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

2016/17 Interim Report

Forging new heights

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Dr. MAO Shuzhong, *Chief Executive Officer*
Ms. Gloria WONG
Mr. KONG Siu Keung

Non-executive Directors

Mr. LIU Yongshun
Mr. WU Likang

Independent Non-executive Directors

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

QUALIFIED ACCOUNTANT

Mr. KONG Siu Keung, *FCPA, FCCA*

COMPANY SECRETARY

Mr. KONG Siu Keung, *FCPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. WONG Ben Koon
Mr. KONG Siu Keung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

803

AUDITOR

RSM Hong Kong
Certified Public Accountants
29th Floor
Lee Garden Two
28 Yun Ping Road
Hong Kong

SOLICITORS

Stephenson Harwood
18th Floor
United Centre
95 Queensway
Hong Kong

PRINCIPAL BANKERS

China Minsheng Banking Corporation Limited, Hong Kong Branch
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial Bank of Taiwan Co., Ltd, Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited

COMPANY WEBSITE

www.pihl-hk.com

RESULTS AND FINANCIAL OVERVIEW

For the six months ended 30 September 2016 (the "Period under review"), Prosperity International Holdings (H.K.) Limited ("Prosperity" or the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a net profit of approximately HK$95 million compared with the net profit of approximately HK$294 million for the six months ended 30 September 2015 ("the same period of the Previous Financial Year"). The decrease in net profit was due to a higher comparison base in the same period of the Previous Financial Year when the Group recorded an extraordinary gain of approximately HK$606 million from the disposal of its remaining equity interest in Anhui Chaodong Cement Company Limited, a company listed on the Shanghai Stock Exchange (Stock code: 600318). Another factor that contributed to the net profit was the reversal of impairment losses of approximately HK$228 million and HK$73 million made by the Group in prior years against other intangible assets and property, plant and equipment respectively for its iron ore businesses in Malaysia and Brazil.

Turnover for the Period under review increased by 58% to approximately HK$1,559 million, compared with the same period of the Previous Financial Year. The main reason for such increase in turnover was mainly attributable to the higher volume of tonnage shipped at the iron ore trading operations and higher average iron ore price compared with the same period of the Previous Financial Year. Loss from operations narrowed from approximately HK$123 million for the first six months ended 30 September 2015 to approximately HK$32 million for the first six months ended 30 September 2016.

During the Period under review, the volume of tonnage shipped at the Group's iron ore trading operations increased by 51.8% year on year to approximately 1.67 million tonnes (the same period of the Previous Financial Year: 1.1 million tonnes) while the average selling price for the iron ore sold increased by 20.5% year on year to approximately US$62.2 per dry metric tonne (the same period of the Previous Financial Year: US$51.6 per dry metric tonne).

The Group temporarily suspended its iron ore mining and processing operations during the Period under review because the iron ore prices were not yet high enough to make the business segment profitable. Nevertheless, in the year to date, the price of benchmark 62% grade iron ore rebounded to US$60.47 per dry metric tonne in August and then edged down to US$56.67 per dry metric tonne in September after it hit a low of US$39.6 per dry metric tonne in December 2015 (Source: indexmundi). The rally was helped by the slower growth in supply from the world's major iron ore producers. If the iron ore price's uptrend can be sustained, the Group may resume its iron ore mining and processing operations when it is profitable to do so.

During the Period under review, the market consensus on the forecast price of 62% grade iron are ("Forecasted Price") increased to US$56 per tonne as at 30 September 2016 from US$45 per tonne as at 31 March 2016. Having regard to the increase in the Forecasted Price and the estimated industry trend, and with reference to valuation reports prepared by independent valuer, the Group carried out reviews of the recoverable amounts of Billion Win Capital Limited ("Billion Win"), which is considered as the cash generating unit ("CGU") of the Sri Jaya Iron Ore Mining Operation, and of United Goalink Limited ("UGL"), which is considered as the CGU of Brazilian Iron Ore Mining Operation. As a result, impairment losses made in prior years against other intangible assets and property, plant and equipment of approximately HK$301 million in aggregate was reversed by the Group.

Basic earnings per share was 0.91 HK cents compared with the basic earnings per share of 3.23 HK cents for the same period for the Previous Financial Year.

The board of directors of the Company (the "Board") does not recommend payment of an interim dividend for the Period under review (the same period of the Previous Financial Year: HK$Nil).

BUSINESS REVIEW

PRC Steel Market

Investment in China's property development accelerated to year-on-year growth of 5.8% in the first nine months of 2016 from the year-on-year increase of 2.6% in the same period of 2015, which helps to boost the demand for steel. The country's apparent crude steel consumption edged up by 0.1% year on year to about 525.65 million tonnes in the first nine months of 2016.

China Steel Price Index ("CSPI") increased by 14.37 points, or by 23.48%, to 75.56 points at the end of September 2016 from the previous year (Source: "9月份國內市場鋼材價格由升轉降後期將呈窄幅波動走勢" — China Iron and Steel Association ("CISA"), dated 25 October 2016 as quoted by 中國證券網 (cnstock.com) on the same date).

Nevertheless, overcapacity in the steel industry persisted. China's crude steel production rose by 0.4% year on year to about 603.78 million tonnes in the first nine months of the year (against the year-on-year decrease of 2.1% in the same period of 2015), outstripping its demand for the commodity in both the growth rate and volume.

In an attempt to solve the problem of overcapacity, the Chinese government had some steel production capacity closed down, especially that of substandard plants, and made good progress as it stated that it already met the target of reducing the country's annual steel production capacity by 45 million tonnes for this year ahead of schedule, at the end of October (Source: "鋼鐵工業"十三五"大升級：粗鋼產量減少約8億噸" — 生意社 (www.100ppi.com), dated 16 November 2016).

Steel mills that stayed in business stepped up exports to mitigate the glut on the domestic market, selling 85.12 million tonnes of steel to foreign countries in the first nine months of 2016, or 2.4% more year on year (Source: General Administration of Customs of the People's Republic of China (the "PRC") ("China Customs")). The moderate growth shows a sharp contrast with the year-on-year growth of 27.2% in the first nine months of 2015, and reflects that the efforts to export steel have been resisted by some overseas markets with anti-dumping measures.

The world's crude steel production decreased by 0.5% year-on-year to about 1.20 billion tonnes in the first nine months of 2016. China accounted for about 50.43% of the world's crude steel output and about 73.11% of Asia's, which is about 825.90 million tonnes, thereby maintaining its dominant position in the world's crude steel production (Source: World Steel Association).

PRC Iron Ore Market

A recovery in the construction sector helped to revive China's steel industry to some extent. This stimulated the country's demand for iron ore. For the first nine months of 2016, China's imports of iron ores and concentrates rose by 9.1% year on year to 762.55 million tonnes (Source: China Customs).

On the supply side, there were disruptions to iron ore supply due to a cyclone in Australia in late January 2016 and the closure of Vale SA's Port of Tubarão (which is one of the world's most important iron ore terminals) in that month by an order of a Brazilian federal court to stem pollution (Source: "Iron ore the outperformer of 2016 ... for now" by The Sydney Morning Herald, dated 8 February 2016). In China, the government had been decreasing iron ore production capacity which led to a year-on-year decline of 3.2% in the domestic iron ore output to 941.21 million tonnes for the first nine months of 2016 (Source: 冶金工業資訊中心 quoted by 產業網 in an article titled "2016年9月全國主要鋼鐵產品產量統計", dated 2 November 2016). China has been substituting its domestically produced iron ore that are of higher cost and lower-iron content with high-quality iron ore imports that are of lower cost, and China has now purchased about two-thirds of the world's seaborne iron ore.

The revived demand and the slower growth in supply combined to cause the iron ore price to rally. In the year to date, the price of benchmark 62% grade iron ore rebounded to US$60.47 per dry metric tonne in August and then edged down to US$56.67 per dry metric tonne in September after it hit a low of US$39.6 per dry metric tonne in December 2015 (Source: indexmundi).

Australia and Brazil, two of the world's major iron ore exporting countries, continued to dominate China's market for imports of the commodity because of their more efficient operations, cost advantage and their abundant supply of quality ore. In the first nine months of 2016, China imported about 427.17 million tonnes of iron ore from Australia and about 132.85 million tonnes from Brazil (Source: "2016年10月鐵礦石進口預警監測報告" by CISA, quoted by the website 生意社 (www.100ppi.com), dated 20 October 2016).

Iron Ore Trading and Mining

The Group sources iron ore from South Africa and Malaysia, and also produces the commodity through its 85%-held mine in Ceará, Brazil ("Brazil Mine") and its wholly-owned mine and ore processing plant in Sri Jaya, State of Pahang, Malaysia (respectively referred to as "Sri Jaya Mine" and "Sri Jaya Plant"), and then ships it mainly to the large steel mills in China.

During the Period under review, the Group's iron ore trading operations improved compared with the same period of the Previous Financial Year. The volume of tonnage of iron ore shipped increased by 51.8% to approximately 1.67 million tonnes for the Period under review from approximately 1.1 million tonnes for the same period of the Previous Financial Year, and the average selling price for the iron ore sold also increased by 20.5% to approximately US$62.2 per dry metric tonne for the Period under review from approximately US$51.6 per dry metric tonne for the same period of the Previous Financial Year.

While the Group's iron ore trade improved, the Group temporarily suspended its iron ore mining and processing operations in an attempt to minimize the operating loss because the commodity's price had not yet rebounded to a high enough level that made the business segment profitable following a drastic decline amid a market glut. If the iron ore price's uptrend can be sustained, the Group will resume its iron ore mining and processing operations when it is profitable to do so.

1. Sri Jaya Iron Ore Mining Operation

The Sri Jaya Mine is a resource-rich mine in Malaysia and has a total mining area of approximately 420 acres. As at 30 September 2016, it had a total probable reserve of 94.5 mega tonnes ("Mt") at an average grade of 41.7% iron, which exceeded the 30% crude iron ore average grade in China. The Sri Jaya Mine is an open pit mine which has a mine life of approximately 14 years.

The Group produces the processed iron ore products through the Sri Jaya Plant, which is adjacent to the Sri Jaya Mine. 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 throughput capacity of 6 Mt per annum, producing 3 Mt of saleable product per annum. During the Period under review, the iron ore mining and processing operations were temporarily suspended in view of the adverse market.

2. Brazilian Iron Ore Mining Operation

The Group holds an exploration right over a mining site of approximately 600 square kilometers ("sq.km.") and mining concessions over 3 sq.km. of the Brazil Mine through its 85%-held company, UGL.

The Group produces the processed iron ore products through the processing plant which is adjacent to the mining concessions and where installation of equipment was completed in 2013. The products are processed through a relatively low cost process, including magnetic separation. The processing plant is designed to have a throughput capacity of one million tonnes per annum, producing approximately 600,000 tonnes of saleable product per annum.

During the Period under review, UGL temporarily suspended its operations to minimize operating loss under the unfavourable market conditions.

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.

Overall, the Group shipped approximately 1.67 million tonnes of iron ore during the Period under review, 51.8% more than it did in the same period of the Previous Financial Year.

Real Estate Investment and Development

During the Period under review, property prices in the PRC were rising following a strong rebound in the second half of 2015 due to excess liquidity (Source: A research report titled "Strong property prices may lead to tighter policy" by CIMB Securities Limited, dated 4 October 2016). For the first nine months in 2016, the growth of investment in the PRC's real estate development accelerated to the year-on-year 5.8% from the year-on-year 2.6% for the same period of 2015 (Source: The National Bureau of Statistics of the PRC). For the first nine months in 2016, the property sales grew by 26.9% year on year (For January to September of 2015: a year-on-year increase of 7.5%) in gross floor area ("GFA") to about 1.05 billion square metre ("sq.m.") and surged by 41.3% year on year (For January to September of 2015: an increase of 15.3%) in value to about RMB8.02 trillion.

During the Period under review, the Group's business of real estate investment and development strengthened its existing operations and made progress in projects which were started in the past two years in the promising markets of economically vibrant cities in China and the capital of Indonesia.

1. Binhai County of Yancheng City, Jiangsu Province

In Binhai county of Yancheng, Jiangsu province, the Group is now developing residential and commercial properties on a piece of land of 159,698 sq.m. over which it has the land use rights. The property project is called One City and is situated in the former Laoxijie, which has a long history as a busy thoroughfare and is now the core of Binhai County's Central Business District ("CBD"). The street is prized for its traditional role in the local economy and prime location, and has been marked out as the first area for the county's urban renewal. One City will be positioned as an urban complex that blends the classical architectural features of the local tradition with modern facilities for culture, tourism, commerce and housing. The property project is accessible by 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.

One City has a combined GFA of approximately 441,000 sq.m. and will be developed in two phases (previously planned second and third phases will be combined as one). Presale of the first batch of shop spaces in two-storey and three-storey buildings on both sides of the shopping street in the first phase was conducted in September 2015. The first phase of the project includes residential properties of 11 blocks of apartment buildings and 40 townhouses as well as a shopping street. Presale of both residential properties and shop spaces met with enthusiastic market response. As of 30 September 2016, the Group had entered into agreements with buyers over the sales of 130 shops and 953 units of residential proprieties with total saleable area of approximately 120,000 sq.m. The aggregate contracted sales amounted to approximately RMB736 million (equivalent to approximately HK$873 million), of which approximately RMB664 million (equivalent to approximately HK$787 million) was received by way of cash. As the shop spaces will be delivered to the buyers in the fourth quarter of 2016, we expect the revenue to be realized in the second half of the financial year ended 31 March 2017. The Group will sell the remaining shop spaces and residential properties for higher prices to capitalize on the blooming market. The second phase of the project is being planned and construction is expected to start in the second quarter of 2017.

2. Guangzhou City, Guangdong Province

Through its indirect wholly-owned subsidiary, Bliss Hero Investment Limited, 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 30 September 2016, Silver Bay Plaza had an occupancy rate of 100% (30 September 2015: 98%). The commercial building contributed approximately HK$5.3 million to the rental income during the Period under review, compared with the approximately HK$6.5 million in the same period of 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. There is a four-floor shopping arcade with an aggregate GFA of approximately 33,000 sq.m. Oriental Landmark's shopping arcade was being revamped to suit the families' lifestyle in contemporary Guangzhou. The Group expects that businesses will be able to open in half of the shop spaces by the end of 2016. The revamp of the whole shopping arcade is scheduled to be completed by the middle of 2017. The Group expects that the rental income from the shopping arcade for the financial year ending 31 March 2017 will be better than the Previous Financial Year.

3. Suzhou City, Jiangsu Province

The Group owns the land use rights over a piece of land with a site area of 100,483 sq.m. in Xishan Island, Wuzhong District, Suzhou city, China through a 55%-owned company called 蘇州市嘉欣房地產開發有限公司 (Suzhou Jiaxin Real Estate Development Company Limited*) ("Suzhou Jiaxin").

The island is located at the heart of the scenic Taihu Lake, and the plot of land, which is to be developed by Suzhou Jiaxin, is adjacent to the Xishan Mountain Scenic Area, an ecological park, a farming zone and a zone for folk customs tour on the Xishan Island. The Group is developing a deluxe property project called Fu Yuan, which comprises 51 villas, a deluxe hotel and gardens in an ancient, classical architectural style peculiar to Suzhou, with a total GFA of 46,170 sq.m. The 51 villas, the GFA of which range between approximately 430 sq.m. and approximately 740 sq.m. each, are built in two phases, with 28 in the first and 23 in the second. The villas in the first phase have been put up for presale and will be delivered to the buyers by the end of 2016. The Group expects the revenue from the sales of villas to be recognized for the year ending 31 March 2017. The second phase of the project is currently under construction.

* For identification purpose only

4. Dongguan City, Guangdong Province

On 5 May 2015, the Group entered into a co-operation agreement with the non-controlling shareholder of a subsidiary, 東莞市丹新置業有限公司 (Dongguan City Danxin Property Company Limited*), and other parties to undertake a property development project in Fenggang town, Dongguan city, Guangdong province, the PRC. At 30 September 2016, the Group has paid the compensation for demolition and resettlement of approximately HK$95 million to the owners of the properties currently erected on the land. The redevelopment project is still in progress.

5. West Jakarta, Indonesia

The Group has diversified its real estate investment and development business into the promising market of Jakarta, Indonesia to tap into the hot demand for residential properties in the CBD. The growing middle class and the rich crave for apartments that enjoy convenient access to the workplace, urban facilities and amenities in the capital city.

In September 2015, the Company, through an indirect wholly-owned subsidiary, signed an agreement to acquire a 100% equity interest in Verton Ventures Limited which holds a 75% equity interest in an Indonesian incorporated company which owns a piece of land in the heart of the CBD of West Jakarta, Indonesia, with a site area of 4,403 sq.m. and an aggregate GFA of approximately 22,000 sq.m. The acquisition of the Indonesian company was completed in October 2015. The land parcel is connected to the two toll gates of Jakarta Outer Ring Road, and the Group plans to develop a condominium for residential and commercial uses on the site. The project is under construction and presale of the residential properties is scheduled to start at the end of 2016.

The improvement of Jakarta's infrastructure, coupled with the Indonesian government's policy to allow foreigners to own a luxury condominium priced at a minimum of IDR (Indonesian Rupiah) 10 billion, is expected to attract more home buyers to the capital and thus to boost the value of the properties in and around the capital city.

* For identification purpose only

Clinker and Cement Trading Business and Operation

For the first nine months in 2016, the PRC's cement output increased by 2.6% to about 1.77 billion tonnes compared with the same period in 2015 (Source: National Bureau of Statistics of the PRC) as the growth of investment in the country's real estate development accelerated during the period compared with that for the first nine months of 2015. China's cement price index ("CEMPI") increased from 79.12 points on 4 January 2016 to 89.16 points on 30 September 2016. (Source: 中國水泥網 ccement.com).

The Group sourced cost-competitive cement and clinker, predominantly from the Far East and South East Asia, and then mainly supplies the materials to customers in North America and Asia Pacific Region during the Period under review. It has been the Group's strategy to satisfy its customers' demand for cost-competitive materials by sourcing from countries where suppliers are pricing them aggressively because of the oversupply in their domestic markets. The Group seized such opportunities by matching our customers' preferences to our suppliers' need to export. The Group also kept assessing the regional supply and demand situation in order to spot any trading opportunities and to strike a balance between our long-term and short-term trading strategies.

For the Period under review, the clinker and cement trading business registered a turnover of approximately HK$466 million compared with the turnover of approximately HK$342 million for the same period of the Previous Financial Year.

On 26 October, 2016, the Group reached an agreement with Prosperity Materials (International) Limited ("PMIL") to acquire 25% of the issued share capital of PT Conch Cement Indonesia ("Indonesia Conch"), a company incorporated in Indonesia and principally engaged in investment and trading. The operation of the acquired company has been improving rapidly since the commencement of production in 2014 and it turned around for the six months ended 30 June 2016. It can help the Group to bolster its clinker and cement business. The acquisition is an example of how the Group's management strengthened the clinker and cement business in the highly competitive environment with its experience, expertise and extensive regional network.

The Group is optimistic about the prospect of Indonesia's clinker and cement manufacturing industry. Indonesia's cement sales are expected to rise by about 6.6% to 65 million tonnes in 2016 because the government has expressed its commitment to enhance infrastructure development (Source: An article titled "What about Indonesia's Cement Industry in 2016?", dated 18 February 2016 on the website "Indonesia-investments"). Moreover, Indonesia's cement and clinker exports are forecasted to reach 1.5 Mt in 2016, a 50% increase when compared with the export volume of the previous year (Source: An article titled "Indonesian cement exports expected to grow 50%, dated 30 August 2016 on the website "Cemnet.com"). In recent years, more and more foreign investors are keen to expand into Indonesia in the hope of making profit from the huge market of ASEAN Economic Community ("AEC"), which consists of ten countries with a combined population of over 600 million. As one of the countries covered by China's Belt and Road Initiatives, Indonesia can expect the policy to help foster its local economic development.

Granite Production

The Company owns the Xiang Lu Shan Granite Mining Site in Guangxi, the PRC ("Guilin Granite Mine") through a 60% owned WM Aalbrightt Investment Holdings (Hong Kong) Limited, which has a mining permit to produce up to 40,000 cubic metres ("m^3") (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.

The products from the Guilin Granite Mine are dimension stone and feldspar powder. Dimension stone is a high value product for building materials, decorative tiles, sanitary ware, porcelain and tableware, while the feldspar powder can be used in the ceramics and glass industries. The granite production is clean, with a minimal waste ratio as the waste material can be used for road construction.

The existing mining license covers an area of 2.0371 sq.km. and the current exploration area only covers 0.8 sq.km. of the leased area of the quarry. There is still room for further exploitation of the stone resources.

The Group had assigned a local technical team to exploit the granite mine and design a processing plant to improve product quality and production volume to meet customers' requirements.

Share Placement

On 7 September 2016, the Company entered into an agreement to place a total of 400,000,000 new shares to not less than six independent individuals, institutional or professional investors at a price of HK$0.168 per placing share. The placement was completed on 14 September 2016. The placing shares accounted for 3.92% of the Company's enlarged share capital immediately after completion of the placing. The net proceeds of approximately HK$64.9 million from the placing will be used by the Company for (i) the partial repayment of the Group's existing loans and (ii) the development, improvement and/or expansion of the Group's business. The remaining balance will be used as general working capital of the Group. For further details, please refer to the Company's announcements dated 7 September 2016 and 14 September 2016.

Issue of Bonds and Notes

On 16 March 2016, the Company entered into a subscription agreement with Cheer Hope Holdings Limited ("Cheer Hope") which was a subscriber, and Mr. Wong Ben Koon ("Mr. Wong") who was the guarantor, pursuant to which the Company conditionally agreed to issue the US$20 million (equivalent to approximately HK$156 million), 5% per annum guaranteed convertible bonds (the "CCB Convertible Bonds") and US$20 million (equivalent to approximately HK$156 million), 5% per annum guaranteed notes (the "Guaranteed Notes"). Both the CCB Convertible Bonds and the Guaranteed Notes will be due in 2018. Thereafter, the Company issued the CCB Convertible Bonds and the Guaranteed Notes in several lots. The Company issued the first lot of the CCB Convertible Bonds and the Guaranteed Notes on 15 April 2016, followed by four more lots in April and May 2016. On 9 May 2016, the CCB Convertible Bonds and the Guaranteed Notes, each in the aggregate principal amount of US$20 million (equivalent to approximately HK$156 million), were fully issued to Cheer Hope pursuant to the subscription agreement. The net proceeds from the issue of the CCB Convertible Bonds and the Guaranteed Notes will be used to refinance some of the Group's existing loans, to fund the development, improvement and/or expansion of the Group's business and the balance will be used as its working capital.

On 29 June 2016, the Company, Cheer Hope and Mr. Wong entered into the deed of amendment (the "CCB CB Amendment Deed"), to amend certain terms and conditions of the subscription agreement, the CCB Convertible Bonds and the Guaranteed Notes.

Further details of the deal can be found in the Company's announcements dated 16 March 2016, 18 March 2016, 15 April 2016, 26 April 2016, 28 April 2016, 3 May 2016, 9 May 2016 and 29 June 2016.

SIGNIFICANT AND DISCLOSEABLE TRANSACTIONS

(a) Acquisition of shares in PT Conch Cement Indonesia

On 26 October 2016, the Company, through its wholly-owned subsidiary, Full Right Asia Limited ("Full Right"), entered into a sale and purchase agreement with PMIL to acquire 25% of the issued share capital of Indonesia Conch at a maximum consideration of HK$450 million ("Consideration"). HK$100 million of the Consideration shall be satisfied by the issue of 5% per annum guaranteed convertible bonds (and 8% per annum starting from the maturity of third anniversary of the date of the issue) (the "PMIL Convertible Bonds") to PMIL, while the remaining HK$350 million of the Consideration shall be satisfied by the allotment and issue of shares of the Company ("Consideration Shares") to PMIL.

Assuming there would be no other issue of new shares of the Company and no repurchase of existing shares of the Company before completion of the sale and purchase agreement, a maximum of 2,333,333,333 Consideration Shares will be allotted and issued and a maximum of 666,666,667 conversion shares will be issued upon conversion of the PMIL Convertible Bonds.

Indonesia Conch is a company incorporated in Indonesia and is principally engaged in investment and trading. Indonesia Conch is owned as to 75% by Anhui Conch Cement Company Limited ("Anhui Conch"), a company incorporated in the PRC whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 914) and the Shanghai Stock Exchange (Stock code: 600585) and as to 25% by PMIL.

For further details, please refer to the announcement of the Company dated 26 October 2016.

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

On 8 June 2016 and 28 September 2016, 廣州富春東方地產投資有限公司 (Guangzhou Fuchun Dongfang Real Estate Investment Company*) ("Fuchun Dongfang"), a 55%-owned subsidiary of the Company, pledged certain units of Oriental Landmark, for the benefit of a non-controlling shareholder of Fuchun Dongfang, as security for the loans taken by its associate companies. Up to 30 September 2016, the outstanding loan balance raised by this non-controlling shareholder, in aggregation, is approximately RMB695.9 million (equivalent to approximately HK$825 million).

Full details about the arrangement can be found in relevant announcements of the Company dated 8 June 2016 and 28 September 2016 and a circular of the Company dated 12 August 2016.

* For identification purpose only

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL RESOURCES

The total shareholders' fund of the Group as at 30 September 2016 was approximately HK$2,655 million (31 March 2016: approximately HK$2,570 million). As at 30 September 2016, the Group had current assets of approximately HK$3,705 million (31 March 2016: approximately HK$3,419 million) and current liabilities of approximately HK$3,360 million (31 March 2016: approximately HK$3,375 million). The current ratio was 1.10 as at 30 September 2016 compared to 1.01 at 31 March 2016. 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 placing of new shares and issue of convertible bonds and guaranteed notes.

As at 30 September 2016, the Group's total time deposits, bank and cash balances were approximately HK$299 million (31 March 2016: approximately HK$180 million) and total outstanding debts (including bank and other borrowings, convertible bonds and guaranteed notes) were approximately HK$2,276 million (31 March 2016: approximately HK$2,261 million (including bank and other borrowings)).

The debt-to-equity ratio of the Group as at 30 September 2016, calculated on the basis of total interest-bearing debts divided by owners' equity, was approximately 0.85 (31 March 2016: approximately 0.88). The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

EXPLORATION, DEVELOPMENT, MINING AND PRODUCTION ACTIVITIES

During the Period under review, no material exploration activity was carried out at the Sri Jaya Mine, Brazil Mine and Guilin Granite Mine. The following tables detail the mining and production activities, and the expenditure incurred for mining and development activities at all mines.

	For the six months ended 30 September	
	2016	2015
	Tonnes	Tonnes
Mining volume		
Sri Jaya Mine	**–**	38,118
Brazil Mine	**–**	–
Guilin Granite Mine	**71**	22,166
Production volume		
Sri Jaya Mine	**–**	20,203
Brazil Mine	**–**	–
Guilin Granite Mine	**4,759**	1,577

	For the six months ended 30 September	
	2016	2015
	HK$'000	HK$'000
Major expenditure incurred in respect of mining activities		
Sri Jaya Mine	**–**	11,918
Brazil Mine	**–**	–
Guilin Granite Mine	**1,305**	2,204
Capital expenditure incurred in respect of development activities		
Sri Jaya Mine	**–**	83
Brazil Mine	**–**	–
Guilin Granite Mine	**331**	508

HUMAN RESOURCES

As at 30 September 2016, the Group had a total of 314 staff members, 254 of them were based in the PRC and 60 based in Hong Kong.

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group may pay 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

As at 30 September 2016, the following assets held by the Group were pledged to banks to secure banking facilities granted to the Group:

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

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

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries;

(e) personal guarantee executed by Mr. Wong and directors of subsidiaries;

(f) deed of subordination of term loan by a related company; and

(g) certain rights of mining, processing and selling raw iron ore owned by a subsidiary.

OUTLOOK

In the year to date, the price of benchmark 62% grade iron ore rebounded to US$60.47 per dry metric tonne in August and then edged down to US$56.67 per dry metric tonne in September after it hit a low of US$39.6 per dry metric tonne in December 2015 (Source: indexmundi). The rally was helped by the slower growth in output from the world's major iron ore producers (Source: Commercial Times, dated 20 Oct 2016) and by the year-on-year growth of 0.4% in China's steel output during the first nine months of this year (following the year-on-year decline of 2.1% in the same period of 2015) (Source: World Steel Association).

Nevertheless, the Group temporarily suspended its iron ore mining and processing operations in Malaysia and Brazil from January to September of this year to minimize the operating loss as the iron ore price level did not yet make such businesses profitable. If the iron ore price's uptrend can be sustained, the Group will resume the businesses once the commodity's price stabilizes at a level that allows them to be profitable.

To cope with the difficult situation, the Group, which already has diverse businesses, stepped up its efforts to expand its businesses of real estate, clinker and cement. Its property business already started projects in some vibrant cities of China and the capital of Indonesia in the past two years to tap the promising markets there. Such property projects are expected to generate considerable income either through rental or sales of properties as they will be completed in the next several years.

Meanwhile, the Group decided to bolster its clinker and cement business by reaching an agreement with PMIL on 26 October 2016 to acquire a 25% stake in Indonesia Coach, a company incorporated in Indonesia and principally engaged in investment and trading. The Group is optimistic about the prospect of Indonesia's clinker and cement manufacturing industry on the back of the government's commitment to enhance infrastructure development. For the long term, Indonesia, which is also one of the countries covered by China's Belt and Road Initiatives, can expect the policy to help foster its local economic development.

These moves can also allow the Group to broaden its income stream and thus may help to tide it over the hard time in the iron ore market. The Group will keep seeking opportunities in various industries and sectors while maintaining its strengths for a recovery in the iron ore industry in the future.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2016, together with the comparative figures for the corresponding period of last year, as follows:

		For the six months ended 30 September	
	Note	**2016 (Unaudited) HK$'000**	2015 (Unaudited) HK$'000
Turnover	4	1,559,098	986,518
Cost of goods sold		(1,470,329)	(959,445)
Gross profit		88,769	27,073
Other income	5	69,506	28,261
Selling and distribution costs		(47,172)	(42,174)
Administrative expenses		(140,036)	(134,308)
Other operating expenses		(3,415)	(2,149)
Loss from operations		(32,348)	(123,297)
Finance costs	7	(88,901)	(111,039)
Share of profits less losses of a joint venture		–	(1,671)
Fair value losses on financial assets at fair value through profit or loss		(3,023)	–
Fair value (losses)/gains on derivative financial instruments		(2,451)	3,099
Fair value gains on investment properties		3,083	7,211
Reversal of impairment loss on property, plant and equipment		72,607	–
Reversal of impairment loss on other intangible assets		228,368	–
Gain on disposals of financial assets at fair value through profit or loss		1,264	–
Gain on disposal of available-for-sale financial assets		–	4,943
Gain on disposal of an associate		–	606,097

	Note	For the six months ended 30 September 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Profit before tax		178,599	385,343
Income tax expense	8	(83,726)	(91,784)
Profit for the period	9	94,873	293,559
Attributable to:			
Owners of the Company		89,144	304,772
Non-controlling interests		5,729	(11,213)
		94,873	293,559
Earnings per share			
— basic (HK cents)	10(a)	0.91	3.23
— diluted (HK cents)	10(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Profit for the period	**94,873**	293,559
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(49,870)**	(70,176)
Exchange differences reclassified to profit or loss on disposal of an associate	**–**	(29,882)
Fair value gains reclassified to profit or loss on disposal of available-for-sale financial assets	**–**	(2,784)
Fair value (losses)/gains on available-for-sale financial assets	**(42,273)**	163,208
Other comprehensive income for the period, net of tax	**(92,143)**	60,366
Total comprehensive income for the period	**2,730**	353,925
Attributable to:		
Owners of the Company	**19,793**	381,731
Non-controlling interests	**(17,063)**	(27,806)
	2,730	353,925

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	12	**579,621**	510,920
Investment properties	12	**2,236,919**	2,280,535
Goodwill		**15,105**	15,105
Other intangible assets		**1,763,222**	1,533,481
Available-for-sale financial assets		**82,088**	85,503
Financial assets at fair value through profit and loss		**258**	274
Non-current prepayments and loan receivables		**640,575**	617,012
Deferred tax assets		**105,922**	126,195
		5,423,710	5,169,025
Current assets			
Inventories		**2,075,086**	2,011,354
Available-for-sale financial assets		**355,523**	397,979
Financial assets at fair value through profit and loss		**28,493**	25,796
Finance lease receivable		**112,865**	94,991
Trade and bills receivables	13	**207,597**	218,269
Prepayments, deposits and other receivables		**616,440**	387,455
Current tax assets		**646**	944
Pledged deposits		**10,158**	101,943
Time deposits		**2,335**	1,428
Bank and cash balances		**296,175**	178,784
		3,705,318	3,418,943
Total assets		**9,129,028**	8,587,968

	Note	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Capital and reserves			
Share capital	14	**101,956**	97,956
Reserves		**2,552,653**	2,471,676
Equity attributable to owners of the Company		**2,654,609**	2,569,632
Non-controlling interests		**871,742**	888,805
Total equity		**3,526,351**	3,458,437
Non-current liabilities			
Bank borrowings	15	**847,829**	725,999
Finance lease payables		**267**	1,036
Other loans and payables		**346,199**	304,616
Convertible bonds		**125,267**	–
Guaranteed notes		**156,000**	–
Deferred tax liabilities		**767,431**	723,319
		2,242,993	1,754,970
Current liabilities			
Trade and bills payables	16	**363,679**	253,182
Other payables and deposits received		**1,273,821**	1,019,936
Derivate financial liabilities		**36,966**	–
Current portion of bank borrowings	15	**831,118**	1,224,587
Other borrowings		**316,250**	310,000
Finance lease payables		**1,223**	1,909
Current tax liabilities		**536,627**	564,947
		3,359,684	3,374,561
Total liabilities		**5,602,677**	5,129,531
Total equity and liabilities		**9,129,028**	8,587,968
Net current assets		**345,634**	44,382
Total assets less current liabilities		**5,769,344**	5,213,407

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 2016	**97,956**	**1,936,337**	**(142,434)**	**886,979**	**(12,880)**	**13,010**	**292,377**	**50**	**(501,763)**	**2,569,632**	**888,805**	**3,458,437**
Total comprehensive income for the period	**–**	**–**	**(27,078)**	**–**	**–**	**–**	**(42,273)**	**–**	**89,144**	**19,793**	**(17,063)**	**2,730**
Issue of new shares upon share placement	**4,000**	**61,184**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**65,184**	**–**	**65,184**
Changes in equity for the period	**4,000**	**61,184**	**(27,078)**	**–**	**–**	**–**	**(42,273)**	**–**	**89,144**	**84,977**	**(17,063)**	**67,914**
At 30 September 2016	**101,956**	**1,997,521**	**(169,512)**	**886,979**	**(12,880)**	**13,010**	**250,104**	**50**	**(412,619)**	**2,654,609**	**871,742**	**3,526,351**
At 1 April 2015	85,923	1,661,795	(9,035)	886,979	(12,880)	13,523	21,272	50	(239,067)	2,408,560	953,174	3,361,734
Total comprehensive income for the period	–	–	(83,465)	–	–	–	160,424	–	304,772	381,731	(27,806)	353,925
Issue of new shares upon share placement	12,033	274,542	–	–	–	–	–	–	–	286,575	–	286,575
Changes in equity for the period	12,033	274,542	(83,465)	–	–	–	160,424	–	304,772	668,306	(27,806)	640,500
At 30 September 2015	97,956	1,936,337	(92,500)	886,979	(12,880)	13,523	181,696	50	65,705	3,076,866	925,368	4,002,234

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash used in operating activities	**(40,430)**	(874,861)
Net cash generated from investing activities	**102,107**	1,463,147
Net cash generated from/(used in) financing activities	**65,371**	(569,795)
Net increase in cash and cash equivalents	**127,048**	18,491
Effect of foreign exchange rate changes	**(9,657)**	(35,999)
Cash and cash equivalents at beginning of period	**178,784**	269,027
Cash and cash equivalents at end of period	**296,175**	251,519
Analysis of cash and cash equivalents		
Bank and cash balances	**296,175**	251,519

1. GENERAL INFORMATION

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

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.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2016. 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 2016 except as stated below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 consolidated financial statements for the annual period beginning on 1 April 2016:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exceptions*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operation*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*

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 consolidated financial statements and amounts reported for the current period and prior years.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised HKFRSs 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.

3. FAIR VALUE MEASUREMENTS (Continued)

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:

Description	Fair value measurements as at 30 September 2016 using (unaudited):			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Available-for-sale financial assets				
Equity securities listed in Hong Kong	315,505	–	–	315,505
Equity securities listed outside Hong Kong	20,426	–	–	20,426
Unlisted equity securities	–	8,732	92,948	101,680
Financial assets at fair value through profit or loss				
Derivative financial assets	–	258	–	258
Held for trading	28,493	–	–	28,493

3. FAIR VALUE MEASUREMENTS (Continued)

Disclosures of level in fair value hierarchy: (Continued)

Description	Fair value measurement as at 31 March 2016 using (audited):			
	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	372,174	–	–	372,174
Equity securities listed outside Hong Kong	8,363	–	–	8,363
Unlisted equity securities	–	6,371	96,574	102,945
Financial assets at fair value through profit or loss				
Derivative financial assets	–	274	–	274
Held for trading	25,796	–	–	25,796

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.

3. FAIR VALUE MEASUREMENTS (Continued)

Disclosures of level in fair value hierarchy: (Continued)

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 for these fair value measurements. Discussions of valuation processes and results are held between the finance director and the Board 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.

3. FAIR VALUE MEASUREMENTS (Continued)

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

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value at 30 September 2016 (Unaudited) HK$'000
Derivative financial assets	Black – Scholes Model with Binomial Tree method	Share price expected volatility	258
Unlisted equity securities	Fund's net asset value	N/A	8,732

Description	Valuation technique	Inputs	Fair value at 31 March 2016 (Audited) HK$'000
Derivative financial assets	Black – Scholes Model with Binomial Tree method	Share price expected volatility	274
Unlisted equity securities	Fund's net asset value	N/A	6,371

3. FAIR VALUE MEASUREMENTS (Continued)

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

Description	**Available-for-sale financial assets unlisted equity securities** HK$'000
At 1 April 2016 (Audited)	96,574
Impairment loss recognised in profit or loss	(3,415)
Exchange differences	(211)
At 30 September 2016 (Unaudited)	92,948

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 30 September 2016 (Unaudited) HK$'000
Unlisted equity securities	Residual method	Adjusted market price (RMB/ square metre)	23,600–49,500	Increase	**10,860**
		Adjusted market price (RMB/car parking space)	130,000	Increase	
		Developer's profit	15%	Decrease	
	Income capitalisation	Reversionary yield	5%	Decrease	
Unlisted equity securities	Market comparable approach	Average price book multiple	1.00	Increase	**82,088**
		Book value	HK$1,327,044,000	Increase	
		Discount for lack of marketability	25%	Decrease	

3. FAIR VALUE MEASUREMENTS (Continued)

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

Level 3 fair value measurements (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 31 March 2016 (Audited) HK$'000
Unlisted equity securities	Residual method	Adjusted market price (RMB/square metre)	23,600–49,500	Increase	11,071
		Adjusted market price (RMB/car parking space)	130,000	Increase	
		Developer's profit	15%	Decrease	
	Income capitalisation	Reversionary yield	5%	Decrease	
Unlisted equity securities	Market comparable approach	Average price book multiple	1.00	Increase	85,503
		Book value	HK$1,278,027,000	Increase	
		Discount for lack of marketability	25%	Decrease	

There were no changes in the valuation techniques used for the valuation of the fair values of financial assets that measured at level 3 as at 30 September and 31 March 2016.

4. TURNOVER

The Group was principally engaged in mining and trading of iron ore and raw materials, real estate investment and development and trading of clinker, cement and other building materials during the six months ended 30 September 2016. The Group's turnover represents the sales of goods to customers, net of discount and returns, and the rental income received from real estate leasing.

5. OTHER INCOME

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Commission received	**11,085**	535
Despatch income	**1,291**	4,080
Interest income	**28,176**	2,832
Interest income from finance lease receivable	**17,874**	17,623
Exchange difference, net	**–**	877
Dividend income	**1,875**	–
Consultancy services	**5,594**	–
Others	**3,611**	2,314
	69,506	28,261

6. SEGMENT INFORMATION

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 purpose of resources allocation and performance assessment, the Group has identified the following three 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

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

The Group's CODM regularly reviews the composition of the Group's reportable segments in order to improve the resource allocation and better assess the performance of the Group. During the six months ended 30 September 2016, consistent with the Group's strategy to continue seeking opportunities in the real estate market, maintain the Group's strengths in its core business of iron ore mining, processing and trading, and continue to satisfy the Group's customers for cost competitive cement and clinker, the CODM considered that "mining and processing of granite and selling of granite products" segment ("granite segment"), which was reported separately in previous financial years, was not significant to the Group's businesses. As a result, the results of granite segment were not reported to the Group's CODM during the six months ended 30 September 2016 and were included in "all other segments" accordingly.

6. SEGMENT INFORMATION (Continued)

	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$'000	All other segments HK$'000	Total HK$'000
For the six months ended 30 September 2016 (Unaudited)					
Revenue from external customers	974,694	116,176	466,133	2,095	1,559,098
Intersegment revenue	–	300	–	–	300
Segment (loss)/profit	(73,156)	18,366	15,453	(13,879)	(53,216)

	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$'000	All other segments HK$'000	Total HK$'000
For the six months ended 30 September 2015 (Unaudited)					
Revenue from external customers	578,747	63,731	341,847	2,193	986,518
Intersegment revenue	–	300	–	–	300
Segment (loss)/profit	(50,338)	(32,635)	6,372	(10,325)	(86,926)

6. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment profit or loss:

	For the six months ended 30 September	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Revenue		
Total revenue from reportable segments	**1,559,398**	986,818
Elimination of intersegment revenue	**(300)**	(300)
	1,559,098	986,518
Profit or loss		
Total profit or loss of reportable segments	**(53,216)**	(86,926)
Other profit or loss	**47,888**	20,269
Share of profits less losses of a joint venture	**–**	(1,671)
Fair value losses on financial assets at fair value through profit or loss	**(3,023)**	–
Fair value (losses)/gains on derivative financial instruments	**(2,451)**	3,099
Fair value gains on investment properties	**3,083**	7,211
Reversal of impairment loss on property, plant and equipment	**72,607**	–
Reversal of impairment loss on other intangible assets	**228,368**	–
Gain on disposals of financial assets at fair value through profit or loss	**1,264**	–
Gain on disposal of available-for-sale financial assets	**–**	4,943
Gain on disposal of an associate	**–**	606,097
Impairment loss of available-for-sale financial assets	**(3,415)**	(2,149)
Finance costs	**(88,901)**	(111,039)
Unallocated amounts	**(23,605)**	(54,491)
Consolidated profit before tax	**178,599**	385,343

6. SEGMENT INFORMATION (Continued)

Geographic information:

	Revenue For the six months ended 30 September	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
The People's Republic of China (The "PRC")	**1,086,644**	644,057
Others	**472,454**	342,461
	1,559,098	986,518

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

	Non-current assets	
	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
The PRC	**2,423,891**	2,461,421
Macau	**313,189**	312,002
Malaysia	**1,964,470**	1,701,035
Others	**213,328**	185,259
	4,914,878	4,659,717

7. FINANCE COSTS

	For the six months ended 30 September	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Finance lease charges	**57**	118
Interest on bank and other borrowings wholly repayable within 5 years	**80,364**	78,094
Effective interest expenses on other loans	**4,509**	9,537
Effective interest expense on convertible bonds	**5,715**	25,884
Less: Borrowing costs capitalised into properties under development for sale	**(1,744)**	(2,594)
	88,901	111,039

8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Current tax	**12,200**	89,622
Deferred tax	**71,526**	2,162
	83,726	91,784

8. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profit for the six months ended 30 September 2016.

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% (six months ended 30 September 2015: 25%) during the six months ended 30 September 2016.

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 PRC subsidiaries at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

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

9. PROFIT FOR THE PERIOD

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

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation and amortisation	**34,103**	7,744
Allowance for inventories (included in cost of goods sold)	**–**	17,297
Impairment loss on available-for-sale financial assets	**3,415**	2,149
Reversal of impairment loss on property, plant and equipment	**(72,607)**	–
Reversal of impairment loss on other intangible assets	**(228,368)**	–
Staff costs including directors' emoluments		
Salaries, bonuses, allowances and other costs	**44,665**	59,978
Retirement benefits scheme contributions	**1,752**	2,000

During the six months ended 30 September 2016, the market consensus on the forecast price of 62% grade iron ore ("Forecasted Price") increased to US$56 per tonne as at 30 September 2016 from US$45 per tonne as at 31 March 2016.

Having regard to the increase in the Forecasted Price and the estimated industry trend, the Group carried out reviews of the recoverable amounts of Billion Win Capital Limited ("Billion Win"), which is considered as the cash generating unit ("CGU") of the Sri Jaya Iron Ore Mining Operation, and of United Goalink Limited ("UGL"), which is considered as the CGU of Brazilian Iron Ore Mining Operation by reference to valuation reports prepared by Roma Appraisals Limited, an independent qualified professional valuer. As a result, impairment losses made in prior years against other intangible assets and property, plant and equipment of approximately HK$228,368,000 and HK$72,607,000 in aggregate were reversed by the Group respectively for Billion Win and UGL.

9. PROFIT FOR THE PERIOD (Continued)

The recoverable amounts of the CGUs have been determined based on value in use, and there are no significant changes in the valuation method between the valuations as at 31 March 2016 and the above impairment reviews of Billion Win and UGL.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to owners of the Company for the six months ended 30 September 2016 of approximately HK$89,144,000 (six months ended 30 September 2015: HK$304,772,000) and the weighted average number of ordinary shares of 9,832,772,437 (30 September 2015: 9,439,287,410) in issue during the six months ended 30 September 2016.

(b) Diluted earnings per share

As the exercise of the Group's outstanding convertible bonds 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 2016 and 2015, 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 2016 (six months ended 30 September 2015: HK$Nil).

12. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2016, additions to investment properties and property, plant and equipment amounted to approximately of HK$Nil and HK$28,756,000 respectively (six months ended 30 September 2015: HK$Nil and HK$2,153,000 respectively). Property, plant and equipment amounted to HK$9,040,000 were disposed of during the same period (six months ended 30 September 2015: HK$Nil).

13. 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 (31 March 2016: 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 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
0 to 90 days	**207,329**	184,079
91 to 180 days	**268**	1,434
181 to 365 days	**–**	11,790
Over 1 year	**–**	20,966
	207,597	218,269

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2016 (Audited) and 30 September 2016 (Unaudited)	20,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2016 (Audited)	9,795,613,967	97,956
Issue of new shares upon share placement	400,000,000	4,000
At 30 September 2016 (Unaudited)	10,195,613,967	101,956

15. BANK BORROWINGS

	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Secured		
Bank loans	**1,433,896**	1,715,676
Trust receipt loans	**245,051**	227,644
Invoice financing	**–**	3,657
Bill negotiation	**–**	3,609
	1,678,947	1,950,586

15. BANK BORROWINGS (Continued)

The bank borrowings are repayable as follows:

	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
On demand or within one year	**756,238**	1,116,201
In the second year	**237,539**	257,173
In the third to fifth years, inclusive	**685,170**	577,212
After five years	**–**	–
	1,678,947	1,950,586
Less: Amount due for settlement within 12 months	**(756,238)**	(1,116,201)
Amount due for settlement after one year which contain a repayment on demand clause	**(74,880)**	(108,386)
Amount due for settlement after 12 months	**847,829**	725,999

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

16. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payable based on the date of receipts of goods, is as follows:

	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Not yet due	**27,869**	115,022
Due within 3 months or on demand	**322,048**	96,123
Due after 3 months	**13,762**	42,037
	363,679	253,182

17. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
(a) Compensation of key management personnel		
Directors' fees	**620**	620
Basic salaries, allowances and benefits in kind	**4,847**	8,204
Retirement benefits scheme contributions	**269**	430
	5,736	9,254

	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
(b) Other receivables from related companies	**–**	1,112

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

18. 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:

	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	**357,526**	104,710

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 30 September 2016, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

18. CONTINGENT LIABILITIES (Continued)

Financial guarantees issued (Continued)

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

	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Security given to banks for loan facilities utilised by a non-controlling shareholder and its associate companies	**825,000**	747,513

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 associate companies to the banks. The Group is then entitled to take over such percentage equity interests in the subsidiary at nil consideration.

At 30 September 2016, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

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

19. 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 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Within one year	**193,497**	251,456
In the second to fifth years, inclusive	**11,505**	14,480
	205,002	265,936

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$186,241,000 (31 March 2016: HK$242,881,000) and rentals payables by the Group of the office premises and staff quarters of approximately HK$18,761,000 (31 March 2016: HK$23,055,000). 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 (31 March 2016: 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.

19. COMMITMENTS (Continued)

(b) Operating lease commitments — as lessor (Continued)

At 30 September 2016, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Within one year	35,792	34,395
In the second to fifth years inclusive	92,026	81,567
Over five years	29,655	15,257
	157,473	131,219

20. EVENTS AFTER THE REPORTING PERIOD

(a) On 26 October 2016, the Company, through its wholly-owned subsidiary, Full Right Asia Limited ("Full Right"), entered into a sale and purchase agreement with Prosperity Materials (International) Limited ("PMIL") to acquire 25% of the issued share capital of PT Conch Cement Indonesia ("Indonesia Conch") at a maximum consideration of HK$450 million ("Consideration"). HK$100 million of the Consideration shall be satisfied by the issue of 5% per annum guaranteed convertible bonds (and 8% per annum starting from the maturity of third anniversary of the date of the issue) (the "PMIL Convertible Bonds") to PMIL, while the remaining HK$350 million of the Consideration shall be satisfied by the allotment and issue of the shares of the Company ("Consideration Shares") to PMIL.

20. EVENTS AFTER THE REPORTING PERIOD (Continued)

(a) (Continued)

Assuming there would be no other issue of new shares of the Company and no repurchase of existing shares of the Company before completion of the sale and purchase agreement, a maximum of 2,333,333,333 Consideration Shares will be allotted and issued and a maximum of 666,666,667 conversion shares will be issued upon conversion of the PMIL Convertible Bonds.

Indonesia Conch is a company incorporated in Indonesia and is principally engaged in investment and trading. Indonesia Conch is owned as to 75% by Anhui Conch Cement Company Limited ("Anhui Conch"), a company incorporated in the PRC whose shares are listed on the Main Board of Stock Exchange (Stock code: 914) and the Shanghai Stock Exchange (Stock code: 600585) and as to 25% by PMIL.

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

On 28 November 2016, Fuchun Dongfang, a 55%-owned subsidiary of the Company, pledged certain units of Oriental Landmark, for the benefit of a non-controlling shareholder of Fuchun Dongfang, as security for the loans taken by its associate companies. For details about the arrangement, please refer to the announcement of the Company dated 28 November 2016 and the circular of the Company dated 9 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

Century Holdings is a resource development company incorporated under the laws of the Province of British Columbia, Canada which specialises in iron ore mining. Mr. Wong, through his controlled associates, held interests in Century Holdings and was also a director of Century Holdings. The Board believes that as the size of that part of these Excluded Businesses in the PRC, where the Group has iron ore trading business, is not insignificant when compared with the iron ore trading business of the Group in the PRC, it is likely that these Excluded Businesses may compete with the iron ore trading business of the Group in the PRC.

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

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

DISCLOSURE UNDER 13.21 OF THE LISTING RULES

On 16 March 2016, the Company entered into the subscription agreement with Cheer Hope, and with Mr. Wong as the guarantor, pursuant to which the Company conditionally agreed to issue the CCB Convertible Bonds and the Guaranteed Notes, each in the aggregate principal amount of US$20,000,000 (equivalent to approximately HK$156,000,000), to Cheer Hope.

In relation to the CCB Convertible Bonds and the Guaranteed Notes, Mr. Wong agreed to irrevocably and unconditionally guarantee the punctual performance by the Company of all of its obligation under the transaction documents of the CCB Convertible Bonds and the Guaranteed Notes ("Transaction Documents"). Pursuant to the terms of the CCB Convertible Bonds instrument (the "CCB CB Instrument") and the Guaranteed Notes instrument (the "Notes Instrument"), the maturity date of the CCB Convertible Bonds and the Guaranteed Notes is the date falling on the second anniversary of the initial closing date, being 26 April 2018. Further, pursuant to the terms of the CCB CB Instrument and the Notes Instrument, specific performance obligations are imposed on Mr. Wong during the respective terms of the CCB Convertible Bonds and the Guaranteed Notes, occurrence of any of the following events, among others, shall constitute an event of default: (1) Mr. Wong ceases to be the chairman of the Board; (2) Mr. Wong, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and control more than 50% of the shares of the Company; and (iii) all or any substantial part of the assets of Mr. Wong is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government.

Non-compliance with the aforesaid obligations by Mr. Wong will constitute an event of default under the CCB CB Instrument and the Notes Instrument, upon the occurrence of which Cheer Hope may elect to require the Company to redeem the CCB Convertible Bonds and/or the Guaranteed Notes at an amount equal to the aggregate of (i) the aggregate principal amount of the CCB Convertible Bonds and/or the Guaranteed Notes (as the case may be) held by Cheer Hope; (ii) any accrued but unpaid interest on the CCB Convertible Bonds and/or the Guaranteed Notes (as the case may be); and (iii) an amount that would yield an internal rate of return of 22% on the aggregate principal amount of the CCB Convertible Bonds and/or the Guaranteed Notes (as the case may be) (taking into account the interest amounts arising under the CCB Convertible Bonds and/or the Guaranteed Notes which have accrued and have been paid) calculated from the relevant issue date until the relevant date of the default redemption. At the same time when the above redemption amount is due and payable, the Company shall also pay Cheer Hope any taxes, fees, costs, charges, duties and expenses due under the Transaction Documents in respect of the CCB Convertible Bonds and/or the Guaranteed Notes (as the case may be).

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

As at 30 September 2016, 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 Model 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	1,667,321,241	3,911,915,672 *(Note 1& 2)*	22,640,000	–	5,601,876,913	54.94%
Dr. Mao Shuzhong	–	–	–	30,000,000	30,000,000	0.29%
Mr. Liu Yongshun	–	–	–	15,000,000	15,000,000	0.14%
Ms. Gloria Wong	–	–	–	10,000,000	10,000,000	0.09%
Mr. Kong Siu Keung	–	–	–	10,000,000	10,000,000	0.09%

Note:

(1) Mr. Wong is interested in 1,634,051,772 shares, 2,272,584,872 shares, 2,639,514 shares and 2,639,514 shares through his interest in Elite Force (Asia) Limited ("Elite Force"), Prosperity Minerals Group Limited ("PMGL"), Max Start Holdings Limited ("Max Start") and Max Will Profits Limited ("Max Will"), which are owned beneficially as to 100%, 67.2%, 65.0% and 65.0% by Mr. Wong respectively.

(2) PMGL beneficially holds 2,115,673,124 shares of the Company. Pursuant to the put option deed executed between PMGL, Mr. Wong, Luck Well Management Limited ("Luck Well") and Cheer Hope on 13 September 2016, PMGL granted the put option to Cheer Hope conferring rights to sell 156,911,748 shares of nominal value of HK$0.01 each in the capital of the Company to PMGL or Mr. Wong pursuant to the terms of the put option deed.

(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	Number of underlying Shares held under equity derivatives	Total	Percentage of the Company's issued share capital
Mr. Wong	–	– *(Note)*	–	–	–	0%

Note: Pursuant to the warrant instruments executed between PMGL, Mr. Wong and Luck Well on 8 April 2011 and 8 April 2013 respectively, PMGL granted the warrants to Luck Well conferring rights to purchase from PMGL of nominal value of HK$0.01 each in the capital of 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. On 13 September 2016, Luck Well has redeemed all the warrants.

Save as disclosed above, as at 30 September 2016, 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 below, at no time during the Period under review 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 Period under review are as follows:

Name or category of participant	Number of share options outstanding as at 1 April 2016	Lapsed during the period	Number of share options outstanding as at 30 September 2016	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	31,800,000	–	31,800,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Third parties	30,000,000	–	30,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
	126,800,000	–	126,800,000				

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

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 2016, 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)*	2,277,863,900	–	2,277,863,900	22.34%
PMGL *(Note e)*	Beneficial owner *(Note d)*	2,272,584,872	–	2,272,584,872	22.29%
Ms. Shing Shing Wai	Interest of spouse *(Note b)*	5,579,236,913	–		
	Beneficial owner	22,640,000	–		
		5,601,876,913	–	5,601,876,913	54.94%
Elite Force *(Note e)*	Interest in controlled corporations *(Note c)*	1,634,051,772	–	1,634,051,772	16.03%
南京鋼鐵集團有限公司 *(Note f)*	Beneficial owner	1,179,890,378	–	1,179,890,378	11.57%
南京鋼鐵創業投資有限公司	Interest in controlled corporations *(Note g)*	1,179,890,378	–	1,179,890,378	11.57%
南京鋼鐵集團有限公司工會	Interest in controlled corporations *(Note g)*	1,179,890,378	–	1,179,890,378	11.57%
南京新工投資集團有限責任公司	Interest in controlled corporations *(Note g)*	1,179,890,378	–	1,179,890,378	11.57%
南京市人民政府國有資產監督管理委員會	Interest in controlled corporations *(Note g)*	1,179,890,378	–	1,179,890,378	11.57%
Central Huijin Investment Ltd. ("CHI")	Interest in controlled corporations *(Note h)*	156,911,748	837,808,807	994,720,555	9.76%
China Construction Bank Corporation ("CCB")	Interest in controlled corporations *(Note h)*	156,911,748	837,808,807	994,720,555	9.76%

Name	Capacity/ nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share capital
CCB International Group Holdings Limited	Interest in controlled corporations *(Note h)*	156,911,748	837,808,807	994,720,555	9.76%
CCB Financial Holdings Limited	Interest in controlled corporations *(Note h)*	156,911,748	837,808,807	994,720,555	9.76%
CCB International (Holdings) Limited	Interest in controlled corporations *(Note h)*	156,911,748	837,808,807	994,720,555	9.76%
CCBI Investments Limited	Interest in controlled corporations *(Note h)*	156,911,748	837,808,807	994,720,555	9.76%
Cheer Hope	Beneficial owner *(Note i)*	156,911,748	837,808,807	994,720,555	9.76%

Note:

(a) The issued share capital of PMGL, Max Start and Max Will, are beneficially owned by Madam Hon Ching Fong as to 32.8%, 35% and 35% 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) Elite Force, a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Wong.

(d) PMGL beneficially holds 2,115,673,124 shares of the Company. Pursuant to the put option deed executed between PMGL, Mr. Wong, Luck Well and Cheer Hope on 13 September 2016, PMGL granted the put option to Cheer Hope conferring rights to sell 156,911,748 shares of nominal value of HK$0.01 each in the capital of the Company to PMGL or Mr. Wong pursuant to the terms of the put option deed.

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

(f) 南京鋼鐵集團有限公司 (Nanjing Iron and Steel Group Co. Ltd.) is a limited liability company incorporated under the laws of the PRC.

(g) 南京鋼鐵創業投資有限公司 held 51% interest of 南京鋼鐵集團有限公司 and 南京新工投資集團有限責任公司 held the remaining 49% interest. 南京鋼鐵創業投資有限公司 is wholly owned by 南京鋼鐵集團有限公司工會. 南京新工投資集團有限責任公司 is wholly owned by 南京市人民政府國有資產監督管理委員會.

(h) These shares are held by Cheer Hope, an indirect wholly-owned subsidiary of CCB through several controlled corporations and CCB is a wholly-owned subsidiary of CHI. CHI, CCB and several controlled corporations are therefore deemed to be interested in the shares of the Company held by Cheer Hope.

(i) Cheer Hope owned the CCB Convertible Bonds issued by the Company in an aggregate principal amount of US$20,000,000 carrying rights to convert into 837,808,807 ordinary shares of the Company at the conversion price of HK$0.1862 per ordinary share, subject to adjustment pursuant to the CCB CB Amendment Deed of the CCB Convertible Bonds. For details of the CCB Convertible Bonds, please refer to the Company's announcements dated on 16 March 2016 and 29 June 2016.

Short positions:

Name	*Note*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
CHI	*(a)*	Interest in controlled corporations	156,911,748	1.54%
CCB	*(a)*	Interest in controlled corporations	156,911,748	1.54%
CCB International Group Holdings Limited	*(a)*	Interest in controlled corporations	156,911,748	1.54%
CCB Financial Holdings Limited	*(a)*	Interest in controlled corporations	156,911,748	1.54%
CCB International (Holdings) Limited	*(a)*	Interest in controlled corporations	156,911,748	1.54%
CCBI Investments Limited	*(a)*	Interest in controlled corporations	156,911,748	1.54%
Cheer Hope	*(b)*	Beneficial owner	156,911,748	1.54%

Note:

(a) These shares are held by Cheer Hope, an indirect wholly-owned subsidiary of CCB through several controlled corporations and CCB is a wholly-owned subsidiary of CHI. CHI, CCB and several controlled corporations are therefore deemed to be interested in the shares of the Company held by Cheer Hope.

(b) Pursuant to the put option deed executed between PMGL, Mr. Wong, Luck Well and Cheer Hope on 13 September 2016, PMGL granted the put option to Cheer Hope conferring rights to sell 156,911,748 shares of nominal value of HK$0.01 each in the capital of the Company to PMGL or Mr. Wong pursuant to the terms of the put option deed.

Save as disclosed above, as at 30 September 2016, 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 Company has an audit committee (the "Audit Committee") with terms of reference aligned with the code provisions as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. 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 Company has also adopted the latest requirement of Appendix 14 to the Listing Rules, adding into the responsibilities of the Audit Committee relating to the duty of risk management and internal control, improving the Group's systems of risk management and internal control. During the Period under review, the Audit Committee has begun to implement the above responsibilities, reviewing the Company's risk relating to strategy, operation and finance on a timely basis, enhancing the Group's capacity to cope with all kinds of risk.

During the Period under review, the Audit Committee held one meeting and met with the external auditor to discuss on financial reporting matters and has reviewed the Group's unaudited interim information for the six months ended 30 September 2016.

CORPORATE GOVERNANCE

In the opinion of the Directors, during the Period under review, 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 Code E.1.2 of 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 the annual 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 13 September 2016 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 Period under review.

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 2017, 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, 30 November 2016

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

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

Non-executive Directors
Mr. Liu Yongshun
Mr. Wu Likang

Independent non-executive Directors
Mr. Yuen Kim Hung, Michael
Mr. Yung Ho
Mr. Chan Kai Nang
Mr. Ma Jianwu