287 million for the year ended 31 March 2014 ("Previous Financial Year"). Basic loss per share was 11.29 HK cents, compared with the earnings per share of 2.044 HK cents of the Previous Financial Year.

The Board does not recommend payment of a final dividend for the Year (2014: Nil).

BUSINESS REVIEW

PRC Steel Market

China's crude steel output growth decelerated drastically to 0.9% in 2014 from 7.5% in 2013 (source: World Steel Association) as the country's consumption of the alloy dropped for the first time in three decades amid slowing economy, which was characterized by economic restructuring and a property market slump (source: "China's annual steel consumption drops for first time in three decades" Reuters news dated 22 January 2015). The country's apparent crude steel consumption declined 3.4% to 738.3 million tonnes in 2014, according to estimates by the China Iron and Steel Association (CISA) (source: "China's annual steel consumption drops for first time in three decades" Reuters news dated 22 January 2015).

Outpaced by the 1.2% growth in the world's crude steel output in 2014, China produced 822.7 million tonnes of the commodity (source: World Steel Association), but still maintained its dominance with a 49.52% share of the global output of 1,661.5 million tonnes and a 72.66% share of Asia's output of 1,132.3 million tonnes, according to World Steel Association.

The country's decreased demand and its steel industry's persistent overcapacity took their toll on the world's composite carbon steel price, which ended 11.3% lower at US$644 per tonne in December of 2014 from US$726 per tonne in January of the year in a consistent downtrend (source: worldsteelprices.com). Facing the weak domestic demand and overcapacity, Chinese steel mills sought to step up exports, which surged 50.5% to 93.78 million tonnes of steel in 2014, according to the data of the country's National Bureau of Statistics.

PRC Iron Ore Market

Iron ore imports to China remained robust despite the country's slowing steel output and economy. It was because the increasing global supply of the steel making ingredient at falling prices on the back of rapid capacity expansion by leading, lower-cost iron ore producers boosted the country's reliance on high-quality imports. Presently, China purchases about two-thirds of the world's seaborne iron ore.

The country's iron ore imports rose 13.8% to 932.5 million tonnes in 2014, marking a rise of 9.7 percentage points in China's import dependency to 78.5%, according to the China Iron and Steel Association (source: "China plans to subsidise iron ore miners after price slump — paper" Reuters news dated 8 April 2015).

Price of benchmark 62% grade iron ore halved to US$56.94 per dry metric tonne in March 2015 from US$114.58 per dry metric tonne in April 2014 as rapid capacity expansion by major iron ore producers led to oversupply (source: indexmundi). The global surplus of seaborne iron ore supply increased to 72 million tonnes in 2014 from 14 million tonnes in 2013. (source: "Vale's Q1 Preview: Higher Shipment Volumes To Partially Offset Impact Of Lower Iron Ore Prices" Forbes article dated 28 April 2015)

The world's top four iron ore miners, Vale SA, BHP Billiton Ltd., Rio Tinto Group and Fortescue Metals Group Ltd., had turned on the capital expenditure spigot, pumping billions of dollars to ramp up production as they had been banking on China's growing demand for the commodity, not least to realize its grand urbanization project. The capacity expansion initiatives were also aimed at squeezing out high-cost iron ore producers, who found it hard to survive at lower margins resulting from the market glut.

To secure stable supplies of iron ore, China has been diversifying the sources of procurement beyond Australia and Brazil, which shipped 548.4 million tonnes and 170.96 million tonnes of iron ore respectively to the country in 2014. The two countries together had a combined 77.14% share of China's total imports of the commodity in the year (source: "China 2014 iron ore imports from Australia rise 31.6%" Reuters news dated 23 January 2015). Meanwhile, the Chinese government had been encouraging domestic corporations to acquire overseas ore mines.

Iron Ore Trading and Mining

In order to remain competitive and to fully tap China's growing appetite for the steel making ingredient, the Group has been developing itself into a low-cost, efficient and stable producer and supplier of high-quality iron ore. It has effectively carried out its strategic transformation into a principal iron ore trader by strengthening and fine-tuning its vertically integrated operations that include iron ore mining, processing and trading.

The Group sources iron ore from the producers of the steel making ingredient in South Africa and Malaysia, and also produces the commodity in its 85%-held mine in Brazil and its wholly-owned mine in Malaysia, and then ships it mainly to the large steel mills in China.

During the Year, the Group acquired or increased its equity stake in competitive iron ore mines in Malaysia and Brazil. Such moves would enable the Group to weather the changes in the market better with a more stable supply of quality iron ore as well as to capitalize on China's increasing dependency on the lower-cost, higher-quality imports of the commodity.

1. *Sri Jaya Iron Ore Mines*

   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% interests in Billion Win Capital Limited ("Billion Win"), for a consideration of approximately US$44.5 million (equivalent to approximately HK$347 million). Billion Win, through its wholly-owned subsidiaries, operates an iron ore mine in Sri Jaya, State of Pahang, Malaysia ("Sri Jaya Mines") and an iron ore processing plant which is adjacent to the Sri Jaya Mines ("Sri

Jaya Plant"). On 10 October 2014, the Company completed the acquisition of the remaining 85% interests in Billion Win, thus making the Malaysia-based iron ore mining and processing operations its wholly-owned business.

The Sri Jaya Mines is a resource rich mine in Malaysia and has a total mining area of approximately 420 acres. As at 31 March 2015, it had a combined 94.4 mega tonnes (Mt) probable reserve at an average grade of 41.7% total iron, which exceed the Chinese 30% crude iron ore average grade. The Sri Jaya Mines is an open pit mine which has a mine life of approximately 14 years.

The Group produces the iron ore products through Sri Jaya Plant, which is located adjacent to the Sri Jaya Mines. The products are processed through a relatively low cost process, including ball-milling, magnetic separation and dewatering. The Sri Jaya Plant is designed to have a feed capacity of 6 Mt per annum, producing a salesable product of 3 Mt per annum.

As at 31 March 2015, the Group had a total of fire 5 beneficiation lines. During the period from 10 October 2014 (the date of acquisition) to 31 March 2015, the mining volume was approximately 290,000 tonnes.

2. *Brazilian Iron Ore Mine*

In June 2014, the Company increased its equity stake from 35% to 85% in United Goalink Limited ("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. During the Year, UGL delivered approximately 236,800 tonnes of iron ore with an iron content of approximately 62%. For the Previous Financial Year, UGL delivered approximately 21,000 tonnes of iron ore with iron content of approximately 58% and approximately 148,000 tonnes of 62% grade 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.

On 13 February 2015, the Company's special general meeting approved the master off-take agreement on iron ore transactions which was reached on 12 January 2015 between the Company's indirect wholly-owned subsidiary, Prosperity Materials Macao Commercial Offshore Limited ("Prosperity Macao"), and Nanjing Iron and Steel Group Co., Ltd. ("Nanjing IS"). Under the agreement, Prosperity Macao would sell up to US$389 million (equivalent to approximately HK$3,034.2 million) worth of 62% grade iron ore to Nanjing IS from 12 January 2015 to 11 December 2017. The iron ore to be sold during the period would total 3.3 million tonnes.

During the Year, the Group shipped approximately 2.3 million tonnes of iron ore, 23% less than that in the Previous Financial Year.

Real Estate Investment and Development

China's property market peaked and began falling in 2014 as sales declined by 7.6% to about 1.21 billion square metres (sq.m.) in terms of area and decreased by 6.3% to about RMB7.63 trillion in value, according to the country's National Bureau of Statistics. Growth of investment in real estate development decelerated to 10.5% in the year from 19.8% in 2013.

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. Another measure of the central bank that could also favour the property market is the four benchmark interest rate cuts between November of 2014 and June of 2015 to counter the pressure of the slowing economy. Moreover, more and more provincial and municipal governments 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 Year, the company's business of real estate investment and development continued to focus on China's economically vibrant areas such as Guangzhou and Dongguan in Guangdong province, Changzhou in Fujian province, Binhai county in Yancheng and Suzhou 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 Silver Bay Plaza, and a 55% interest in a commercial and residential property project called Oriental Landmark.

   As at 31 March 2015, Silver Bay Plaza had an occupancy rate of 92%. The commercial building contributed approximately HK$13 million in rental income during the Year, compared with HK$12 million during the Previous Financial 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 31 March 2015, 628 of the 649 residential units and 183 of the 251 car parking spaces were sold in which 608 residential units and 141 car parking spaces had been delivered to the buyers. The Group recognised an aggregate of approximately RMB772 million (equivalent to HK$965 million) in revenue from the sales for the Year.

Moreover, tenancy agreements have been signed over 77% of the shop spaces in the shopping arcade of Oriental Landmark by the end of the Year. The shopping arcade was opened in August 2014.

2. Dongguan City, Guangdong Province

On 5 May 2015, the Company's indirect wholly owned subsidiary, Prosperity Real Estate Holdings Limited ("PREHL"), signed an agreement to form a joint venture with Dongguan City Danxin Property Company Limited ("Dongguan Danxin") to acquire the land use rights over a piece of land in Dongguan city for redevelopment with a maximum total investment of RMB600 million (equivalent to approximately HK$762 million). The joint venture, which is owned as to 70% by PREHL and 30% by Dongguan Danxin, will redevelop the acquired land at Industrial Town, north side of Longping Road, Guanjingtou Village, Fenggang Town in Dongguan City, Guangdong Province with a total site area of approximately 30,453 sq.m. It will undertake a mixed-use commercial and residential property development project with a net floor area of 29,000 sq.m. and a plot ratio of 3.3. The project will have a construction area of 95,700 sq.m., of which 30% and 70% are respectively designated for commercial and residential properties.

3. Changzhou City, Fujian Province

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

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

Under the joint venture agreement, the Group's maximum investment is RMB480 million (equivalent to approximately HK$594 million). Up to 31 March 2015, the Group had invested a total of approximately RMB328 million (equivalent to approximately HK$410 million) in the project.

The presale started from November 2013 and 22 units had been sold with deposits received by the end of March 2015. More residential properties will be available for presale in the coming financial year.

4. Binhai County in Yancheng City, Jiangsu Province

On 1 July 2014, the Group succeeded in bidding RMB455.05 million (equivalent to approximately HK$568.81 million) for the land use rights over a piece of land of 159,698 sq.m. in Binhai county in Yancheng, Jiangsu province to develop residential and commercial properties there. 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. 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 floor area of 159,698 sq.m. to 367,305 sq.m.

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

5. 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 floor area of 100,483.3 sq.m.. The project will comprise 51 villas, and pre-sale was commenced in the last quarter of 2014. The consideration for the acquisition was RMB55 million (equivalent to HK$69 million) and a gain of HK$8.7 million on bargain purchase arose from the acquisition.

Clinker and Cement Trading Business and Operation

China's cement output edged up 1.8% to 2.479 billion tonnes in 2014, marking the lowest growth in the past 24 years, according to China Cement Research Institute (CCRI). The trend seems to be in line with the country's gross domestic product growth which also hit a record low since 1990. Specifically, the decelerating growth of investment in property development also resulted in a slowdown in the country's fixed asset investment, which in turn led to a significantly slower growth in demand for cement in 2014.

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. 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 Year, the business generated a segment profit of approximately HK$6.2 million, compared with the segment profit of approximately HK$0.6 million for the Previous Financial Year.

In addition, the Group holds an equity 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$39.4 million to the Company (2014: approximately HK$54.8 million). On 31 March 2015, the Company's indirect wholly-owned subsidiary, Prosperity Minerals Investment Limited ("PMIL"), which had originally held 33.06% equity interests in ACC, entered into an agreement to sell its 15% equity stake in ACC to Anhui Xinli Investment Group Company Limited, an independent third party, for a consideration of RMB580.8 million (equivalent to HK$726 million). The Group recognized a gain of approximately HK$450 million as a result of the disposal of the equity stake in relation to the disposal.

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 (the "Anhui Conch") 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.

In January 2015, the Group disposed its interest in public port to Anhui Conch, for a consideration of approximately RMB83.4 million (equivalent to approximately HK$104.3 million) and a gain of disposal of HK$19 million was recognised for the Year.

This business segment recorded an attributable profit of approximately HK$8.1 million from 1 April 2014 to the date of disposal.

Share Placement

On 13 May 2015, the Company finished placing 714,280,000 new shares to six independent investors as to raise net proceeds of approximately HK$161.5 million. The placing shares accounted for 7.67% of the Company's enlarged share capital.

On 12 June 2015, the Company completed placing 489,000,000 new shares to an independent investor as to raise net proceeds of approximately HK$125 million. The placing shares accounted for 4.99% of the Company's enlarged share capital.

For further details, please refer to the relevant announcement dated 13 May 2015 and 12 June 2015.

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 announcement.

Results of Operations

For the year ended 31 March 2015, turnover decreased to approximately HK$3,579 million, compared with the approximately HK$5,452 million for the Previous Financial Year. The Group's gross profit decreased by 71% to approximately HK$190 million from approximately HK$665 million for the Previous Financial Year. The decrease in revenue and gross profit was mainly due to the drastic decline in iron ore price while the volume of the trade in the commodity was similar to that in the Previous Financial Year. Moreover, there was a decrease in revenue from the delivery of residential units of Oriental Landmark to the buyers compared to that in the Previous Financial Year.

The Group's selling and distribution expenses was approximately HK$56 million for the Year as compared to approximately HK$39 million for the Previous Financial Year. It represented about 1.6% of the revenue for the Year, compared to 0.7% for the Previous Financial Year. The administrative expenses, which mainly represented the staff costs, including director's emoluments, the legal and professional fees and other administrative expenses, increased by HK$105 million or 37% to approximately HK$386 million. The increases in the selling and distribution and administrative expenses were mainly because the Company completed the acquisition of Billion Win in October 2014 and increased its equity interest in UGL from 35% to 85% in June 2014. Billion Win and UGL have since been classified as subsidiaries of the Group.

The finance costs were approximately HK$257 million (of which approximately HK$9 million were capitalized) for the Year, compared to approximately HK$247 million (of which approximately HK$8 million were capitalized) for the Previous Financial Year. The increase was mainly due to the increase in the average amount of the outstanding bank borrowings.

The Group recorded a gain on disposal of associates with an amount of approximately HK$469 million for the Year. The gain was mainly from the disposal of 15% out of 33.06% equity stake in ACC held by PMIL for a consideration of RMB580.8 million (equivalent to approximately HK$726 million). The Group recognized a gain of approximately HK$450 million from the disposal of ACC.

On 12 May 2014, the Company redeemed the convertible loan notes with the aggregated principal amounts of US$30 million (equivalent to HK$234 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. On 19 September 2014, the Company entered into the amendment deeds with ICBCI, pursuant to which the Company partially redeemed a total principal amount of US$12.5 million (equivalent to HK$97.5 million) of each of the convertible notes on 19 September 2014 and 31 December 2014 respectively. During the Year, the total effective interest expenses on convertible loan notes were approximately HK$69 million (2014: HK$85 million) and there was no additional interest on early redemption of CAF Convertible Loan Note and the LIM Convertible Loan Notes for the Year (2014: HK$59 million).

The derivative financial instruments mainly represented derivatives embedded in convertible loan notes. During the Year, the fair value gain on revaluation of the derivative financial instruments amounted to approximately HK$41 million (2014: HK$39 million).

Loss attributable to the owners of the Company for the year ended 31 March 2015 was approximately HK$839 million, against a net profit of approximately HK$131 million for the Previous Financial Year. The loss was mainly due to loss of HK$1,099 million arising from impairment of the assets, including mining rights and a joint venture. The loss is only provisions for the impairment losses and does not affect the Group's cash flow. The basic loss per share for the Year was 11.29 HK cents against the basic earnings per share of 2.044 HK cents for the Previous Financial Year.

The Board does not recommend payment of a final dividend for the Year (2014: Nil).

MATERIAL ACQUISITION AND DISPOSAL

(i) Investment in Malaysian Mine

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 interests in Million Sea, which holds a 15% interests in Billion Win, for a consideration of approximately US$44.5 million (equivalent to approximately HK$347 million). The Million Sea Acquisition was completed on 18 June 2014.

On 10 October 2014, the Group acquired the remaining 85% interests in Billion Win, for the consideration of US$168.1 million (equivalent to approximately HK$1,311 million), of which US$85 million (equivalent to approximately HK$663 million) were settled by deferred cash payment and the remaining portion were settled by allotment of new shares of the Company at the closing market price of the Company's ordinary shares on the acquisition date of HK$0.295 per share.

Billion Win and its subsidiaries are principally engaged in (i) the operation of Sri Jaya Mines; (ii) the operation of Sri Jaya Plant; and (iii) the sale of iron ore mined in Malaysia.

Full details about the investments in Sri Jaya Mines can be found in the relevant announcements of the Company.

(ii) 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 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 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 stake 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. The UGL SPA and Globest SPA were completed in June 2014.

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.

(iii) Land bidding in Binhai County, Jiangsu Province

On 1 July 2014, the Group succeeded in the bid of the land use rights of a piece of land of 159,698 sq.m. in Binhai county in Yancheng, Jiangsu province through the listing-for-sale process for a consideration of RMB455.05 million (equivalent to approximately HK$568.81 million) to develop residential and commercial properties there. Following completion of the Listing, the Group entered in to the land grant contract on 8 July 2014.

Details about the bidding of land in Binhai can be found in relevant announcements of the Company dated 2 July 2014.

(iv) Provision of financial assistance to a non-controlling shareholder

On 10 July 2014, 30 July 2014 and 31 October 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 (equivalent to approximately HK$413.8 million).

Full details about the arrangement can be found in relevant announcements of the Company.

(v) Disposal of 15% equity interest in ACC

On 31 March 2015, the Group disposed 15% equity interests in ACC (representing approximately 45.38% of the equity interest held by the Group) to an independent party, for the consideration of RMB580.8 million (equivalent to approximately HK$726 million). A gain of disposal of HK$450 million in relation of disposal was recognized for the Year.

On 23 June 2015, the Group entered into Equity Transfer Agreements with Huatai Securities (Shanghai) Asset Management Company Ltd. and Ms. Zhang Jing Hong for the disposal of the remaining 18.06% equity stake in ACC held by PMIL for a consideration of approximately RMB745.5 million (equivalent to approximately HK$932 million) in aggregate. It is expected that the Group will recognize a gain of approximately HK$521 million as a result of the disposal.

Following the disposals, PMIL will no longer hold any equity interest in ACC.

Full details about the arrangement can be found in relevant announcements of the Company dated 31 March 2015 and 23 June 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' fund of the Group as at 31 March 2015 was HK$2,409 million (31 March 2014: HK$2,875 million). As at 31 March 2015, the Group had current assets of HK$3,972 million (31 March 2014: HK$3,599 million) and current liabilities of HK$3,960 million (31 March 2014: HK$3,455 million). The current ratio was 1.00 as at 31 March 2015 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 and proceeds from the issuance of convertible loan notes. As at 31 March 2015, the Group had outstanding debts (including bank borrowings and convertible loan notes) of HK$2,875 million (31 March 2014: HK$2,023 million). As at 31 March 2015, the Group maintained time deposits, bank and cash balances of HK$271 million (31 March 2014: HK$814 million), whilst the pledged deposits amounted to HK$96 million (2014: HK$137 million). The Group's debt-to-equity ratio (total debts to shareholders' equity) increased slightly from 0.70 as at 31 March 2014 to 1.19 as at 31 March 2015. 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 2015, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits, inventories, property, plant and equipment and investment properties of the Group;

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

(c) 18.06% equity interests in ACC, an associate of the Group;

(d) corporate guarantee of the Company; and

(e) personal guarantee executed by Mr. Wong Ben Koon.

COMMITMENTS

As at 31 March 2015, 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:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**324,454**	9,507
In the second to fifth years, inclusive	**884**	6,034
	325,338	15,541

Operating lease payments represent land costs payable by the Group for the properties under development for sale and rentals payable by the Group for the office premises and staff quarters. Leases are negotiated for a term of one to three 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 (2014: 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 31 March 2015, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**6,552**	6,165
In the second to fifth years inclusive	**6,484**	5,873
After five years	**1,093**	1,405
	14,129	13,443

(c) Capital and other commitments

In respect of its interests in joint ventures, the joint ventures are committed to incur capital expenditure of approximately HK$384 million (2014: HK$312 million), of which the Group's share of this commitment is approximately HK$192 million (2014: HK$156 million).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2015, the Group had a total of 323 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

Global iron ore market is expected to remain oversupplied in the next several years, with the seaborne surplus projected to be 175 million tonnes in 2015 and 300 million tonnes in 2017, up from the 72 million tonnes in 2014. (source: "Vale's Q1 Preview: Higher Shipment Volumes To Partially Offset Impact Of Lower Iron Ore Prices" Forbes article dated 28 April 2015) As the world's largest buyer of the commodity, China is likely to keep increasing iron ore imports even though the growth in its economy and steel output is tapering off. It is because the country is growing more and more dependent on low-cost, higher-quality iron ore imports made available by the capacity expansion of the world's leading, efficient iron ore producing firms amid the industry consolidation.

Although this development has resulted in increasing global surplus of the commodity, thus triggering a significant decline in its price, efficient and low-cost producers may be able to make profits at the current price level as they are pursuing the strategy of supplanting high-cost competitors and banking on China's ongoing urbanization to absorb the surplus.

In terms of demand, China has been trying to revive its flagging property market by relaxing restrictions on the number of home purchases. It has also cut the benchmark interest rate four times between November of 2014 and June of 2015 in an attempt to counter the pressure of the slowing economy. Moreover, the country has recently proposed the "One Belt, One Road" initiative to boost economic cooperation and development among the countries in Central Asia, West Asia, the Middle East, and Europe that will probably call for huge amount of infrastructural construction, hence an immense demand for steel. These policies bode well for the iron ore industry.

In order to remain competitive and to fully tap China's growing demand for the steel making ingredient, the Group has been developing itself into a low-cost, efficient and stable producer and supplier of high-quality iron ore. It has effectively transformed itself into a principal iron ore trader by enhancing its vertically integrated business that encompasses iron ore mining, processing and trading. Notably, it did so by taking a majority stake in a low-cost and efficient producer of high quality iron ore such as UGL in Brazil, and by acquiring an entire equity stake in Billion Win, an operator of an iron ore mine and an iron ore processing plant in Malaysia during the Year. It also reached an iron ore off-take agreement to supply 3.3 million tonnes of iron ore to Nanjing IS, a mainland Chinese steel producer. All these initiatives will enable the Group to weather the volatile market better and reap a bumper harvest when the iron ore industry's consolidation comes off.

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.

Meanwhile, the Group keeps seeking opportunities in China's property market, especially in the prime locations of the country's economically vibrant areas. During the Year, the Group embarked on three new property projects in the cities of Yancheng and Suzhou in Jiangsu province and Dongguan city in Guangdong province. In these three cities, 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 low-cost, high-quality iron ore mining company and taking advantage of China's property market in order to bring good returns to the shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, the Company endeavours to comply with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company considers that it has complied with the CG Code during the Year, except for one non-compliance that is discussed as follows.

Under the CG Code, the chairman of the Board shall attend the annual general meeting and arrange for the respective chairman 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) shall 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 Company endeavours to maintain an on-going dialogues 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 the executive director of the

Company, attended the annual general meeting on 15 September 2014 and was 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.

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:

	2015	2014
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities utilised by purchasers	**459,795**	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 consolidated financial statements.

(b) The Group provided guarantees to various banks for loan facilities granted to a non-controlling shareholder of a subsidiary and its group companies as follows:

	2015	2014
	HK$'000	*HK$'000*
Guarantees given to banks for loan facilities utilised by a non-controlling shareholder and its group companies	**413,829**	–

Pursuant to the terms of the guarantees, if there are any defaults on the loans, the Group shall have the right to repay the outstanding loan principals together with accrued interests and penalties owed by the non-controlling shareholder and/or its group companies to the banks. The Group is then entitled to take over such percentage equity interests in the subsidiary at nil consideration.

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 the date of inception is not material and is not recognised in the consolidated financial statements.

(c) At 31 March 2015, the Group's share of the contingent liabilities jointly with a joint venture partner in relation to guarantees to a financial institution and a bank amounted to approximately HK$92 million (2014: HK$62 million).

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

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 2015.

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.

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.

AUDIT COMMITTEE

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.

The audit committee reviewed the Group's results for the Year and recommended its adoption by the Board.

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.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

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

Hong Kong, 30 June 2015

As at the date of this announcement, the executive directors of the Company are Mr. Wong Ben Koon (Chairman), Dr. Mao Shuzhong (Chief Executive Officer), Mr. Wu Likang, Ms. Gloria Wong and Mr. Kong Siu Keung. The non-executive director of the Company is Mr. Liu Yongshun and the independent non-executive directors of the Company are Mr. Yuen Kim Hung, Michael, Mr. Yung Ho, Mr. Chan Kai Nang and Mr. Ma Jianwu.