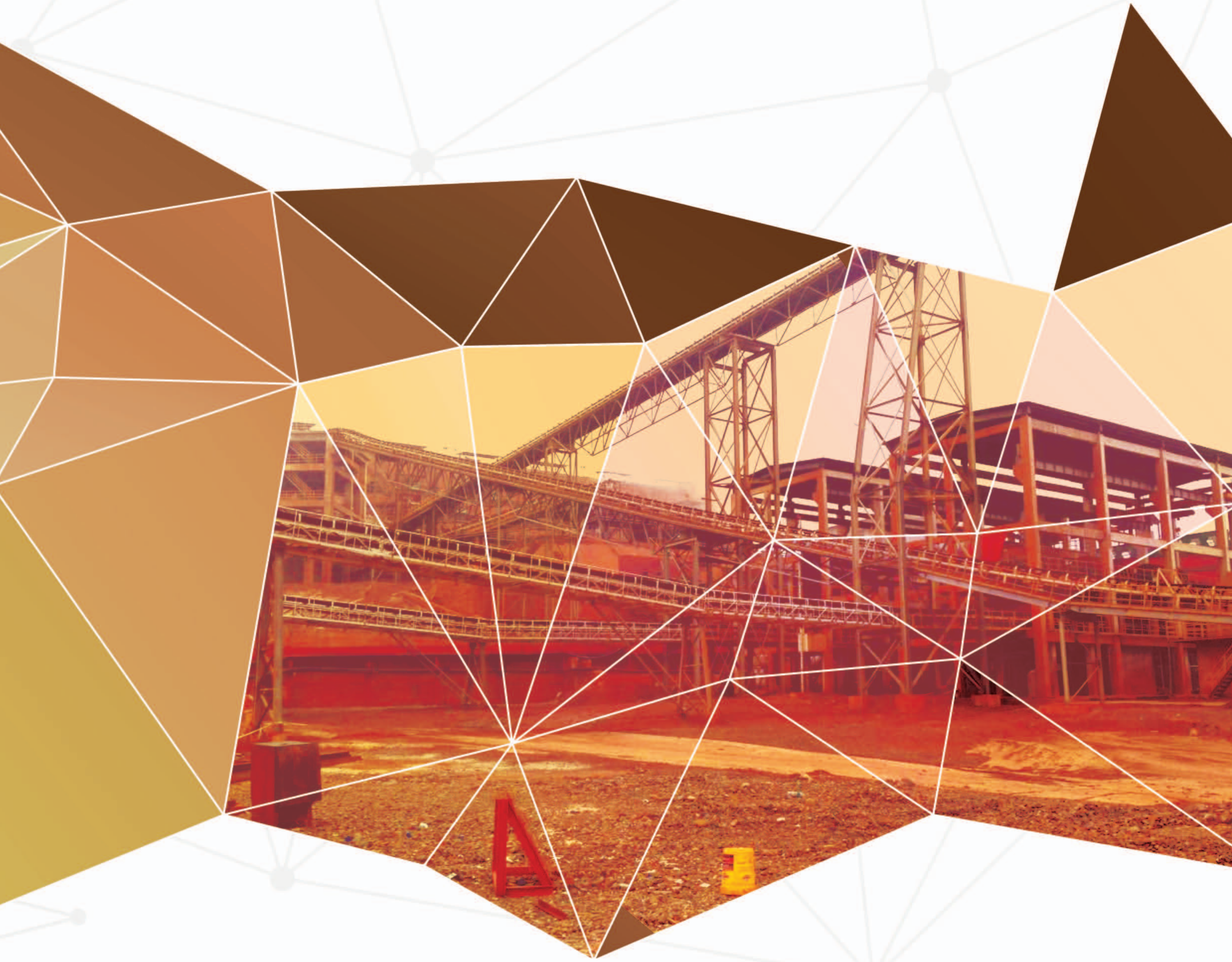
PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED
昌興國際控股(香港)有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 803

FORGING NEW HEIGHTS

Annual Report 2017

This annual report is printed on environmentally friendly paper



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Corporate Information

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

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18th Floor
Tower 2
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Tsim Sha Tsui
Kowloon
Hong Kong

Corporate Information *(continued)*

Registered Office

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Hamilton HM 11
Bermuda

Bermuda Principal Share Registrar and Transfer Office

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Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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Hong Kong

Stock Code

803

Auditor

RSM Hong Kong
Certified Public Accountants
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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
O-Bank Co., Ltd.

Company Website

www.pihl-hk.com

Chairman's Statement

Prosperity International Holdings (H.K.) Limited (the "Company", which together with its subsidiaries, is collectively referred to as the "Group") has strengthened its core business of iron ore mining, processing and trading with the aim of becoming a principal trader. The strategic transformation will give it an advantage when it comes to capitalizing on China's urbanization. The Group now holds an entire equity stake in an iron ore mining and processing business in the State of Pahang, Malaysia and an 85% equity interest in an iron ore mine in Ceará, Brazil. It also operates other businesses, including real estate investment and development and clinker and cement trading.

We will keep seeking opportunities in various industries and sectors while maintaining our strengths for a recovery in the iron ore industry in the future.

Prosperity International Holdings (H.K.) Limited (the "Company", which together with its subsidiaries, is collectively referred to as the "Group"), continued to actively expand its property and cement businesses during its financial year ended 31 March 2017 (the "Year") in an attempt to mitigate the impact of the iron ore industry consolidation on its overall profitability. Such efforts to enhance its diverse businesses and a recovery in the iron ore market combined to contribute to a decrease in the loss in the Year.

Results Overview

For the Year, the Group recorded a net loss of approximately HK$128 million compared with a net loss of approximately HK$307 million for the year ended 31 March 2016 (the "Previous Financial Year"). The decrease in the loss was attributable to the recognition of profit from sales at some of its property projects as well as the reversal of part of impairment losses previously recorded for the Group's iron ore mining and processing businesses.

Approximately HK$508 million in revenue from sales at the Group's commercial and residential property projects in Binhai county of Yancheng city and Suzhou city in Jiangsu province and Guangzhou city in Guangdong province were recognised during the Year. Meanwhile, approximately HK$128 million of the impairment losses made in previous years against other intangible assets and property, plant and equipment for the Group's iron ore businesses in Malaysia and Brazil was reversed for the Year as the value of such assets were revised up in view of a strong rebound in iron ore price. The rally was helped by China's consistently high level of steel production and the world's reduced iron ore output.

Basic loss per share was 1.20 HK cents in the Year, compared with the basic loss per share of 2.74 HK cents in the Previous Financial Year. The Board does not recommend payment of a final dividend for the Year (Previous Financial Year: Nil).

Business Review

Iron Ore Operations

Following a drastic decline in the previous year amid a market glut, iron ore price rebounded significantly on the back of China's high demand and the decline in the global output of the commodity during the Year. However, the Group continued to suspend its iron ore mining and processing operations in Malaysia and Brazil to minimize the operating loss during the Year because the price level was not yet high enough to make such business profitable. 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.

During the Year, the Group's iron ore trading operations improved compared with the Previous Financial Year in terms of both the volume shipped and the average selling price for the commodity sold by the Group.

Property Investment and Development

The Group had been stepping up the development of its property business, mainly in the economically vibrant Chinese cities. During the Year, it finished revamping its shopping arcade in Guangzhou, and continued to work on projects of residential and commercial properties in Yancheng and Suzhou. The effort yielded more noticeable results in the Year as it presold and sold some properties during China's property market boom in 2016 and the first quarter of 2017.

In Binhai county of Yancheng, Jiangsu province, the Group is now developing residential and commercial properties on a piece of land of 159,698 square metres ("sq.m."). The property project is called One City and is situated in the core of Binhai county's Central Business District ("CBD"). One City has a combined gross floor area ("GFA") of approximately 441,000 sq.m. and will be developed in two phases. The first phase consisted of 11 blocks of apartment buildings, 40 townhouses and a shopping street. Presale of both residential properties and shop spaces met with enthusiastic market response. As of 31 March 2017, more than 95% of the apartment buildings and approximately 50% of the townhouses had been presold. Meanwhile, approximately 50% of the shop spaces were sold and delivered to buyers and the revenue were recognised for the Year. The Group will sell the remaining residential properties and shop spaces for higher prices to capitalise on the booming market. Construction of the second phase of the project commenced in the second quarter of 2017.

In Guangzhou, Guangdong province, the shopping arcade of the Group's 55%-owned integrated project of commercial and residential properties, Oriental Landmark, was revamped to suit the families' life style. The transformation was successful and attracted a number of well-known brands as tenants. It had an occupancy rate of approximately 70%. The Group expects to attract more diverse tenants and turn the shopping arcade into a top shopping spot.

In Suzhou, 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, 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"). Suzhou Jiaxin is developing a deluxe property project

The shopping street at One City

The lobby of the hotel at Fu Yuan in Suzhou (computer-generated imagery)

* *For identification purpose only*

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 villas, which range between approximately 430 sq.m. and approximately 740 sq.m. each in GFA, are built in two phases, with 28 in the first and 23 in the second. As of 31 March 2017, several villas of the first phase had been sold and delivered to the buyers and the revenue from sales has been recognised for the Year. The second phase of the project and the deluxe hotel are now under construction.

Building on its achievements in mainland China's property market, the Group diversified into the promising market of Jakarta, Indonesia to tap into the hot demand for residential properties in the CBD there in the Previous Financial Year. It was developing a condominium for residential and commercial uses on the site there during the Year, and presale of the residential properties started in May 2017.

Clinker and Cement Business

During the Year, the Group tried to expand its business of clinker and cement by reaching an agreement with Prosperity Materials (International) Limited ("PMIL") to acquire 25% of the issued share capital of PT Conch Cement Indonesia ("Indonesia Conch"). Indonesia Conch is a company incorporated in Indonesia and principally engaged in investment and trading. The acquisition will enable the Group to benefit from a boom in Indonesia's clinker and cement manufacturing industry. The prospect of the industry is bright as the Indonesian government is committed to enhancing the country's infrastructure. Moreover, Indonesia, which is also one of the countries covered by China's Belt and Road Initiative, can expect the policy to help foster its local economic development in the long term.

Prospects

Although there have been encouraging signs of recovery in the iron ore market, we have to be cautious about China's economic slowdown and the significantly expanded global iron ore production capacity. We will consider resuming our iron ore mining and processing operations only when the uptrend of the commodity's price is sustained and when the price level is high enough for such businesses to be profitable.

As to our commodity trading operations, we have seen encouraging developments such as the rapid growth in the volume of the business and a significant rebound in the prices. To match the larger scale of the operations, the Group engaged a group of experts in June 2017 to further expand and strengthen its commodity trading business.

Meanwhile, the Group has taken the initiative in expanding its property development and cement businesses to mitigate the impact of the iron ore business on its overall profitability. Such endeavor in its property business began to yield significant results in the Year as revenues and profits from sales at some of its property projects in Yancheng and Suzhou were recognised. The Group can also expect its condominium project in Jakarta to start contributing to its income in the coming financial year. Considerable income through either rental or sales of properties is expected to be generated as more of the Group's property projects will be completed in the next several years.

Meanwhile, the Group has been trying to bolster its business of clinker and cement by reaching an agreement to acquire a 25% equity stake in Indonesia Conch.

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.

Words of Thanks

On behalf of the Company, I would like to express my gratitude to our shareholders and business partners for their support and to the management and staff for their dedication during the Year.

WONG Ben Koon
Chairman
Hong Kong, 30 June 2017

Oriental Landmark

Results and Financial Overview

For the Year, the Group recorded a net loss of approximately HK$128 million, compared with a net loss of approximately HK$307 million for the Previous Financial Year. The decrease in the loss was attributable to the recognition of profit from sales at some of its property projects as well as the reversal of part of impairment losses previously recorded for the Group's iron ore mining and processing business.

Approximately HK$508 million in revenue from sales at the Group's commercial and residential property projects in Binhai county of Yancheng city and Suzhou city in Jiangsu province and Guangzhou city in Guangdong province were recognized during the Year. At the first phase of One City, an integrated project of residential and commercial properties in Binhai county, the Group presold more than 95% of 11 blocks of apartment buildings and approximately 50% of 40 townhouses and shop spaces. The shop spaces were delivered to buyers as of 31 March 2017. At Fu Yuan, a deluxe property project in Suzhou, the Group sold several villas and delivered them to buyers as of 31 March 2017.

Meanwhile, approximately HK$128 million of the impairment losses made in prior years against other intangible assets and property, plant and equipment for the Group's iron ore businesses in Malaysia and Brazil was reversed for the Year as the value of such assets were revised up by the Group after it referred to a revaluation conducted by an independent valuer in view of a strong rebound in iron ore price. The rally was helped by China's consistently high level of steel production and the world's reduced iron ore output. 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 its iron ore mining operation in Sri Jaya, Malaysia, and those of United Goalink Limited ("UGL"), which is considered as the CGU of its iron ore mining operation in Brazil. During the Year, the Group temporarily suspended its iron ore mining and processing operations because the iron ore prices were not yet high enough to make the business segment profitable.

Turnover for the Year increased by 125% to approximately HK$4,521 million. The increase in turnover was mainly attributable to the recognition of revenue from sales at some of the Group's property projects as well as the higher volume of tonnage shipped at the iron ore trading operations and higher average iron ore price compared with those in the Previous Financial Year.

During the Year, the volume of tonnage shipped at the Group's iron ore trading operations increased by 133% to approximately 4.9 million tonnes (the Previous Financial Year: approximately 2.1 million tonnes) while the average selling price for the iron ore sold by the Group increased by 47.5% to approximately US$75.5 per dry metric tonne (the Previous Financial Year: US$51.2 per dry metric tonne).

Basic loss per share was 1.20 HK cents, compared with the basic loss of 2.74 HK cents per share for the Previous Financial Year.

The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the Year (the Previous Financial Year: Nil).

A garden at a villa of Fu Yuan

Apartment buildings and shopping street at One City (computer-generated imagery)

Business Review

PRC Steel Market

Accelerating investment in China's property development, along with higher than expected growth in infrastructure sector and automotive industry, boosted the country's demand for steel. The country's apparent crude steel consumption edged up by 1.3% to about 710 million tonnes in 2016 from 700 million tonnes in 2015 (Sources: "2016年鋼鐵行業運行情況和2017年展望" — Ministry of Industry and Information Technology of the People's Republic of China (the "PRC") ("MIIT"), dated 1 March 2017; and "2016年粗鋼產量和表觀消費量小幅回升" — 生意社, dated 21 January 2017). Although the growth is small, it contrasted sharply with the 5.4% decrease in 2015. This led to a rise in the steel price. China Steel Price Index ("CSPI") increased by 43.14 points, or by 76.5%, to 99.51 points at the end of December 2016 from 56.37 points at the end of December 2015 (Source: "2016年12月國內市場鋼材價格繼續上升" — China Iron and Steel Association ("CISA"), dated 23 January 2017).

To capitalise on the recovery in demand, China's steel mills increased crude steel production by 1.2% to about 808 million tonnes in 2016, against the 2.3% decrease in 2015 (Source: "2016年鋼鐵行業運行情況和2017年展望" — MIIT, dated 1 March 2017).

China's crude steel production remained at a high level consistently despite the Chinese government's success in reducing the country's annual production capacity by more than 65 million tonnes in 2016 (Source: "2016年鋼鐵行業運行情況和2017年展望" — MIIT, dated 1 March 2017). Overcapacity persisted in the country's steel industry. In an attempt to solve the problem, some steel mills that stayed in business had been exporting the surplus so as to mitigate the glut on the domestic market, but their endeavours were frustrated by some overseas markets with anti-dumping measures. As a result, China's steel exports decreased by 3.5% to about 108 million tonnes (Source: General Administration of Customs of the PRC ("China Customs")).

The world's crude steel production edged up by 0.8% to about 1.63 billion tonnes in 2016. China accounted for about 49.6% of the world's crude steel output and about 71.9% of Asia's, which is about 1.13 billion tonnes, thereby maintaining its dominant position in the world's crude steel production (Source: World Steel Association).

PRC Iron Ore Market

Faster growth in steel-intensive industries stimulated China's demand for iron ore. This, coupled with the reduced domestic iron ore output, caused the growth in the country's imports of iron ores and concentrates to accelerate to 7.5% in 2016 from 2.0% in 2015. Iron ores and concentrates imported into China hit a record of about 1.02 billion tonnes in 2016 (Source: China Customs).

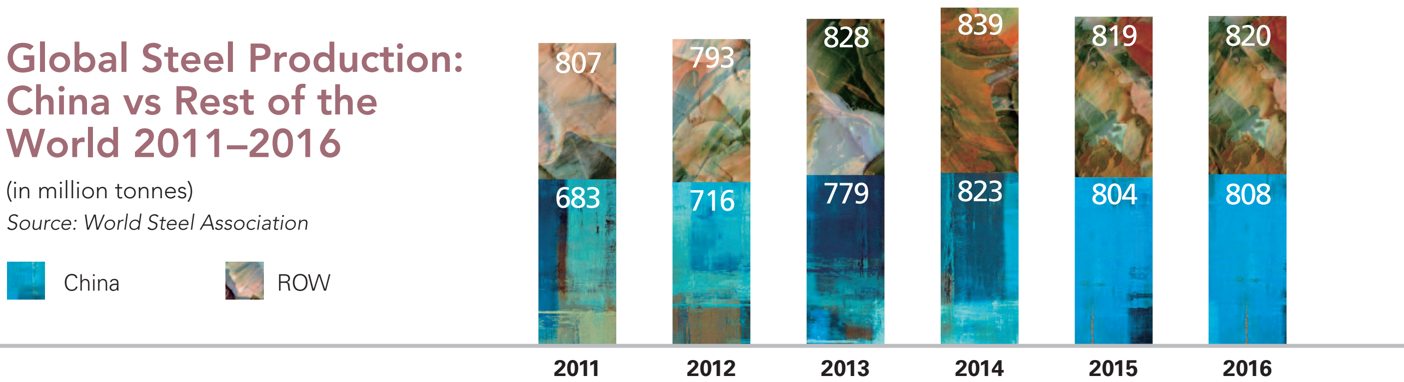
On the supply side, the world's iron ore production on a usable ore basis is estimated by the United States Geological Survey to have decreased by 2.2% to about 2.23 billion metric tonnes in 2016 from 2.28 billion metric tonnes in 2015. In China, the government's directive to close some of the country's iron ore production capacity led to a 3.0% decline in the domestic crude iron ore output to about 1.28 billion tonnes in 2016 (Source: "【統計表】2016年1–12月全國鐵礦石原礦產量" — 中國產業資訊研究網, dated 16 February 2017). China has been substituting its domestically produced iron ore that are of higher cost and lower-iron content with the high-quality, lower-cost iron ore imports. The country has now purchased about two-thirds of the world's sea borne iron ore.

The revived demand and less output combined to cause the iron ore price to rally, and the price of benchmark 62% grade iron ore per dry metric tonne, in particular, rebounded to US$79.43 in December 2016 from the low of US$40.88 in December 2015 (Source: indexmundi). The price rose further to US$88.80 in February 2017 before it edged down to US$87.20 in March 2017.

Global Steel Production: China vs Rest of the World 2011–2016

(in million tonnes)

Source: World Steel Association



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 2016, China imported about 596 million tonnes of iron ore from Australia and about 189 million tonnes from Brazil (Source: "2017年1月鐵礦石進口預警監測報告" by CISA, dated 24 January 2017).

Iron Ore Trading and Mining

The Group sources iron ore mainly from South Africa, 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 Year, the Group's iron ore trading operations improved compared with the Previous Financial Year. The volume of tonnage of iron ore shipped increased by 133% to approximately 4.9 million tonnes for the Year from approximately 2.1 million tonnes for the Previous Financial Year, and the average selling price for the iron ore sold by the Group increased by 47.5% to approximately US$75.5 per dry metric tonne for the Year from approximately US$51.2 per dry metric tonne for 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 minimise 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 in a previous year 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 31 March 2017, 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 16 years based on the latest mining plan.

   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 Year, the iron ore mining and processing operations were temporarily suspended because the iron ore price level was not yet high enough for the operations to be profitable.

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 Year, UGL temporarily suspended its operations to minimise operating loss because the iron ore price level was not yet high enough for the operations to be profitable.

In addition, the Group owns an iron ore processing plant in Malaysia which had been leased back to one of the Group's long-term iron ore suppliers on an exclusive basis and earned a fee of HK$18 million during the Year. The lease ended in February 2017 and the Group decided to operate the iron ore processing plant to supplement its iron ore mining operation in Sri Jaya.

Overall, the Group shipped approximately 4.9 million tonnes of iron ore during the Year, 133% more than it did in the Previous Financial Year.

Real Estate Investment and Development

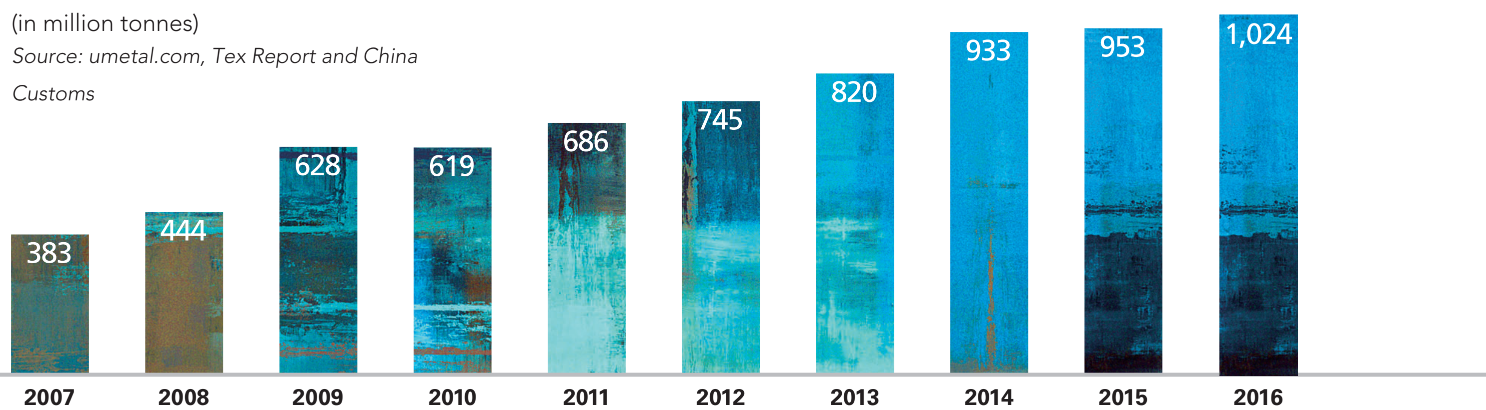
Property sales in China grew robustly in 2016 and the momentum continued well into the first quarter of 2017. Growth of investment in the country's real estate development accelerated to 6.9% in 2016 from 1.0% in 2015 (Source: The National Bureau of Statistics of the PRC ("The National Bureau of Statistics")). The property sales grew by 22.5% (2015: 6.5%) in GFA to about 1.57 billion sq.m. and surged by 34.8% (2015: 14.4%) in value to about RMB11.8 trillion. To cool the overheated property market, the Chinese government has adopted policies to restrict home purchases and tighten mortgage rules. Nevertheless, in the first quarter of 2017, property sales increased by 25.1% year on year to about RMB2.32 trillion in value and rose by 19.5% year on year to about 290.35 million sq.m. in area (Source: The National Bureau of Statistics of the PRC).

During the Year, 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 and a half years in the promising markets of economically vibrant cities in China and the capital of Indonesia.

PRC's Iron Ore Imports From 2007 to 2016

(in million tonnes)

Source: umetal.com, Tex Report and China Customs



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 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. Construction work of the first phase commenced in the third quarter of 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 31 March 2017, more than 95% of 11 blocks of apartment buildings and approximately 50% of 40 townhouses had been presold. The residential properties will be delivered to the buyers by the end of 2017 and the revenue is expected to be realised in the first quarter of 2018. Meanwhile, approximately 50% of the shop spaces were sold and delivered to buyers and the revenue have been recognised for the Year. The Group will sell the remaining residential properties and shop spaces for higher prices to capitalise on the booming market. Construction of the second phase of the project commenced in the second quarter of 2017.


An apartment building at One City

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.

During the Year and the Previous Financial Year, Silver Bay Plaza had an occupancy rate of over 90%. The Group expects to receive stable rental income from the building.

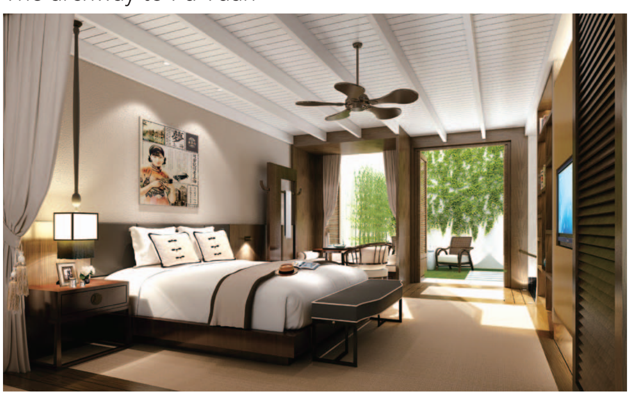
Oriental Landmark is just a few minutes' walk from Beijing Road, a popular pedestrianised shopping street in the center of the city. There is a five-floor shopping arcade with an aggregate GFA of approximately 33,000 sq.m. Oriental Landmark's shopping arcade was revamped to suit the families' lifestyle in contemporary Guangzhou. The transformation was successful and attracted a number of well-known brands as tenants, including restaurants, education centers, antique stores, fitness club and supermarket. It had an occupancy rate of approximately 70%. The Group expects to attract more diverse tenants and turn the shopping arcade into a top shopping spot.

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 Suzhou Jiaxin.

The island is located at the heart of the scenic Taihu Lake, and the plot of land, which is 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. As of 31 March 2017, several villas of the first phase had been sold and delivered to the buyers and the revenue from sales has been recognised for the Year. The second phase of the project and the deluxe hotel are currently under construction.

The archway to Fu Yuan



A guest room of the hotel at Fu Yuan (computer-generated imagery)

* *For identification purpose only*

4. **Dongguan City, Guangdong Province**

Property markets in China's second-tier cities have been booming and some of them have outperformed those in the first-tier cities. The Group had foreseen this trend and had started investing in the property markets in the second-tier cities before the market price surged to a very high level (Source: An article called "Second-tier cities outperform first-tier peers in China's property market" by South China Morning Post, dated 17 January 2017).

On 5 May 2015, the Company's indirect wholly-owned subsidiary, Prosperity Real Estate Holdings Limited, signed an agreement to form a joint venture with 東莞市丹新置業有限公司 (Dongguan City Danxin Property Company Limited*) for a redevelopment project in Fenggang town in Dongguan city, Guangdong province. The Group has already settled most of the compensation for demolition and resettlement to the owners of the properties erected on the land up to the present.

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 stake 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 started in May 2017. Approximately 20% of 208 units have been presold.

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.

Clinker and Cement Trading Business and Operation

In 2016, the PRC's cement output increased by 2.5% to about 2.4 billion tonnes (Source: The National Bureau of Statistics of the PRC) as the cement industry capitalised on the accelerating growth of investment in the country's real estate development. China's cement price index ("CEMPI") increased from 79.25 points at the end of 2015 to 102.43 points by the end of 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 the Asia Pacific Region during the Year. 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. We seized such opportunities by matching our customers' preferences to our suppliers' need to export. We 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.

During the Year, the Group tried to expand its business of clinker and cement by reaching an agreement with PMIL to acquire 25% of the issued share capital of Indonesia Conch and its subsidiaries (collectively referred to as "Indonesia Conch Group"). Indonesia Conch is a company incorporated in Indonesia and principally engaged in investment and trading. Indonesia Conch Group operates a cement plant in South Kalimantan, Indonesia. The cement plant is equipped with a grinding mill station, coal-fired power plant and two clinker cement production lines. Each clinker cement production line has a capacity to produce 3,200 tonnes of clinker per day. Indonesia Conch Group also owns 2 sets of cement grinding mills and a private jetty near Port of Merak and Jakarta-Banten Highway. The jetty consists of five berths, of which two each has a total capacity of 50,000 tonnes in deadweight tonnage. The acquisition will enable the Group to benefit from a boom in Indonesia's clinker and cement manufacturing industry. The prospect of the industry is bright as the Indonesian government is committed to enhancing the country's infrastructure. Moreover, Indonesia, which is also one of the countries covered by China's Belt and Road Initiative, can expect the policy to help foster its local economic development in the long term. Up to the date of this report, the acquisition has not yet been completed. For more information about the acquisition of Indonesia Conch, please refer to the Company's circular dated 12 May 2017.

Granite Production

The Company owns the Xiang Lu Shan Granite Mining Site in Guangxi, the PRC ("Guilin Granite Mine") through the 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 Convertible Bonds and Guaranteed Notes

On 16 March 2016, the Company announced that it had entered into a subscription agreement with Cheer Hope Holdings Limited ("Cheer Hope") which was a subscriber, and Mr. Wong Ben Koon who was the guarantor, pursuant to which the Company conditionally agreed to issue the US$20 million, 5% per annum convertible bonds (equivalent to approximately HK$156 million) and US$20 million, 5% per annum guaranteed notes (equivalent to approximately HK$156 million). Both the convertible bonds and guaranteed notes will be due in 2018. The initial conversion price of the convertible bonds is HK$0.27 per share, upon full exercise of the conversion rights attaching to the convertible bonds, Cheer Hope will receive approximately 577,777,778 shares, representing approximately 5.90% of the existing issued share capital of the Company. Thereafter, the Company issued the convertible bonds and guaranteed notes in several lots. The Company issued the first lot of convertible bonds and guaranteed notes on 15 April 2016, followed by four more lots in April and May 2016. On 9 May 2016, the 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 bonds and notes will be used to refinance some of the Group's existing loans, to fund the development, improvement 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 Ben Koon entered into the deed of amendment, to amend certain terms and conditions of the subscription agreement, the convertible bonds and guaranteed notes. The amendment process has been completed on 19 July 2016 and the conversion price has been adjusted to HK$0.16 per share on 31 December 2016 (in accordance to the terms of the deed of amendment), upon full exercise of the conversion rights attaching to the convertible bonds at the adjusted conversion price, Cheer Hope will receive approximately 975,000,000 shares, representing approximately 9.56% of the existing issued share capital of the Company.

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.

Issue of Bonds

On 10 January 2017, the Company entered into an agreement pursuant to which a referral agent agreed to act as a referral agent for the purposes of referring subscribers to the Company on a best effort basis for the issue of the 6.5% coupon bonds due 2019 (the "Bonds") in an aggregate principal amount of up to HK$300 million during 10 January 2017 to 30 June 2017.

The proceeds will be used by the Company (i) for partial repayment of the Group's existing loans; (ii) for the development, improvement and/or expansion of the Group's business; and (iii) any remaining balance will be used as general working capital of the Group.

Up to 31 March 2017, the Bonds in an aggregate principal amount of HK$72 million has been successfully subscribed by several independent individual investors.

Further details of the Bonds can be found in the Company's announcement dated 10 January 2017.

Statement on Portfolio of Mineral Resources and Ore Reserves

The Group has developed a portfolio of diverse resources comprising iron ore and granite in Malaysia, Brazil and the PRC.

The Group owns the Guilin Granite Mine, which produces dimension stone and feldspar powder. The Group also owns Sri Jaya Mine and Sri Jaya Plant in Malaysia and Brazil Mine with the aim to develop a portfolio of iron ore to weather the changes in the market better with a more stable supply of quality iron ore. Details about the operation of the three mines can be found in the section of "Iron Ore Trading and Mining" and "Granite Production" under "Business Review" of this annual report.

For the purpose of this section, mineral resources are concentration or occurrence of materials of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for their eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Exploration that consists of drilling, trenching, pitting and other methods is the methodology to obtain these specific geological evidences. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured resources, as defined in the Joint Ore Reserves Committee ("JORC") Code (elaborated below). In common practice, geological confidence is predominantly determined by the level of detail of exploration work done.

Ore reserves are defined as the economically mineable part of a measured, and/or indicated resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Ore reserves are sub-divided in order of increasing confidence into probable reserves and proved reserves. Factors such as product price, exchange rate, mining pit design, processing cost, transportation cost and other factors are thoroughly justified during the estimation of ore reserves by independent technical adviser.

Iron Ore

Although no material exploration activity was carried out during the Year, changes to resources and reserves were made due to ongoing production and revision of mining plans. The tables below reflect those changes and detail the mineral resources and ore reserves with a cut-off grade of 30% as at 31 March 2017.

The report on mineral resources and ore reserves of the Sri Jaya Mine are prepared based on the technical report of Blackstone Mining Associates Limited, an independent mining and geological consulting company, as stated in the circular of the Company dated 30 August 2014 ("Sri Jaya Report") in accordance with the "Australasian Code for Reporting Mineral Resources and Ore Reserves" (2012 edition published by the JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia (the "JORC Code"); for determining mineral resources and ore reserves, while the report on mineral resources and ore reserves of the Brazil Mine are prepared based on the Group's internal geologist report ("Brazilian Report") in accordance with the JORC Code. The presentation of the data in round figures may result in minor computational discrepancies. Such discrepancies are deemed to be insignificant whenever this occurs.

Projects	Classification	Quantity (Mt)	Fe Grade (%)
MINERAL RESOURCES			
Sri Jaya Mine	Indicated	107.4	43.8
	Inferred	70.7	42.0
	Sub-total	178.1	43.1
Brazil Mine	Indicated	11.3	35.7
	Inferred	–	–
	Sub-total	11.3	35.7
Total	Indicated	118.7	43.0
	Inferred	70.7	42.0
	Total	189.4	42.6
ORE RESERVES			
Sri Jaya Mine	Proved	–	–
	Probable	94.5	41.7
	Sub-total	94.5	41.7
Brazil Mine	Proved	–	–
	Probable	9.6	36.5
	Sub-total	9.6	36.5
Total	Proved	–	–
	Probable	104.1	41.2
	Total	104.1	41.2

* *Assumed average cut-off grades for both Sri Jaya Mine and Brazil Mine are 30%.*

All assumptions and technical parameters for the preparation of the above figures have not been materially changed from those in the Sri Jaya Report and Brazilian Report and continued to apply to the data disclosed above.

During the Year, no material exploration activity was carried out at both mines. The following tables detail the mining and production activities, and the expenditure incurred for mining and development activities of both mines.

	For the Year		For the Previous Financial Year	
	Sri Jaya Mine tonnes	Brazil Mine tonnes	Sri Jaya Mine tonnes	Brazil Mine tonnes
Mining volume (by quarter ended)				
30 June 2016/2015	–	–	38,118	–
30 September 2016/2015	–	–	–	–
31 December 2016/2015	–	–	–	–
31 March 2017/2016	–	–	–	–
Production volume (by quarter ended)				
30 June 2016/2015	–	–	22,417	–
30 September 2016/2015	–	–	–	–
31 December 2016/2015	–	–	–	–
31 March 2017/2016	–	–	–	–

	For the Year		For the Previous Financial Year	
	Sri Jaya Mine HK$'000	Brazil Mine HK$'000	Sri Jaya Mine HK$'000	Brazil Mine HK$'000
Major expenditure incurred in respect of mining activities				
— Royalty payment to mining lease holder	–	N/A*	270	N/A*
— Transportation and fuels	–	–	450	–
— Labour costs	–	–	468	–
Capital expenditure incurred in respect of development activities				
— Purchase and construction of mining properties and machinery	–	–	–	–

* *The Brazil Mine has no obligation to pay any royalty.*

Granite

The Company acquired the Guilin Granite Mine through the acquisition of a 60% interest in WM Aalbrightt Investment Holdings (Hong Kong) Limited in 2007. The Company engaged Minarco-Mineconsult ("MMC"), an independent technical adviser, to prepare a technical report in 2007, when the Company acquired Guilin Granite Mine. With the given exploration results in accordance with "Chinese Standard for Reporting Mineral Resources and Ore Reserves" (published by Ministry of Land and Resources of the PRC in 1999) (the "Chinese Standards"), MMC made a feasibility assessment on the granite stone resources in comparative terms with the reporting requirements of the JORC Code and the Code and Guidelines for technical assessment and/or valuation of mineral and petroleum assets and mineral and petroleum securities for Independent Expert Reports (the "Valmin Code") as of 14 December 2007 ("MMC Report"). In 2008 and 2009, the Company engaged Rockhound Limited, an independent technical adviser, to investigate and assess granite stone resources and the mining operation (including the mining process, operating cost and sales and marketing) of the Guilin Granite Mine in accordance with the JORC Code as of 23 November 2008 and 25 June 2009 ("Rockhound Reports"). During the Year, no dimension stone production activity was carried out.

The following tables detail the mineral resources of the Guilin Granite Mine in accordance with the JORC Code and are prepared based on MMC Report and Rockhound Reports. The presentation of the data in round figures may result in minor computational discrepancies. Such discrepancies are deemed to be insignificant whenever this occurs.

Products	Classification	Quantity (000 m^3)	% Suitable for dimension stone (%)	Dimension stone quantity (000 m^3)
MINERAL RESOURCES				
M1, M2, R	Indicated	160.0	17.5	28.0
	Inferred	330.0	17.0	56.1
	Sub-total	490.0	17.2	84.1
P & W	Indicated	650.0	19.5	126.8
	Inferred	2,930.0	21.3	624.1
	Sub-total	3,580.0	21.0	750.8
Total	Indicated	810.0	19.1	154.8
	Inferred	3,260.0	20.9	680.2
	Total	4,070.0	20.5	835.0

All assumptions and technical parameters for the preparation of the above figures have not been materially changed from those in the MMC Report and Rockhound Reports, and continued to apply to the data disclosed above.

There was no material change in the mineral resources as compared to 31 March 2016. During the Year, 941 tonnes of granite feldspar powder was mined and 7,139 tonnes of granite feldspar powder was produced. The Group also incurred HK$2,250,000 of expenditure for its mining activities and HK$1,454,000 of capital expenditure in respect of its development activities.

Financial Review

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

Results of Operations

For the Year, turnover increased to approximately HK$4,521 million, compared with approximately HK$2,009 million for the Previous Financial Year. The Group's gross profit increased by 7.3 times to approximately HK$318 million for the Year from approximately HK$38 million for the Previous Financial Year. The increases in revenue and gross profit were mainly due to the rebound in iron ore price and the increase in volume of the trade in the commodity during the Year. Moreover, the recognition of sales from One City and Fu Yuan in Jiangsu province and Oriental Landmark in Guangdong province during the Year also led to the sharp increment in turnover.

The Group's selling and distribution costs was approximately HK$68 million for the Year as compared to approximately HK$87 million for the Previous Financial Year. It represented about 1.5% of the revenue for the Year, compared to 4.3% for the Previous Financial Year. The administrative expenses, which mainly represented staff costs, including directors' emoluments, legal and professional fees, depreciation and other administrative expenses, was approximately HK$297 million which was about the same as that of the Previous Financial Year of HK$296 million. The decrease in selling and distribution costs was mainly due to the extensive pre-sales activities of the property projects conducted in the Previous Financial Year.

The Group recorded a reversal of impairment loss of approximately HK$128 million and an impairment loss of HK$75 million during the Year. In the Previous Financial Year, an impairment loss of approximately HK$662 million was recorded. The breakdown of major items included in the reversal of impairment loss and impairment loss for the Year and for the Previous Financial Year are shown as follows:

	Reversal of impairment loss/ (impairment loss)	
	2017	2016
	HK$'000	HK$'000
Sri Jaya Iron Ore Mining Operation	**79,790**	(309,425)
Brazil Iron Ore Mining Operation	**48,610**	(119,894)
Granite Mining Operation	**(22,000)**	–

Sri Jaya Iron Ore Mining Operation

Benefiting from the China's consistently high level of steel production and the world's reduced iron ore output, the market consensus on forecast price ("Forecasted Price") rebounded by 42.3% as compared with the Previous Financial Year.

Having regard to the rebound of the Forecasted Price, China's consistently high level of steel production and the world's reduced iron ore output, the Group carried out a review of the recoverable amount of Billion Win, which is considered the CGU of the Sri Jaya Iron Ore Mining Operation. As result, an impairment loss on other intangible assets and property, plant and equipment of approximately HK$80 million in aggregate was reversed by the Group, against that of approximately HK$309 million in aggregate was provided in the Previous Financial Year.

Brazil Iron Ore Mining Operation

The Group operates the Brazil Mine through UGL with 85% effective interest. Due to the China's consistently high level of steel production and world's reduced iron ore output, the iron ore price rebounded during the Year.

Same reasons as Sri Jaya Iron Ore Mining Operation mentioned above, the Group also carried out review of the recoverable amount of UGL, which is considered the CGU of the Brazil Iron Ore Mining Operation. As result, an impairment loss on other intangible assets and property, plant and equipment of approximately HK$48 million in aggregate was reversed by the Group, against that of approximately HK$120 million in aggregate was provided in the Previous Financial Year.

Granite Mining Operation

Having regard to the change in production plan of granite products during the Year, the Group carried out an impairment review of Granite Mining Operation which is considered as a CGU. As the result, impairment loss on other intangible assets and property, plant and equipment of approximately HK$22 million was recognised during the Year.

The recoverable amounts of the CGUs have been determined based on value in use, being estimated future cash flows of the mining operation of Billion Win, UGL and Granite Mining Operation, discounted to their present value.

The key assumptions for the impairment tests of both Billion Win and UGL include the iron ore prices as well as the inflation rate over the expected life of the mines. Selling prices for iron ore and forecast inflation rates were based on external sources and adjustments were made for the expected quality of the forecast production.

Management has estimated the long term forecast selling prices for iron ore with reference to the forecast price of 62% grade iron ore from 2017 to 2021 from Bloomberg, and inflation rate of 3% was applied to selling price thereafter to the end of expect life of the mines. The inflation rate, which was sourced from International Monetary Fund, represented long term inflation rate of the PRC where the ultimate customers located.

As for the Granite Mining Operation, the key assumptions for the impairment test include the production plan of granite products as well as the inflation rates over the expected life of the mine. Management has estimated the long term forecast production plan for granite products with reference to the management expectation on the market performance, and inflation rate of 3% was applied from 2018 to the end of expect life of the mine. The inflation rate, which was sourced from International Monetary Fund, represented long term inflation rate of the PRC where the ultimate customers located.

The finance costs were approximately HK$205 million (of which approximately HK$9 million were capitalised) for the Year, which is decrease moderately as compared to approximately HK$212 million (of which approximately HK$11 million were capitalised) for the Previous Financial Year.

The derivative financial instruments mainly represented derivatives embedded in convertible bonds as at 31 March 2017 and the fair value gain on revaluation of the derivative financial instruments amounted to approximately HK$54 million was recognised during the Year. The fair value gain on revaluation of the derivative financial instruments of HK$3 million for the Previous Financial Year mainly represented the fair value gain on the revaluation of the derivatives embedded in the convertible notes issued to ICBC International Investment Management Limited, which was fully redeemed on 14 August 2015.

Loss attributable to the owners of the Company for the Year was approximately HK$120 million, compared with a net loss of approximately HK$263 million for the Previous Financial Year. The decrease in loss was mainly due to reversal of approximately HK$128 million arising from impairment loss of the assets, including the Company's wholly-owned mine in Malaysia and 85%-held mine in Brazil, and the turnover of approximately HK$508 million from the sales of the Group's commercial and residential projects in Binhai county of Yancheng city and Suzhou city in Jiangsu province and Guangzhou city in Guangdong province. The basic loss per share for the Year was 1.20 HK cents, compared with the basic loss per share of 2.74 HK cents for the Previous Financial Year.

Material Acquisition, Disposal and Other Transactions

(i) 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 convertible bonds (and 8% per annum starting form the maturity of third anniversary of the date of the issue) ("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, 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.

Up to the date of this report, the acquisition has not yet been completed. For further details, please refer to the announcement and the circular of the Company dated 26 October 2016 and 12 May 2017 respectively.

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

On 8 June 2016, 28 September 2016, 28 November 2016 and 19 January 2017, 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 the non-controlling shareholder of Fuchun Dongfang and its associate companies. Up to 31 March 2017, the outstanding loan balance raised by this non-controlling shareholder and its associate companies, in aggregation, is approximately RMB684 million (equivalent to approximately HK$777 million).

Full details about the arrangement can be found in relevant announcements of the Company dated 8 June 2016, 28 September 2016, 28 November 2016 and 19 January 2017 and circulars of the Company dated 12 August 2016, 9 December 2016 and 10 March 2017.

* *For identification purpose only*

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 31 March 2017 was approximately HK$2,341 million (2016: HK$2,570 million). As at 31 March 2017, the Group had current assets of approximately HK$4,533 million (2016: HK$3,419 million) and current liabilities of approximately HK$4,159 million (2016: HK$3,375 million). The current ratio was 1.09 as at 31 March 2017 as compared to 1.01 as at 31 March 2016. The Group generally finances its operations with internally generated cash flows, credit facilities provided by its principal bankers in Hong Kong and the PRC and proceeds from the placing of new shares, as well as the proceeds from the issuance of bonds, convertible bonds and guaranteed notes. As at 31 March 2017, the Group had outstanding debts (including bank borrowings and other borrowings, convertible bonds, guaranteed notes and bonds) of approximately HK$2,506 million (2016: HK$2,261 million, including bank borrowings and other borrowings). As at 31 March 2017, the Group maintained time deposits, bank and cash balances of approximately HK$407 million (2016: HK$180 million), whilst the pledged deposits amounted to approximately HK$70 million (2016: HK$102 million). The Group's debt-to-equity ratio (total debts to shareholders' equity) increase slightly from 0.88 as at 31 March 2016 to 1.07 as at 31 March 2017. The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

Foreign Exchange Exposure

The trading in the clinker and cement and trading in iron ore and other raw materials are conducted predominantly in United States dollars. The granite mining and production business and the property development business are conducted in Renminbi. The Group has not experienced any material difficulties with its operations or liquidity as a result of fluctuations in currency exchange rates during the Year. The Group does not currently engage in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, the management will continue to monitor the relevant circumstances and will take such a measure if it is deemed prudent.

Charge on Group Assets

As at 31 March 2017, the Group's banking facilities were secured by:

(a) the charge over certain property, plant and equipment, investment properties, 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 guarantees executed by Mr. Wong Ben Koon and directors of subsidiaries;

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

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

(h) equity interests in certain companies executed by Mr. Wong Ben Koon and a related company.

Commitments

As at 31 March 2017, 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:

	2017 HK$'000	2016 HK$'000
Within one year	93,365	251,456
In the second to fifth years, inclusive	7,145	14,480
	100,510	265,936

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$85 million (2016: HK$243 million) and rentals payable by the Group for the office premises and staff quarters of approximately HK$15 million (2016: HK$23 million). Leases are negotiated for a term of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Operating lease commitments — as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 10 years (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.

At 31 March 2017, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	43,021	34,395
In the second to fifth years, inclusive	138,280	81,567
After five years	62,684	15,257
	243,985	131,219

Human Resources and Remuneration Policy

As at 31 March 2017, the Group had a total of 331 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

With a view to retaining certain important employees who will continue to make valuable contribution to the Group, share options to subscribe for shares of the Company in accordance with the share option scheme adopted on 25 September 2009 may be granted.

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

Outlook

The price of benchmark 62% grade iron ore per dry metric tonne rebounded to US$88.80 in February 2017 and then edged down to US$87.20 in March 2017 (Source: indexmundi) after it hit a low of US$40.88 in December 2015. The rebound was helped by China's consistently high level of steel production and the world's reduced iron ore output.

In view of the sign of the iron ore price recovery, the Group may consider resuming its iron ore mining and processing businesses in Malaysia and Brazil if the uptrend of the commodity's price can be sustained and if the price level is high enough to make such operations profitable. Since 2015, the Group has suspended its iron ore mining and processing operations in the two countries to minimise the operating loss as the iron ore price level has not yet been high enough to make such businesses profitable.

Nevertheless, there were encouraging developments in the Group's commodity trading. The volume of business grew rapidly, and the turnover was also boosted by a significant rebound in the prices of the commodities. To match the larger scale of the operations, the Group engaged a group of experts in June 2017 to further expand and strengthen its commodity trading business.

To mitigate the impact of the iron ore business on its overall profitability, the Group has been furthering its efforts to expand other operations in its diverse business portfolio. For instance, it has been stepping up investment in its businesses of clinker, cement and real estate. On 26 October 2016, the Group reached an agreement with PMIL to acquire a 25% stake in Indonesia Conch, a company incorporated in Indonesia and principally engaged in investment and trading. The acquisition will enable the Group to benefit from a boom in Indonesia's clinker and cement manufacturing industry. The prospect of the industry is bright as the Indonesian government is committed to enhancing the country's infrastructure. Moreover, Indonesia, which is also one of the countries covered by China's Belt and Road Initiative, can expect the policy to help foster its local economic development in the long term.

Meanwhile, the Group's property business already started projects in some vibrant cities of China and the capital of Indonesia in the past two and a half years to tap the promising markets there. Such property projects are expected to generate considerable income through either rental or sales of properties as they will be completed in the next several years.

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.

Directors and Senior Management

Directors

Executive Directors

Mr. WONG Ben Koon, aged 64, is one of the co-founders of the Group and the chairman of the Company. Mr. Wong is responsible for deriving the corporate culture and long term strategic plan of the Group. Mr. Wong has extensive experience in building materials and mineral resources industries in the PRC and global markets.

Dr. MAO Shuzhong, aged 55, was appointed as an executive Director and chief executive officer of the Company on 6 January 2010. Dr. Mao has extensive experience in business management, organization structure and re-organisation, the management of mining iron ore, coal and various other metals, as well as marketing, sales and logistics. Prior to joining the Group, Dr. Mao was the vice chairman and president of Northtonhe Holdings Co. Ltd. from May 2006 to July 2008 and he was the managing director and principal of Auckland Institute of Education, New Zealand from October 2001 to April 2006. He obtained a doctorate degree in economics from Jiangxi University of Finance & Economics, China in 2009, a master's degree in business administration from New York Institute of Technology, U.S.A. in 1999 and a bachelor's degree of arts in English literature from Zhejiang University in Zhejiang, China in 1983.

Ms. Gloria WONG, aged 34, was appointed as an executive Director of the Company on 1 June 2010. Ms. Wong has over 9 years' work experience and she is currently responsible for assisting in the implementation of decisions and policies relating the Group's overall business plan as approved by the Board from time to time. Ms. Wong graduated from Queen Mary College, University of London with a bachelor's degree in Economics and Finance and from King's College London with a master's degree in International Management. Ms. Wong is the daughter of Mr. Wong Ben Koon.

Mr. KONG Siu Keung, aged 48, is an executive Director and the chief financial officer of the Company. Mr. Kong holds a master's degree in business administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kong joined the Group in January 2004 and has over 22 years' experience in finance and accounting field. Mr. Kong is a member of the nomination committee of the Company.

Non-executive Directors

Mr. LIU Yongshun, aged 56, has been appointed as an executive Director of the Company with effect from 19 September 2011 and re-designated as non-executive Director from 1 February 2014. Before the appointment, Mr. Liu was appointed as a deputy chief executive officer of the Company on 1 June 2011 and will continue to hold such position of the Company. Mr. Liu has extensive experience in raw material supply management for iron and steel making, mineral resource development and raw material trading. Mr. Liu obtained his bachelor's degree in ironing making from Maanshan Institute of Iron Steel (East China University of Metallurgy/Anhui University of Technology) in 1983. He subsequently obtained his Executive Master of Business Administration degree from China Europe International Business School in 2005. He was the president of the Department of Mineral Resources, Shanghai Baosteel Group International Economic and Trading Co., Ltd. from November 2001 to May 2005. He was appointed as deputy general manager of the Purchase Centre of Baosteel Corporation from May 2005 to April 2006. He acted as deputy general manager of Baosteel Trading Co., Ltd. from May 2006 to April 2007. In April 2007, Mr. Liu was appointed as non-executive director of APAC Resources Limited ("APAC"), a listed company on the Stock Exchange (stock code: 1104) and re-designated as executive director and chief executive officer of the APAC in July 2007. Mr. Liu resigned as chief executive officer of APAC in December 2009 and has been re-designated as non-executive director of APAC from April 2010 until he resigned on 1 March 2012. Mr. Liu has been appointed as a non-executive director of Up Energy Development Group Limited, a listed company on the Stock Exchange (stock code: 307) on 18 December 2015 and re-designated as an independent non-executive director with effective from 20 April 2016.

Mr. WU Likang, aged 50, was appointed as an executive Director of the Company on 1 February 2014 and re-designated as non-executive Director from 18 January 2016. He holds a bachelor's degree in Ceramic Engineering from the Wuhan University of Technology. Mr. Wu has over 26 years of extensive experience in the building materials productions and logistic development. Prior to joining the Company, Mr. Wu was appointed as an assistant to the general manager in Anhui Conch Cement Company Limited (the "Conch", stock code: 914), the shares of which are traded on the Stock Exchange, the general manager of Anhui Xuancheng cement Co., Limited and Ningguo Cement Plant of Conch and the head of the Anhui Conch Construction Materials Design Institute. Mr. Wu also held several senior positions in Conch.

Mr. Wu joined the Company as a general manager in the cement division in July 2007 until the disposal of the major cement production business in April 2010. Mr. Wu re-joined the Company in July 2012 as the general manager and chief operating officer of the mineral division of the Company and resigned on 18 January 2016 upon his re-designation as non-executive Director of the Company.

Independent non-executive Directors

Mr. YUEN Kim Hung, Michael, aged 56, was appointed as an independent non-executive Director in January 2002. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of Chartered Professional Accountant, Certified General Accountant of British Columbia. Mr. Yuen has over 20 years' experience in auditing, tax and accounting field. Mr. Yuen is the chairman of the remuneration committee of the Company and the audit committee of the Company. Mr. Yuen has been appointed as an independent non-executive director of New Universe Environmental Group Limited (stock code: 436), a listed company on Main Board of the Stock Exchange, since 24 April 2002 and appointed as an independent non-executive director of Steed Oriental (Holdings) Company Limited (stock code: 8277), a listed company on Growth Enterprise Market of the Stock Exchange, since 16 September 2013 and resigned on 12 August 2016.

Mr. YUNG Ho, aged 72, was appointed as an independent non-executive Director in September 2004. Mr. Yung has extensive experience in the industries of trading and property development in the PRC. Mr. Yung is a member of the audit committee of the Company and a member of the remuneration committee of the Company.

Mr. CHAN Kai Nang, aged 71, was appointed as independent non-executive Director on 17 August 2010. Mr. Chan holds a diploma in management studies from The University of Hong Kong and a bachelor's degree in Law from the University of London. Mr. Chan is an associate member of The Chartered Institute of Management Accountants in the United Kingdom, a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has been appointed as an independent non-executive director of ZZ Capital International Limited (Formerly known as Asian Capital Holdings Limited) (stock code: 8295), a listed company on the Growth Enterprise Market of the Stock Exchange, from 4 June 2010 to 17 June 2016 and an independent non-executive director of Steed Oriental

(Holdings) Company Limited (stock code: 8277), a listed company on the Growth Enterprise Market of the Stock Exchange from 16 September 2013 to 12 August 2016. Mr. Chan is also currently an independent non-executive director of Soundwill Holdings Limited (stock code: 878), a listed company on the Stock Exchange, an independent non-executive director of FDB Holdings Limited (stock code: 01826), a listed company on the Main Board Market of the Stock Exchange since 16 September 2015 and an Independent non-executive director of PanAsialum Holdings Company Limited (stock code: 2078), a listed company on the Main Board of the Stock Exchange since 24 February 2017.

Mr. Chan was the Deputy Chief Executive of the Land Development Corporation. He was an executive director and the managing director of the construction materials division of K. Wah Construction Materials Limited (currently known as Galaxy Entertainment Group Limited) (stock code: 27), a company listed on the Stock Exchange. Mr. Chan is the chairman of the nomination committee of the Company and a member of remuneration committee of the Company.

Mr. MA Jianwu, aged 68, was appointed as independent non-executive Director on 17 August 2010. Mr. Ma worked as a deputy general manager of Guangzhou Iron & Steel Enterprises Group Co., Ltd. and executive deputy general manager, general manager, vice chairman and party committee secretary of Guangzhou Iron and Steel Co., Ltd. (currently known as Guangzhou Guangri Stock Co., Ltd.) (stock code: 600894), a listed company on the Shanghai Stock Exchange, before joining the Company. Mr. Ma is a member of audit committee of the Company and a member of nomination committee of the Company.

Senior Management

Mr. LI Siu Ming Patrick, aged 54, is the director of Prosperity Real Estate Holdings Limited. Patrick obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1985 and a bachelor's degree in Law from Manchester Metropolitan University in 1996. Patrick has also obtained a post-graduate diploma in Corporate Administration in 2000 and a master's degree in Professional Accounting from the Hong Kong Polytechnic University in 2001.

Ms. SO Yuen Yee Selina, aged 55, is the general manager of iron ore trading business. She is responsible for the implementation and development of corporate strategy and company administration including the operation of trading activities in Prosperity Minerals Holdings Limited ("PMHL"). She began her career in 1981 with Robin Information Systems and subsequently took on various administrative positions with companies including Radofin Electronics (FE) Ltd, High Fashion Garments Ltd and Leshons Enterprises Ltd. Selina joined Prosperity Merchandise Agency Ltd, a company controlled by Mr. Wong, in 1988 as a director's assistant. In 2003, she was the director and general manager of Prosperity Minerals (Asia) Limited and subsequently took up the position of general manager of Prosperity Minerals Limited in February 2004.

Mr. CHEN Hao, aged 58, is the group general manager of the Group's real estate investment and development business. He has nearly 22 years experience in property investment and development in the PRC. He was general manager of Jiaye Real Estate Development Ltd ("Jiaye") from the time the company was founded in 1999. In 2005, he obtained a masters degree in Quality Management from Hong Kong Polytechnic University. In 2009, Jiaye and two other property development companies merged and formed China Calxon Group Co., Limited (the "Calxon"), which was successfully listed on the Shenzhen Stock Exchange (stock code: 00918). Before joining the Group in April 2013, he was an executive director and standing vice president of Calxon.

Mr. HONG Chengzhang, aged 56, is a deputy general manager of the Group's real estate investment and development business. He is responsible for the implementation of corporate strategy and overseeing operational activities. He started his career at the Industrial and Commercial Bank of China in 1978 as a loan officer and was promoted to vice president and president of ICBC Guangzhou Fangcun Branch in 1984 and 1995 respectively.

In 1998, he joined Guangzhou Bliss Hero Real Estate Development Limited which was subsequently acquired by the Group in August 2010, as managing director, where he is responsible for overseeing the development and management of Silver Bay Plaza as well as the management of Oriental Landmark.

Mr. TOK Beng Tiong, aged 46, is an executive in charge of the clinker and cement business. Mr. Tok obtained his bachelor's degree in Commerce from the University of New South Wales in Australia. Mr. Tok has over 17 years' experience in building material industry and relevant logistics management in the PRC and global markets. He had been an employee of the Group from December 2001 to February 2003 and re-joined the Group in January 2005.

Mr. HUANG Xianfang, aged 54, is the chief mining engineer of the Company since July 2010 and he is responsible for organising and managing mining activities as well as monitoring compliance with the health and safety regulations at the Sri Jaya Mine. He has approximately 22 years of experience in the mining industry. Prior to joining the Company, Mr. Huang has held numerous management positions (including assistant engineer, engineer, senior engineer, chief mining engineer and deputy general manager) at various mining companies including group companies of Maanshan Iron & Steel Company Limited (stock code: 323) and APAC, and Baoshan Iron & Steel Company Limited, which is currently listed on the Shanghai Stock Exchange (stock code: 600019). Mr. Huang holds a bachelor degree from Central-South Institute of Mining and Metallurgy and a master degree in mining from the Mining Department of the University of Science and Technology Beijing.

Ms. LEE Yee Man Hester, aged 41, is the chief accounting officer of PMHL. Hester graduated from the University of Hong Kong with a bachelor's degree in Economics in 1998. Hester joined PMHL in January 2009 and has over 17 years' experience in commercial and accounting firms. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She is also a Certified Tax Advisor in Hong Kong and a fellow member of the Taxation Institute of Hong Kong.

Mr. LIU Tsz Kit Lawrence, aged 38, is the financial controller of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Polytechnic University with a bachelor's degree in Accounting. He joined Company in January 2011 and has over 14 years' experience in commercial and international accounting firms in Hong Kong and Mainland China.

Corporate Governance Report

Introduction

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

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

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

The Board

As at 31 March 2017, the Board comprises ten Directors including four executive Directors, two non-executive Directors and four independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The composition of the Board as at 31 March 2017 is set out below:

Executive Directors:

Mr. Wong Ben Koon *(Chairman of the Board)*
Dr. Mao Shuzhong *(Chief Executive Officer)*
Ms. Gloria Wong
Mr. Kong Siu Keung *(Chief Financial Officer)*

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

The biographical details of the Directors are set out on pages 26 to 29 to this annual report.

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

13 Board meetings were held during the year ended 31 March 2017 and the details of attendance of Board meetings and the annual general meeting are set out below:

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of Annual General Meeting
Mr. Wong Ben Koon ("Mr. Wong")	11/13	0/1
Dr. Mao Shuzhong	11/13	0/1
Ms. Gloria Wong	11/13	0/1
Mr. Kong Siu Keung	13/13	1/1
Mr. Liu Yongshun	13/13	0/1
Mr. Wu Likang	11/13	0/1
Mr. Yuen Kim Hung, Michael	13/13	1/1
Mr. Yung Ho	13/13	0/1
Mr. Chan Kai Nang	13/13	1/1
Mr. Ma Jianwu	13/13	0/1

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

Mr. Wong is the controlling shareholder of the Company. His respective interests are disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" in the Report of the Directors. Mr. Wong has beneficial interests in certain companies outside the Group. Transactions between these companies and the Group (if any) during the Year are disclosed in note 47 to the consolidated financial statements.

Save as disclosed above and in note 47 to the consolidated financial statements, there is no financial, business, family or other material or relevant relationship among the Directors or between the chairman and the chief executive officer, except that Ms. Gloria Wong, the executive Director, is the daughter of Mr. Wong, the chairman of the Company.

The Board complied with Rule 3.10A of the Listing Rules to appoint at least one-third of its Directors as independent non-executive Directors. All the independent non-executive Directors are appointed for a specific term and will be subject to retirement by rotation and re-election at the annual general meetings of the Company. The Company has received an annual written confirmation from each of the independent non-executive Directors of his independence. The Board considers that all the independent non-executive Directors are independent in accordance with the guidelines set out under Rule 3.13 of the Listing Rules. The details of the service contract of each independent non-executive Director are disclosed in the section headed "Directors' Service Contracts" under the Report of the Directors.

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

Chairman and Chief Executive Officer

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

Audit Committee

The 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.

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

The Company has 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 Year, 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.

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

1. reviewed the Company's financial results and reports, internal controls and corporate governance issues, internal control and risk management systems, financial and accounting policies and practices and made recommendations to the Board;
2. discussed with the external auditor on their independence and the nature and scope of the audit and recommended to the Board on the re-appointment of RSM Hong Kong as auditor;
3. discussed with the external auditor on any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response; and
4. reviewed the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems, including the adequacy of the resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

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

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

During the year ended 31 March 2017, the Audit Committee had performed the works as follows:

1. reviewed the reports from the external auditor of the Company (the "Auditor"), accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 March 2016 and the interim results for the six months ended 30 September 2016;

2. reviewed the financial reports for the year ended 31 March 2016 and for the six months ended 30 September 2016 and recommended the same to the Board for approval;

3. reviewed the Group's internal control based on the information obtained from the Auditor and Company's management and was of the opinion that there are adequate internal controls in place in the Group;

4. concurred with the Board regarding the selection, appointment, resignation or dismissal of the Auditor; and

5. reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function).

The Audit Committee has also reviewed with the management and the Auditor, the audited consolidated financial statements of the Group for the year ended 31 March 2017. The Audit Committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

Remuneration Committee

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

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

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

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

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

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

Nomination Committee

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

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

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

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

(c) to assess the independence of independent non-executive Directors, having regarded to the requirements under the Listing Rules;

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

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

During the Year, two meetings were held by Nomination Committee to assess the structure, size and competitions of the Board; to assess the independence of independent non-executive Directors; and to evaluate the implementation of the Board Diversity Policy (elaborated below).

The attendance record of each Nomination Committee member at the meeting of Nomination Committee during the Year is set out below:

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

Directors' Securities Transactions

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

Having made specific enquiry with all Directors, each of them confirmed that the Model Code has been complied in full throughout the year ended 31 March 2017.

Securities Transactions by Relevant Employees

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

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable.

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

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 55 to 59 of this annual report.

Communications with Shareholders

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

Annual General Meeting

During the Year, the Company had been in deviation from A.6.7 and E.1.2 of the CG Code as the chairman and some of the Directors were unable to attend the annual general meeting of the Company held on 13 September 2016 (the "AGM") due to business engagement. Mr. Kong Siu Keung, being the executive director of the Company, attended the AGM and were delegated to make himself available to answer questions if raised at the meetings. The absence of the Chairman of the Company in the annual general meeting constituted a deviation from the CG Code.

Directors' Continuous Training and Development

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

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

All Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminars to develop professional skills. The records of the Directors participated in the continuous professional development programmes during the Year are as follows:

Name of Directors	Attending training courses, seminars or conference	Reading materials or updates
Executive Directors:		
Mr. Wong Ben Koon		✓
Dr. Mao Shuzhong		✓
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		✓

Company Secretary

Mr. Kong Siu Keung, the executive Director and the chief financial officer of the Company, is also appointed by the Board as company secretary. He fulfilled the hours of training required under Rule 3.29 of the Listing Rules to perform the duties required.

Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provides advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assists the Board in implementing the corporate governance practices.

Board Diversity Policy

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

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

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

Corporate Social Responsibility

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

Internal Control and Risk Management

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control and risk management. During the Year, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis for not less than one per year; such review covered all major control aspects of the Group, including financial, operational and compliance controls.

The Group adopts a risk management system which manages the risk associated with its business and operations. The system includes the following elements:

1. Risk identification: Identify major and significant risks that could affect the achievement of goals of the Group;
2. Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
3. Risk mitigation: Develop effective control activities to mitigate the risks; and
4. Monitoring: Monitor and review the effectiveness of such measures.

The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational system.

With respect to the monitoring and disclosure of inside information, the Company has formulated its guidelines, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

The Board, having taken into account the internal audit review report and the recommendations from the Audit Committee, as well as the assessment made by the Company's management, has conducted a review of the effectiveness of the internal control and risk management systems of the Group for the Year. The Board, through the Audit Committee is satisfied that the internal control system is sufficient to provide reasonable assurances that the Group's assets are safeguarded against loss from unauthorised use or disposition, transactions are properly authorised and paper accounting records are maintained. In addition, the Board considered that resources, qualification and experience of staff responsible for the Company's accounting, internal audit and financial reporting function, their training and budget are adequate.

Shareholders' Rights

(i) Convening a Special General Meeting

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

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

(ii) Putting Forward Proposals at General Meetings

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

(iii) Enquiries to the Board

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

Auditor's Remuneration

RSM Hong Kong was appointed as the Company's external auditor. The external auditor is primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the Year, the total remuneration in respect of services provided by RSM Hong Kong amounted to HK$3,740,000, of which HK$3,350,000 was incurred for statutory audit and HK$390,000 was incurred for non-audit services which mainly included tax compliance services and other professional services.

Constitutional Documents

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

Conclusion

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

Report of the Directors

The board of directors of the Company is pleased to present their report and the audited consolidated financial statements of the Group for the Year.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 48 to the consolidated financial statements. The core business of the Group is the (i) mining and trading of iron ore and raw materials; (ii) real estate investment and development; and (iii) trading of clinker, cement and other building materials.

An analysis of the Group's performance for the Year by operating segment is set out in note 10 to the consolidated financial statements.

Results and Appropriations

The Group's loss for the year ended 31 March 2017 is set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on page 60 and 61 and the state of affairs of the Group as at 31 March 2017 are set out in the consolidated statement of financial position on pages 62 and 63.

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

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 March 2017 is set out on page 154. This summary does not form part of the audited consolidated financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Year are set out in note 18 to the consolidated financial statements.

Investment Properties

Details of the movements in the investment properties of the Group during the Year are set out in note 19 to the consolidated financial statements. A summary of the properties held for investment is set out on page 152. This summary does not form part of the audited consolidated financial statements.

Principal Subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2017 are set out in note 48 to the consolidated financial statements.

Convertible Bonds and Equity-linked Agreement

Details of the convertible bonds are set out in note 39 to the consolidated financial statements. The sale and purchase agreement date 26 October 2016 entered between Full Right and PMIL in respect of the acquisition of 25% issued share capital of Indonesia Conch also constituted an equity-linked agreement, details of which is set out in the subsection headed Acquisition of shares in PT Conch Cement Indonesia on pages 22 to 23 to this annual report.

Debenture

The Company had issued an aggregate principal amount of US$20 million (equivalent to approximately HK$156 million) 5% guaranteed note due 2018 to Cheer Hope Holdings Limited, details of which is disclosed in note 41 to the consolidated financial statements and the subsection headed Disclosure under 13.21 of the Listing Rules on pages 42 and 43 to this annual report.

The Company had also issued an aggregate principal amount of HK$72 million 6.5% coupon bonds due 2019 during the year, details of which is disclosed in the subsection headed Issue of Bonds on page 16 to this annual report.

Share Capital

Details of movements in the Company's share capital during the Year, together with the reasons therefor, are set out in note 30 to the consolidated financial statements.

Pre-Emptive Rights

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

Purchase, Redemption or Sales of Listed Securities of the Company

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

Tax Relief

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

Reserves

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 64.

Bank Borrowings

Details of the bank borrowings of the Group are set out in note 33 to the consolidated financial statements.

Distributable Reserves

At 31 March 2017, the Company's reserves (comprised the contributed surplus, retained earnings and share premium which can be transferred to the contributed surplus in accordance to the Bermuda Companies Act 1981) available for distribution to shareholders amounted to approximately HK$1,400 million (2016: approximately HK$1,405 million).

Under the Bermuda Companies Act 1981, the Company's contributed surplus of approximately HK$872 million (2016: HK$872 million) may be distributed under certain circumstances. In addition, the Company's share premium account of approximately HK$1,998 million as at 31 March 2017 may be distributed in the form of fully paid bonus shares. Details of the share premium account and reserves are set out in note 31 to the consolidated financial statements.

Relationships with Stakeholders

The Group recognises that employees, customers and business partners are key to its sustainable development. The Group is committed to establishing close and caring relationships with its employees, providing quality products and services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity in its staff, and provides competitive remuneration and benefits and career development opportunities based on the employees' merits and performance. The Group also puts ongoing efforts into providing adequate training and resources for the employees' development so that they can keep abreast of the market and the industry and, at the same time, improve their performance and attain self-fulfillment in their positions.

The Group understands that it is important to maintain good relationships with customers and provide the products in a way that satisfy the latter's needs and requirements. The Group enhances its customer relationship by communicating with customers to gain insight into the market's changing preference for the products so that the Group can satisfy the wants proactively.

The Group is also dedicated to developing good relationships with suppliers and contractors as long-term business partners to enhance the stability of the Group's businesses. The Group reinforces the business partnership with suppliers and contractors by communicating with them proactively.

Major Customers and Suppliers

During the Year, sales to the Group's five largest customers accounted for approximately 56% of total sales and sales to the largest customer included therein amounted to approximately 26% of total sales. The Group's five largest suppliers accounted for approximately 77% of total purchases for the Year and purchases from the largest supplier included therein amounted for approximately 38% of total purchases.

The Group's one of five largest customers in an indirect wholly owned subsidiary of Nanjing Iron and Steel Group Co., Ltd. ("Nanjing IS").

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

Donations

Donations made by the Group during the Year amounted to HK$7,430,000 (2016: HK$373,000).

Disclosure under 13.21 of the Listing Rules

On 16 March 2016, the Company entered into the subscription agreement with Cheer Hope Holdings Limited ("Cheer Hope"), and with Mr. Wong as the guarantor, pursuant to which the Company conditionally agreed to issue the 5% guaranteed convertible bonds due 2018 (the "CCB Convertible Bonds") and the 5% guaranteed note due 2018 ("CCB 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 CCB 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 CCB Notes ("Transaction Documents"). Pursuant to the terms of the CCB Convertible Bonds instrument (the "CCB CB Instrument") and the CCB Notes instrument (the "Notes Instrument"), the maturity date of the CCB Convertible Bonds and the CCB Notes is the date falling on the second anniversary of the initial closing date, being 15 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 CCB 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 CCB Notes at an amount equal to the aggregate of (i) the aggregate principal amount of the CCB Convertible Bonds and/or the CCB Notes (as the case may be) held by Cheer Hope; (ii) any accrued but unpaid interest on the CCB Convertible Bonds and/or the CCB 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 CCB Notes (as the case may be) (taking into account the interest amounts arising under the CCB Convertible Bonds and/or the CCB 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 CCB Notes (as the case may be).

Directors

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

Executive Directors:

Mr. Wong Ben Koon
Dr. Mao Shuzhong
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

In accordance with bye-law 87 of the Company's bye-laws, Mr. Wong Ben Koon, Dr. Mao Shuzhong, Ms. Gloria Wong and Mr. Yung Ho will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 29 of this annual report.

Directors' Service Contracts

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

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

Permitted Indemnity Provision

Under the Articles of the Company, the Company had a permitted indemnity provision in force for the benefit of the Directors throughout the Year and as at the date of approval of this report, pursuant to which the Company shall indemnify any Director against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and senior management of the Company throughout the Year.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of Directors' emoluments are set out in the note 15 to the consolidated financial statements.

Directors' Interests in Contracts

Save as disclosed in the subsection headed Acquisition of shares in PT Conch Cement Indonesia on pages 22 to 23 to this annual report and note 47 to the consolidated financial statements, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party, and which subsisted at the end of the Year or at any time during the Year.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2017, 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 to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of the Company (the "Shares")

Long position in the Shares and underlying Shares

	Number of Shares and underlying Shares held, capacity and nature of interest					
Name of Director/chief executive	Directly beneficially owned	Through controlled corporation	Interest of Director's spouse	Number of underlying Shares held under equity derivatives	Total	Percentage of the Company's issued share capital
Mr. Wong	1,667,321,241	6,911,915,672 (Notes)	22,640,000	–	8,601,876,913	84.37%
Dr. Mao Shuzhong	–	–	–	30,000,000	30,000,000	0.29%
Mr. Liu Yongshun	–	–	–	15,000,000	15,000,000	0.15%
Ms. Gloria Wong	–	–	–	10,000,000	10,000,000	0.10%
Mr. Kong Siu Keung	–	–	–	10,000,000	10,000,000	0.10%

Notes:

(1) Mr. Wong is interested in 2,272,584,872 Shares, 2,639,514 Shares, 2,639,514 Shares and 1,634,051,772 Shares through his interest in Prosperity Minerals Group Limited ("PMGL"), Max Will Limited ("Max Will"), Max Start Limited ("Max Start") and Elite Force (Asia) Limited ("Elite Force"), which are owned beneficially as to 67.2%, 65%, 65% and 100% 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.

(3) On 26 October 2016, the Company, Full Right as purchaser, and PMIL as vendor entered into a sale and purchase agreement in respect of the acquisition of 25% issued share capital of Indonesia Conch for the consideration of HK$450,000,000, subject to terms and conditions. The consideration for the acquisition shall be satisfied by the Company in the following manner: (a) as to HK$100,000,000 of the consideration shall be satisfied by the Company by way of the issue of the convertible bonds to PMIL; and (b) as to HK$350,000,000 of the consideration shall be satisfied by the Company by way of the allotment and issue of the Shares ("Consideration Shares") to PMIL.

Pursuant to the terms and conditions of the above said sale and purchase agreement, assuming there would be no other issue of new Shares and no repurchase of existing Shares before completion of the sale and purchase agreement, 2,333,333,333 Consideration Shares will be issued and a convertible bonds in a principal amount of HK$100,000,000 carrying rights to convert 666,666,667 Shares will be issued to PMIL.

(4) PMIL is 95% owned by Super Chine Holdings Limited ("Super Chine") and Super Chine is wholly owned by Keen Phoenix Limited ("Keen Phoenix"). Keen Phoenix is 50% beneficially owned by Mr. Wong.

(b) Short positions in Shares and underlying Shares

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
	Number of Shares and underlying Shares held, capacity and nature of interest					
Mr. Wong	–	– (Note)	–	–	–	–

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 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 31 March 2017, so far as is known to any Director or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Share Option Scheme

The details of the Company's share option scheme, including the movement of, and any outstanding share options during the Year are disclosed in note 42 to the consolidated financial statements. The share option scheme adopted by the Company following the approval of the shareholders of the Company in accordance with the Listing Rules at the annual general meeting held on 25 September 2009.

Save as disclosed above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any Director, or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

Directors' Interests in Competing Business

During the Year, the following Director was considered having interests in the following 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:

(i) Century Global Commodities Corporation ("Century Global") (formerly known as Century Iron Ore Holdings Inc.)

Century Global 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 Global and was also a director of Century Global. The Board believes that as the size of that part of these Excluded Businesses in the PRC, where the Group has iron ore trading business, is not insignificant when compared with the iron ore trading business of the Group in the PRC, it is likely that these Excluded Businesses may compete with the iron ore trading business of the Group in the PRC.

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

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

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at 31 March 2017, persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares and underlying Shares

	Number of Shares and underlying Shares held, capacity and nature of interest				
Name	Capacity/nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share
Madam Hon Ching Fong	Interest in controlled corporations (Note a)	2,120,952,152	3,156,911,748	5,277,863,900	51.77%
PMGL (Note f)	Beneficial owner (Note a)	2,115,673,124	156,911,748	2,272,584,872	22.29%
Ms. Shing Shing Wai	Interest of spouse	5,422,325,165	3,156,911,748		
	Beneficial owner (Note b)	22,640,000	–		
		5,444,965,165	3,156,911,748	8,601,876,913	84.37%
Elite Force (Note f)	Beneficial owner (Note c)	1,634,051,772	–	1,634,051,772	16.03%
PMIL (Note f)	Beneficial owner (Note d & e)	–	3,000,000,000	3,000,000,000	29.42%

Name	Capacity/nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share
	Number of Shares and underlying Shares held, capacity and nature of interest				
Keen Phoenix (Note f)	Interest in controlled corporation (Note d & e)	–	3,000,000,000	3,000,000,000	29.42%
Super Chine (Note f)	Interest in controlled corporation (Note d & e)	–	3,000,000,000	3,000,000,000	29.42%
南京鋼鐵集團有限公司 (Note g)	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 h)	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 h)	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 h)	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 h)	1,179,890,378	–	1,179,890,378	11.57%
Central Huijin Investment Ltd. ("CHI")	Interest in controlled corporations (Note i)	156,911,748	975,000,000	1,131,911,748	11.10%
China Construction Bank Corporation ("CCB")	Interest in controlled corporations (Note i)	156,911,748	975,000,000	1,131,911,748	11.10%
CCB International Group Holdings Limited	Interest in controlled corporations (Note i)	156,911,748	975,000,000	1,131,911,748	11.10%
CCB Financial Holdings Limited	Interest in controlled corporations (Note i)	156,911,748	975,000,000	1,131,911,748	11.10%
CCB International (Holdings) Limited	Interest in controlled corporations (Note i)	156,911,748	975,000,000	1,131,911,748	11.10%
CCBI Investments Limited	Interest in controlled corporations (Note i)	156,911,748	975,000,000	1,131,911,748	11.10%
Cheer Hope	Beneficial owner (Note j)	156,911,748	975,000,000	1,131,911,748	11.10%

Notes:

(a) The issued share capital of PMGL, Max Start, Max Will and Keen Phoenix, are beneficially owned by Madam Hon Ching Fong as to 32.8%, 35%, 35% and 50% 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 British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong.

(d) On 26 October 2016, the Company, Full Right as purchaser, and PMIL as vendor entered into a sale and purchase agreement in respect of the acquisition of 25% issued share capital of Indonesia Conch for the consideration of HK$450,000,000. The consideration for the acquisition shall be satisfied by the Company in the following manner: (a) as to HK$100,000,000 of the consideration shall be satisfied by the Company by way of the issue of the convertible bonds to PMIL; and (b) as to HK$350,000,000 of the consideration shall be satisfied by the Company by way of the allotment and issue of the Consideration Shares to PMIL.

Pursuant to the terms and conditions of the above said sale and purchase agreement, assuming there would be no other issue of new Shares and no repurchase of existing Shares before completion of the sale and purchase agreement, 2,333,333,333 Consideration Shares will be issued and a convertible bonds in a principal amount of HK$100,000,000 carrying rights to convert 666,666,667 Shares will be issued to PMIL.

(e) PMIL is 95% owned by Super Chine and Super Chine is wholly owned by Keen Phoenix. Keen Phoenix is 50% beneficially owned by Mr. Wong.

(f) Mr. Wong is a director of each of PMGL, Elite Force, Keen Phoenix, Super Chine and PMIL.

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

(h) 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.

(i) 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 held by Cheer Hope.

(j) Cheer Hope owned CCB Convertible Bonds issued by the Company in an aggregate principal amount of US$20,000,000 carrying rights to convert into 975,000,000 Shares of the Company at HK$0.16 per ordinary share, being adjusted pursuant to the CCB CB Amendment Deed on 31 December 2016.

Short position in the Shares and underlying Shares

Name	Note	Capacity/nature of interest	Number of Shares	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%

Notes:

(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 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 and Mr. Wong pursuant to the terms of the put option deed.

Save as disclosed above, as at 31 March 2017, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) of interests or short positions in the Shares or underlying Shares of the Company held by them which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Name of the member of the Group	Name of shareholder(s)	Capacity and nature of interest	Number of ordinary shares held	Percentage of the issued share capital
Fuchun Dongfang	Guangdong Sendao Group Limited* ("Guangdong Sendao")	Beneficially owner	N/A	45%
WM Aalbrightt Investment Holdings (Hong Kong) Limited	WM Aalbrightt Investment Holdings Limited	Beneficially owner	40,000	40%
Landmark Mining and Metallurgy Limited	Wu Xiao Jiang	Beneficially owner	3,800	38%
Suzhou Jiaxin	Zhao Xiao Lang	Beneficially owner	N/A	34.2%
First World Venture Resources Sdn. Bhd.	Lee Wai Yee	Beneficially owner	30	30%
Dongguan Honwill Limited	Dongguan City Danxin Property Company Limited*	Beneficially owner	N/A	30%
PT. Tritama Barata Makmur	PT. Mitra Reksa Pesona	Beneficially owner	11,250	25%

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 March 2017, no other person (who is not a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at 31 March 2017, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

* For identification purpose only

Management Contract

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

Connected Transactions and Continuing Connected Transactions

Certain related party transactions as disclosed in note 47 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions and continuing connected transactions between the connected persons (as defined in Rule 14A.06(7) of the Listing Rules) and the Company. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the following transactions:

1. Continuing connected transactions with respect to iron ore off-take agreement with Nanjing IS and Grace Wise Pte. Ltd. ("Grace Wise") ("Nanjing Steel Agency Agreement").

On 10 May 2011, Grace Wise as seller, Nanjing IS as buyer and Prosperity Materials Macau Commercial Offshore Limited ("MCO") as introducing agent entered into the Nanjing Steel Agency Agreement, pursuant to which Grace Wise shall sell, and Nanjing IS shall purchase, the contracted annual tonnage of iron ore commencing from 10 May 2011 and ending on 31 May 2021 in accordance with the terms thereof. MCO acts as exclusive introducing agent for Grace Wise in respect of the transactions contemplated under the Nanjing Steel Agency Agreement. As exclusive introducing agent for Grace Wise, MCO shall provide Grace Wise with administrative assistance such as handling shipping documents and liaising with payment banks. In consideration of the services of MCO to Grace Wise, Grace Wise shall pay MCO the commission of US$2.0 per dry metric ton of the ore shipped under the Nanjing Steel Agency Agreement. As at the date of the Nanjing Steel Agency Agreement, Grace Wise was indirectly 58%-owned by Mr. Wong. Mr. Wong was then a controlling shareholder of the Company, the Chairman of both the Company and Prosperity Minerals Holdings Limited and an executive Director. Accordingly, Grace Wise was an associate of Mr. Wong and hence a connected person of the Company. As at the date of this report, Grace Wise is an indirect wholly-owned subsidiary of the Company and Nanjing IS is a substantial shareholder of the Company and thus a connected person of the Company.

During the Year, the Group received the agency income of HK$0 with respect to Nanjing Steel Agency Agreement (Previous Financial Year: Nil).

2. Connected transactions with respect to the provision of financial assistance to a non-controlling shareholder of Fuchun Dongfang.

On 8 June 2016, 28 September 2016, 28 November 2016 and 19 January 2017, Fuchun Dongfang, a 55%-owned subsidiary of Company, pledged certain units of Oriental Landmark, for the benefit of its non-controlling shareholder, Guangdong Sendao, as security for the bank facilities granted to Guangdong Sendao and its subsidiary, in the aggregate amount of approximately RMB684 million (equivalent to approximately HK$777 million). At 31 March 2017, the carrying amount of the pledged units of Oriental Landmark is approximately RMB940 million (equivalent to approximately HK$1,068 million).

Guangdong Sendao holds 45% of the equity interests of Fuchun Dongfang and thus is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. For details, please refer to the relevant announcements and circular of the Company.

3. Continuing connected transactions with respect of iron ore off-take agreement with Nanjing IS.

On 12 January 2015, MCO had entered into iron ore off-take agreement (the "Nanjing Steel Off-take Agreement") with Nanjing IS, pursuant to which MCO agreed to sell to Nanjing IS from 12 January 2015 to 11 December 2017, prescribing the maximum aggregate value of US$389 million (equivalent to approximately HK$3,034 million). Nanjing IS owns more than 10% interest in the Company and is a substantial shareholder of the Company. Nanjing IS is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

During the Year, the Group sold iron ore amounted to US$51.9 million (equivalent to approximately HK$404.5 million) pursuant to the Nanjing Steel Off-take Agreement. The price and the terms of the above transactions have been determined in accordance with the pricing policies and guideline set out in relevant announcements dated 8 January 2015, 12 January 2015 and 15 January 2015 and relevant circular dated 29 January 2015.

4. Connected Transaction in respect of Acquisition of shares in PT Conch Cement Indonesia

On 26 October 2016, the Company, through its wholly-owned subsidiary, 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. PMIL is wholly-owned by Mr. Wong, and hence a connected person the Company. The acquisition constituted a major and connected transaction of the Company, details of the acquisition is set out in the subsection headed Acquisition of shares in PT Conch Cement Indonesia on pages 22 to 23 to this annual report.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the above continuing connected transactions, and are of the opinion that the continuing connected transactions were entered into:

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

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or form independent third parties; and

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

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Business Review

Details of business review during the Year are set out in section "Business Review" under Management Discussion and Analysis section on pages 10 to 17 of this annual report.

Principal Risks and Uncertainties

As set out in the "Foreign Exchange Exposure" under the Management Discussion and Analysis section of this report, the Board identifies a risk of fluctuation in the foreign exchange rate between the US dollar and Renminbi. The Group's trade in clinker and cement and its trade in iron ore and other raw materials are conducted predominantly in US dollars, while its granite mining and production business and property development business are conducted in Renminbi. The fluctuation in foreign exchange posed a principal risk to the Group, and a loss of approximately HK$117 million has been recognised for the purpose of calculating the Group's other comprehensive income during the Year. Furthermore, there is another principal risk that the global economic slowdown may reduce the PRC's demand for iron ore imports.

Key Financial Performance Indicators

An analysis of the Group's financial performance in terms of key indicators are set out in the section headed "Financial Review" and "Liquidity, Financial Resources and Capital Structure" under the Management Discussion and Analysis in this annual report.

Events After the Reporting Period

Details of the significant events occurring after the reporting period are set out in note 49 to the consolidated financial statements.

Plan for the Future

As set out in the "Outlook" under the Management Discussion and Analysis section of this report, the Group has been stepping up investment in its businesses of clinker, cement and real estate. Notably, on 26 October 2016, the Group reached an agreement with PMIL to acquire a 25% stake in Indonesia Conch. The acquisition will enable the Group to benefit from a boom in Indonesia's clinker and cement manufacturing industry. The prospect of the industry is bright as the Indonesian government is committed to enhancing the country's infrastructure. Moreover, 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 in the long term.

Property business already started projects in some vibrant cities of China and the capital of Indonesia in the past 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.

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.

Environmental Policies and Performance

The Group recognizes that the adoption of environmental policies is essential to the corporate growth, and it is committed to promoting environmental consciousness at the work place. For instance, the Group places emphasis on paper saving and recycling initiatives. It aims to minimize its business's impact on the environment in the interests of future generations.

The Group's mining operations in Malaysia and Brazil use the open-pit mining method to simplify operations and reduce production costs. The Group produces iron ore products through a relatively low-cost process which includes ball-milling, magnetic separation and dewatering. The process is environmentally friendly as it does not require chemical additives and reduces the amount of waste water. The Group's mining operations in Guilin use all the odd bits of the mined granite to produce feldspar powder products which can be used as raw materials for glass and ceramics, thereby reducing the amount of waste to be dumped. This helps to protect the environment.

The management of all the mining operations periodically review and evaluate the whole production procedure, from exploitation, excavation to processing, with the aim of minimizing the environmental impact.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

Compliance with Laws and Regulations

As at 31 March 2017 and up to the date of this report, the Board was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

Compliance with the Code on Corporate Governance Practices

A full corporate governance report is set out on pages 30 to 39 of this annual report.

Sufficiency of Public Float

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

Auditor

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

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

ON BEHALF OF THE BOARD
WONG Ben Koon
Chairman

Hong Kong, 30 June 2017

Independent Auditor's Report

RSM

TO THE SHAREHOLDERS OF
PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Prosperity International Holdings (H.K.) Limited and its subsidiaries (the "Group") set out on pages 60 to 151, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are as follows:

1. Reversal of impairment of other intangible assets and property, plant and equipment; and
2. Fair value measurement.

Key Audit Matter	How our audit addressed the Key Audit Matter
Reversal of impairment of other intangible assets and property, plant and equipment	
Refer to notes 18 and 21 to the consolidated financial statements Management is required to make an assessment to determine whether the impairment losses recognised in prior periods should be reversed when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. During the year, there was an increase in market price of iron ore. The Group has reversed the impairment of other intangible assets and property, plant and equipment of HK$97.2 million and HK$31.2 million, respectively. The reversal of impairment was based on higher of value in use or fair value less cost of disposal. These calculations required estimations of key assumptions for the future cash flow model, including forecast market price of iron ore, cost of production, future growth rate, profit margin and discount rate. These estimations required significant management judgement.	Our procedures in relation to management's impairment assessment included: • Assessing whether the valuation methodologies adopted by management were appropriate; • Evaluating the historical accuracy of the discounted cash flow models used in last year's assessment by comparing with actual performance; • Assessing the reasonableness of the key assumptions based on historical performance and our knowledge of the industry; and • Evaluating the appropriateness of the discount rate (assisted by our internal valuation experts).

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurements	
Refer to note 7 to the consolidated financial statements At 31 March 2017, the Group's available-for-sale financial assets and investment properties categorised as level 3 amounted to approximately HK$73.2 million and HK$2,218.3 million respectively. Determination of their fair values involves significant management estimations, in particular the selection of unobservable inputs. As the available-for-sale financial assets and investment properties are measured at fair value at each reporting date, these fair value measurements have significant impact on the financial performance and position of the Group.	Our procedures in relation to fair value measurements included: • Assessing whether the valuation methodologies adopted by management were appropriate; • Testing the evidence supporting the unobservable inputs utilised in the level 3 fair value measurements; and • Evaluating the adequacy of the level 3 fair value measurement disclosures in the consolidated financial statements.

Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Poh Weng.

RSM Hong Kong
Certified Public Accountants
Hong Kong
30 June 2017

Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Turnover	8	**4,521,452**	2,008,509
Cost of goods sold		**(4,203,705)**	(1,970,206)
Gross profit		**317,747**	38,303
Other income	9	**105,890**	86,500
Selling and distribution costs		**(68,090)**	(87,298)
Administrative expenses		**(296,839)**	(296,033)
Other operating expenses		**(102,334)**	(661,657)
Loss from operations		**(43,626)**	(920,185)
Finance costs	11	**(195,856)**	(200,667)
Share of loss of a joint venture		**–**	(3,380)
Gains on disposal of an associate		**–**	606,097
Gains on disposal of a subsidiary	43(c)	**–**	189,652
Reversal of impairment loss on property, plant and equipment		**31,185**	–
Reversal of impairment loss on other intangible assets		**97,215**	–
Loss on extinguishment of financial liabilities		**(43,026)**	–
Net gains on disposals of available-for-sale financial assets		**10,170**	5,378
Net gains on disposals of financial assets at fair value through profit or loss		**3,632**	7,796
Fair value gains/(losses) on financial assets at fair value through profit or loss		**17,030**	(1,976)
Fair value gains on derivative financial instruments		**53,903**	3,099
Fair value gains on investment properties	19	**6,444**	7,699
Loss before tax		**(62,929)**	(306,487)
Income tax expense	12	**(64,953)**	(262)
Loss for the year	13	**(127,882)**	(306,749)
Attributable to:			
Owners of the Company		**(119,733)**	(263,209)
Non-controlling interests		**(8,149)**	(43,540)
		(127,882)	(306,749)
Loss per share			
— basic (HK cents)	17(a)	**(1.20)**	(2.74)
— diluted (HK cents)	17(b)	**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(127,882)**	(306,749)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(116,871)**	(140,204)
Exchange differences reclassified to profit or loss on disposal of an associate	**–**	(29,882)
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**–**	(7,749)
Impairment loss on available-for-sale financial assets	**12,327**	16,646
Fair value gains reclassified to profit or loss on disposals of available-for-sale financial assets	**(10,170)**	(3,911)
Fair value (losses)/gains on available-for-sale financial assets	**(106,435)**	261,585
Other comprehensive income for the year, net of tax	**(221,149)**	96,485
Total comprehensive income for the year	**(349,031)**	(210,264)
Attributable to:		
Owners of the Company	**(295,992)**	(125,503)
Non-controlling interests	**(53,039)**	(84,761)
	(349,031)	(210,264)

Consolidated Statement of Financial Position

At 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	18	**587,873**	510,920
Investment properties	19	**2,218,307**	2,280,535
Goodwill	20	**–**	15,105
Other intangible assets	21	**1,612,121**	1,533,481
Available-for-sale financial assets	23	**73,176**	85,503
Financial assets at fair value through profit or loss	24	**19,360**	274
Non-current prepayments and other receivables	25	**319,398**	617,012
Deferred tax assets	36	**125,666**	126,195
		4,955,901	5,169,025
Current assets			
Inventories	26	**2,557,190**	2,011,354
Available-for-sale financial assets	23	**293,176**	397,979
Financial assets at fair value through profit or loss	24	**31,699**	25,796
Finance lease receivable	22	**–**	94,991
Trade and bills receivables	27	**523,514**	218,269
Prepayments, deposits and other receivables	28	**650,948**	387,455
Current tax assets		**198**	944
Pledged deposits	29	**70,042**	101,943
Time deposits	29	**–**	1,428
Bank and cash balances	29	**406,563**	178,784
		4,533,330	3,418,943
TOTAL ASSETS		**9,489,231**	8,587,968

Consolidated Statement of Financial Position *(continued)*

At 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	30	**101,956**	97,956
Reserves	32	**2,238,887**	2,471,676
Equity attributable to owners of the Company		**2,340,843**	2,569,632
Non-controlling interests		**1,020,958**	888,805
Total equity		**3,361,801**	3,458,437
Non-current liabilities			
Bank borrowings	33	**561,766**	725,999
Finance lease payables	34	**235**	1,036
Other loans and payables	35	**316,386**	304,616
Convertible bonds	39	**156,537**	–
Guaranteed notes	41	**166,932**	–
Bonds	41	**72,000**	–
Deferred tax liabilities	36	**694,559**	723,319
		1,968,415	1,754,970
Current liabilities			
Trade and bills payables	37	**712,219**	253,182
Other payables and deposits received	38	**1,352,844**	1,019,936
Derivative financial liabilities	39	**7,288**	–
Current portion of bank borrowings	33	**1,245,599**	1,224,587
Other borrowings	40	**302,750**	310,000
Finance lease payables	34	**914**	1,909
Current tax liabilities		**537,401**	564,947
		4,159,015	3,374,561
Total liabilities		**6,127,430**	5,129,531
TOTAL EQUITY AND LIABILITIES		**9,489,231**	8,587,968
Net current assets		**374,315**	44,382
Total assets less current liabilities		**5,330,216**	5,213,407

Approved by the Board of Directors on 30 June 2017 and signed on its behalf by:

Wong Ben Koon
Chairman and Executive Director

Kong Siu Keung
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Contributed surplus HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Investment reserve HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 year	–	–	(133,399)	–	–	–	271,105	–	–	(263,209)	(125,503)	(84,761)	(210,264)
Issue of shares (note 30)	12,033	274,542	–	–	–	–	–	–	–	–	286,575	–	286,575
Transfer of reserve upon lapse of share options	–	–	–	–	–	(513)	–	–	–	513	–	–	–
Acquisition of subsidiaries (note 43(b))	–	–	–	–	–	–	–	–	–	–	–	20,392	20,392
Changes in equity for the year	12,033	274,542	(133,399)	–	–	(513)	271,105	–	–	(262,696)	161,072	(64,369)	96,703
At 31 March 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

	Attributable to owners of the Company												
	Share capital HK$'000	**Share premium HK$'000**	**Foreign currency translation reserve HK$'000**	**Contributed surplus HK$'000**	**Merger reserve HK$'000**	**Share-based payment reserve HK$'000**	**Investment reserve HK$'000**	**Capital reserve HK$'000**	**Other reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interest HK$'000**	**Total equity 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 year	**–**	**–**	**(75,195)**	**–**	**–**	**–**	**(101,064)**	**–**	**–**	**(119,733)**	**(295,992)**	**(53,039)**	**(349,031)**
Transfer of reserve upon lapse of share options	**–**	**–**	**–**	**–**	**–**	**(410)**	**–**	**–**	**–**	**410**	**–**	**–**	**–**
Surplus from extension of loan from a related company (note 35)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,019**	**–**	**–**	**2,019**	**–**	**2,019**
Issue of shares (note 30)	**4,000**	**61,184**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**65,184**	**–**	**65,184**
Appropriation to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,190**	**(5,190)**	**–**	**–**	**–**
Acquisition of a subsidiary (note 43(a))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**185,573**	**185,573**
Dividend paid to a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(381)**	**(381)**
Changes in equity for the year	**4,000**	**61,184**	**(75,195)**	**–**	**–**	**(410)**	**(101,064)**	**2,019**	**5,190**	**(124,513)**	**(228,789)**	**132,153**	**(96,636)**
At 31 March 2017	**101,956**	**1,997,521**	**(217,629)**	**886,979**	**(12,880)**	**12,600**	**191,313**	**2,019**	**5,240**	**(626,276)**	**2,340,843**	**1,020,958**	**3,361,801**

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(62,929)**	(306,487)
Adjustments for:		
Finance costs	**195,856**	200,667
Interest income	**(81,371)**	(55,008)
Dividend income	**(1,875)**	–
Depreciation	**64,575**	53,331
Share of profits less losses of joint ventures	**–**	3,380
Gains on disposal of associates	**–**	(606,097)
Gains on disposal of a subsidiary	**–**	(189,652)
Net gains on disposals of available-for-sale financial assets	**(10,170)**	(5,378)
Net gains on disposals of financial assets at fair value through profit or loss	**(3,632)**	(7,796)
Impairment loss on available-for-sale financial assets	**12,327**	16,646
Impairment loss on other intangible assets	**20,331**	326,909
Impairment loss on property, plant and equipment	**1,669**	102,410
Impairment loss on goodwill	**15,105**	23,000
Reversal of impairment loss on other intangible assets	**(97,215)**	–
Reversal of impairment loss on property, plant and equipment	**(31,185)**	–
Allowance for loan and other receivables	**–**	153,566
Allowance for inventories	**–**	65,376
Reversal of allowance for inventories	**(83,695)**	(616)
Allowance for uncollectible minimum lease payments receivable	**25,685**	39,126
Bad debts	**192**	–
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(17,030)**	1,976
Fair value gains on derivative financial instruments	**(53,903)**	(3,099)
Fair value gains on investment properties	**(6,444)**	(7,699)
Loss on extinguishment of financial liabilities	**43,026**	–
Loss on disposal of property, plant and equipment	**5,956**	749
Operating loss before working capital changes	**(64,727)**	(194,696)
Increase in inventories	**(344,990)**	(286,410)
Increase in financial assets at fair value through profit or loss	**(4,327)**	(19,976)
Increase in trade and bills receivables	**(278,127)**	(88,646)
Increase in prepayments, deposits and other receivables	**(27,497)**	(35,945)
Increase/(decrease) in trade and bills payables	**464,703**	(101,579)
Increase in other payables and deposits received	**387,351**	498,758
Increase in other loans and payables	**–**	430
Cash generated from/(used in) operating activities	**132,386**	(228,064)
Income tax paid	**(74,190)**	(220,319)
Net cash generated from/(used in) operating activities	**58,196**	(448,383)

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in pledged deposits and time deposits	**33,329**	(5,948)
Interest received	**17,238**	8,871
Dividend received	**1,875**	–
Purchases of property, plant and equipment	**(1,827)**	(28,231)
Addition of investment properties	**(20,887)**	(16,010)
Acquisition of available-for-sale financial assets	**–**	(106,270)
Acquisition of subsidiaries (note 43(a))	**(14,242)**	(61,177)
Deferred consideration for disposal of an associate	**–**	722,867
Deferred consideration for acquisition of subsidiaries	**–**	(555,408)
Proceeds from disposals of available-for-sale financial assets	**–**	25,106
Proceeds from disposal of property, plant and equipment	**2,733**	–
Proceeds from disposal of associates	**–**	891,658
Proceeds from disposal of a subsidiary	**46,512**	11,894
Net cash generated from investing activities	**64,731**	887,352
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from related companies	**4,797**	–
Bank loans raised	**2,534,744**	1,948,274
Other borrowings raised	**67,000**	694,000
Proceeds from issue of shares upon share placements	**65,184**	286,575
Proceeds from issue of convertible bonds	**154,082**	–
Proceeds from issue of guaranteed notes	**153,660**	–
Proceeds from issue of bonds	**72,000**	–
Repayment of bank loans	**(2,693,022)**	(2,680,098)
Repayment of other borrowings	**(74,250)**	(384,000)
Repayment of finance lease payables	**(1,796)**	(1,703)
Repayment of convertible loan notes	**(3,987)**	(226,065)
Interests paid	**(158,477)**	(159,419)
Net cash generated from/(used in) financing activities	**119,935**	(522,436)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**242,862**	(83,467)
Effect of foreign exchange rate changes	**(15,083)**	(6,776)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**178,784**	269,027
CASH AND CASH EQUIVALENTS AT END OF YEAR	**406,563**	178,784
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**406,563**	178,784

1. General Information

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

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

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

HKFRS 9 Financial Instruments *(Continued)*

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements but is unable to estimate the impact of the new standard on the consolidated financial statements until more detailed analysis is completed.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

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

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its land costs payable for the properties under development for sale and rentals payable for office premises and staff quarters amounted to HK$85,238,000 (2016: HK$242,881,000) and HK$15,272,000 (2016: HK$23,055,000) respectively as at 31 March 2017. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties, financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4. Significant Accounting Policies *(Continued)*

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. Significant Accounting Policies *(Continued)*

(b) Business combination and goodwill

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

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

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

4. Significant Accounting Policies *(Continued)*

(c) Associates *(Continued)*

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

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

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

(d) Joint arrangements

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

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of its joint arrangements and determined them to all be joint ventures.

4. Significant Accounting Policies *(Continued)*

(d) Joint arrangements *(Continued)*

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

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss, and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which include any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

4. Significant Accounting Policies *(Continued)*

(e) Foreign currency translation *(Continued)*

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

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

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

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

(iii) Translation on consolidation

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

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

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

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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

4. Significant Accounting Policies *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases), held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Buildings	4%
Furniture and fixtures	20% to 33%
Leasehold improvements	10%
Mining infrastructure	5%
Motor vehicles	10% to 50%
Office equipment	20% to 33%
Plant and machinery	10% to 25%

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

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

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

(g) Investment properties

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

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

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

4. Significant Accounting Policies *(Continued)*

(h) Leases

The Group as lessee

(i) Operating leases

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

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) Operating leases

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

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. Significant Accounting Policies *(Continued)*

(j) Mining rights

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

(k) Properties under development for sale and properties held for sale

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

(l) Recognition and derecognition of financial instruments

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

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

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

(m) Financial assets

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

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

(m) Financial assets *(Continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(iii) Available-for-sale financial assets

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

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(o) Cash and cash equivalents

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

(p) Financial liabilities and equity instruments

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

4. Significant Accounting Policies *(Continued)*

(q) Borrowings

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

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

(r) Convertible loan notes

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

Transaction costs are apportioned between the liability and derivative components of the convertible loan notes based on the allocation of proceeds to the liability and derivative components on initial recognition. The portion related to the derivative component is expensed immediately.

(s) Financial guarantee contract liabilities

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

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

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

(t) Trade and other payables

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

(u) Equity instruments

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

4. Significant Accounting Policies *(Continued)*

(v) Derivative financial instruments

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

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

(w) Revenue recognition

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

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

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

Commission and despatch income is recognised on an accrual basis.

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

(x) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

4. Significant Accounting Policies *(Continued)*

(y) Share-based payments

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

(z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

(aa) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. Significant Accounting Policies *(Continued)*

(aa) Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

(cc) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

4. Significant Accounting Policies *(Continued)*

(cc) Impairment of non-financial assets *(Continued)*

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(dd) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in investment reserve; impairment losses are not reversed through profit or loss.

4. Significant Accounting Policies *(Continued)*

(ee) Provisions and contingent liabilities

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

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

(ff) Events after the reporting period

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

5. Critical Judgement and Key Estimates

Critical judgement in applying accounting policies

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

(a) Deferred tax for investment properties

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

5. Critical Judgement and Key Estimates *(Continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of non-financial assets

As set out in note 4(cc), if circumstances indicate that the carrying amount of an asset may not be recoverable, the asset may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36, "Impairment of Assets". These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less cost of disposal and the value in use. It is difficult to precisely estimate market value because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume and amount of operating costs.

During the year ended 31 March 2017, impairment losses of approximately HK$1,669,000 and HK$20,331,000, (2016: HK$102,410,000 and HK$326,909,000) and reversal of impairment losses of approximately HK$31,185,000 and HK$97,215,000 (2016: HK$0 and HK$0) were recognised for the property, plant and equipment and other intangible assets, respectively. Details of the impairment loss calculation are set out in notes 18 and 21 to the consolidated financial statements.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$0 (2016: HK$15,105,000) after an impairment loss of HK$15,105,000 (2016: HK$23,000,000) was recognised during the year. Details of the impairment loss calculation are provided in note 20 to the consolidated financial statements.

(c) Mine reserve and impairment of mining rights

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

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

The carrying amount of mining rights as at 31 March 2017 is HK$1,612,121,000 (2016: HK$1,533,481,000).

5. Critical Judgement and Key Estimates *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 March 2017 is HK$2,218,307,000 (2016: HK$2,280,535,000).

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income tax and deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$64,953,000 (2016: HK$262,000) of income tax was charged to profit or loss based on the estimated profit from operations.

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

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

In addition, given the volatility of the People's Republic of China ("PRC") property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years. No provision was made for the year ended 31 March 2017 (2016: HK$0).

(g) Allowance on trade and other receivables

The Group makes allowance on receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness, past collection history and securities (if any) of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance on receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and allowance on receivables in the year in which such estimate has been changed. Details of the allowance on trade and other receivables are set out in notes 27 and 28 to the consolidated financial statements.

5. Critical Judgement and Key Estimates *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(h) Allowance for inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

During the year, reversal of allowance for slow-moving inventories of approximately HK$83,695,000 (2016: HK$616,000) and allowance for inventories of HK$0 (2016: HK$65,376,000) was made for the year ended 31 March 2017.

(i) Fair value of investments

In the absence of quoted market prices in an active market, the fair value of the Group's investments in certain unlisted equity securities, details of which are set out in note 23 to the consolidated financial statements, at the end of the reporting period was determined using market comparable approach. Application of this approach requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, price book multiple of similar companies in the market, latest published financial information as well as discount for lack of marketability of the investments.

The carrying amount of these investments as at 31 March 2017 was HK$73,176,000 (2016: HK$85,503,000).

(j) Environmental contingencies

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

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks, including foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

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

	Functional currency strengthened/ (weakened) by	(Increase)/decrease in consolidated loss after tax HK$'000
Year ended 31 March 2017		
US$	**2%/(2%)**	**5,141/(5,141)[i]**
RMB	**2%/(2%)**	**(6,900)/6,900[ii]**

	Functional currency strengthened/ (weakened) by	(Increase)/decrease in consolidated loss after tax HK$'000
Year ended 31 March 2016		
US$	2%/(2%)	7,279/(7,279)[i]
RMB	2%/(2%)	301/(301)[ii]

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

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

6. Financial Risk Management *(Continued)*

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted on the Stock Exchange.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had increased/decreased by 10% with all other variables held constant:

- consolidated loss after tax for the year ended 31 March 2017 would be HK$3,170,000 (2016: HK$2,580,000) lower/higher respectively, arising as a result of the net gain/loss on the held-for-trading investments; and
- other comprehensive income for the year ended 31 March 2017 would be HK$29,318,000 (2016: HK$38,691,000) higher/lower respectively, arising as a result of the fair value gain/loss of available-for-sale investments.

(c) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, loan and other receivables and finance lease receivable.

As at 31 March 2017, the three largest trade and bills receivables represent approximately 69% (2016: 66%) of the total trade and bills receivables. The Group was exposed to the concentration of credit risk. In order to minimise the credit risk, the Group maintains various credit policies for business operations as described in note 27 to the consolidated financial statements.

The directors review the recoverable amount of each individual loan and other receivables and finance lease receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(d) Liquidity risk

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

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

6. Financial Risk Management (Continued)

(d) Liquidity risk (Continued)

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

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2017			
Bank borrowings subject to a repayment on demand clause	**371,256**	**–**	**–**
Other bank borrowings	**914,048**	**187,377**	**406,583**
Other borrowings	**312,383**	**–**	**–**
Trade and bills payables	**712,219**	**–**	**–**
Other payables	**536,896**	**–**	**–**
Financial guarantees	**1,263,583**	**–**	**–**
Other loans and payables	**–**	**60,743**	**293,605**
Convertible bonds	**9,247**	**179,478**	**–**
Guaranteed notes	**9,247**	**179,478**	**–**
Bonds	**4,680**	**76,680**	**–**
Finance lease payables	**1,023**	**274**	**16**
At 31 March 2016			
Bank borrowings subject to a repayment on demand clause	313,875	–	–
Other bank borrowings	983,460	191,637	591,721
Other borrowings	313,300	–	–
Trade and bills payables	253,182	–	–
Other payables	574,928	–	–
Financial guarantees	852,223	–	–
Other loans and payables	–	318,094	–
Finance lease payables	2,082	639	546

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

6. Financial Risk Management *(Continued)*

(d) Liquidity risk *(Continued)*

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000
At 31 March 2017	**207,865**	**107,623**	**79,739**	**–**
At 31 March 2016	213,702	98,886	13,886	–

(e) Interest rate risk

The Group's exposure to interest rate risk mainly arises from its bank deposits, bank borrowings and other borrowings. The bank deposits and borrowings of approximately HK$361,765,000 (2016: HK$244,774,000) and HK$1,705,941,000 (2016: HK$1,819,483,000) respectively bear interests at variable rates varied with the then prevailing market condition and therefore are subject to cash flow interest rate risk.

	Increase/ (decrease) in basis point	(Increase)/ decrease in consolidated loss after tax HK$'000
Year ended 31 March 2017		
Bank deposits	**10/(10)**	**362/(362)[(i)]**
Bank borrowings	**100/(100)**	**(17,002)/17,002[(ii)]**

	Increase/ (decrease) in basis point	(Increase)/ decrease in consolidated loss after tax HK$'000
Year ended 31 March 2016		
Bank deposits	10/(10)	245/(245)[(i)]
Bank borrowings	100/(100)	(18,071)/18,071[(ii)]

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

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

6. Financial Risk Management *(Continued)*

(f) Categories of financial instruments as at 31 March

	2017 HK$'000	2016 HK$'000
Financial assets:		
Available-for-sale financial assets	**366,352**	483,482
Financial assets at fair value through profit or loss		
— derivative financial assets	**19,360**	274
— held for trading	**31,699**	25,796
Loans and receivables (including cash and cash equivalents)	**1,499,244**	1,072,226
Financial liabilities:		
Financial liabilities at fair value through profit or loss		
— derivative financial liabilities	**7,288**	–
Financial liabilities measured at amortised cost	**4,071,085**	3,393,134

(g) Fair values

Except as disclosed in note 39 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

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

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

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

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

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

7. Fair Value Measurements *(Continued)*

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

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2017 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	–	19,360	19,360
Held for trading	31,699	–	–	31,699
	31,699	–	19,360	51,059
Available-for-sale financial assets				
Equity securities listed in Hong Kong	267,087	–	–	267,087
Equity securities listed outside Hong Kong	17,130	–	–	17,130
Unlisted equity securities	–	8,959	73,176	82,135
	284,217	8,959	73,176	366,352
Investment properties				
Commercial — Hong Kong	–	–	17,570	17,570
Commercial — PRC	–	–	2,200,737	2,200,737
	–	–	2,218,307	2,218,307
	315,916	8,959	2,310,843	2,635,718
Recurring fair value measurements:				
Financial liabilities				
Derivative financial liabilities	–	–	7,288	7,288

7. Fair Value Measurements *(Continued)*

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

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2016 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	274	–	274
Held for trading	25,796	–	–	25,796
	25,796	274	–	26,070
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
	380,537	6,371	96,574	483,482
Investment properties				
Commercial — Hong Kong	–	–	17,570	17,570
Commercial — PRC	–	–	2,262,965	2,262,965
	–	–	2,280,535	2,280,535
	406,333	6,645	2,377,109	2,790,087

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

7. Fair Value Measurements *(Continued)*

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

Description	Financial assets at fair value through profit or loss derivative financial assets 2017 HK$'000	Available-for-sale financial assets unlisted equity securities 2017 HK$'000
At beginning of year	–	96,574
Disposal	–	(10,274)
Total gains/(losses) recognised:		
— in profit or loss	19,360	(12,327)
— in other comprehensive income	–	(545)
Exchange differences	–	(252)
At end of year	19,360	73,176

Description	2016 HK$'000	2016 HK$'000
At beginning of year	–	–
Purchase	–	100,369
Total losses recognised in other comprehensive income	–	(3,783)
Exchange differences	–	(12)
At end of year	–	96,574

The total gains/(losses) recognised in profit or loss for financial assets at fair value through profit or loss and available-for-sale financial assets of approximately HK$19,360,000 and HK$12,327,000 respectively, are gains/(losses) for assets held at the end of the reporting period. The total losses recognises in other comprehensive income are recognised in the line item "fair value (loss)/gains on available-for-sale financial assets" on the face of the consolidated statement of profit or loss and other comprehensive income. The total gains recognises in profit or loss are recognised in the line item "fair value gains/(losses) on financial assets at fair value through profit or loss" on the face of the consolidated statement of profit or loss.

The movements in the investment properties under Level 3 fair value measurements during the year are presented in note 19 to the consolidated financial statements. Fair value adjustment on investment properties are recognised in the line item "fair value gains on investment properties" on the face of the consolidated statement of profit or loss.

The movements in the derivative financial liabilities under Level 3 fair value measurements during the year are presented in note 39 to the consolidated financial statements. Fair value adjustment on derivative financial liabilities are recognised in the line item "fair value gains on derivative financial instruments" on the face of the consolidated statement of profit or loss.

7. Fair Value Measurements *(Continued)*

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

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

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

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2017 HK$'000
Assets			
Unlisted equity securities	Fund's net asset value	N/A	**8,959**

Description	Valuation technique	Inputs	2016 HK$'000
Assets			
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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 HK$'000
Assets					
Investment properties					
Commercial — Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	11,000	Increase	**17,570**
Commercial — PRC	Direct comparison	Adjusted market price (RMB/square metre)	22,000–96,000	Increase	**1,977,796**
		Adjusted market price (RMB/car parking space)	637,000–643,000	Increase	

7. Fair Value Measurements *(Continued)*

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

Level 3 fair value measurements *(Continued)*

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 HK$'000
	Income capitalisation	Terminal yield	6%–6.5%	Decrease	**222,941**
		Reversionary yield	5%–7%	Decrease	
		Monthly rental (RMB/square metre)	13–116	Increase	
Unlisted equity securities	Market comparable approach	Average price book multiple	0.83	Increase	**73,176**
		Book value	HK$1,006,169,000	Increase	
		Discount for lack of marketability	12%	Decrease	
Derivative financial assets	Black-Scholes Model with Binomial Tree method	Share price	HK$0.73	Decrease	**19,360**
		Expected volatility	26.48%	Increase	
		Application failure rate	47.22%	Increase	
		Dividend yield	0%	Increase	
Liabilities					
Derivative financial liabilities	Black-Scholes Model with Trinomial Tree method	Expected volatility	34.66%	Increase	**7,288**
		Dividend yield	0%	Decrease	

7. Fair Value Measurements *(Continued)*

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

Level 3 fair value measurements *(Continued)*

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 HK$'000
Investment properties					
Commercial — Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	11,163	Increase	17,570
Commercial — PRC	Direct comparison	Adjusted market price (RMB/square metre)	22,000–95,000	Increase	2,048,710
		Adjusted market price (RMB/car parking space)	622,000	Increase	
	Income capitalisation	Terminal yield	6%–6.5%	Decrease	214,255
		Reversionary yield	6.5%–7%	Decrease	
		Monthly rental (RMB/square metre)	96–112	Increase	
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	

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

8. Turnover

	2017 HK$'000	2016 HK$'000
Mining and trading of iron ore and raw materials	**3,158,855**	1,171,941
Sales of properties	**508,291**	119,463
Trading of clinker, cement and other building materials	**793,772**	680,365
Trading of equipment	**22,755**	–
Rental income	**37,779**	36,740
	4,521,452	2,008,509

9. Other Income

	2017 HK$'000	2016 HK$'000
Commission received	**1,250**	11,498
Despatch income	**1,983**	5,504
Exchange difference, net	**–**	1,117
Interest income	**6,300**	8,870
Interest income from consideration receivable	**41,696**	15,527
Interest income from finance lease receivable	**33,375**	30,611
Dividend income	**1,875**	–
Consulting services	**5,703**	–
Others	**13,708**	13,373
	105,890	86,500

10. Segment Information

Operating segments

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

Segment profits or losses do not include share of loss of a joint venture, allowance for loan and other receivables and uncollectible minimum lease payments receivable, reversal of impairment loss/impairment loss on other intangible assets and property, plant and equipment, impairment loss on goodwill and available-for-sale financial assets, loss on extinguishment of financial liabilities, fair value gains on derivative financial instruments and investment properties, fair value gains/losses on financial assets at fair value through profit or loss, net gains on disposals of available-for-sale financial assets and financial assets at fair value through profit or loss, gains on disposal of a subsidiary and an associate, finance costs, income tax expense and other corporate income and expenses.

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

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

10. Segment Information *(Continued)*

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

	Mining and trading of iron ore and raw materials HK$'000	Real estate investment and development HK$'000	Trading of clinker, cement and other building materials HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 March 2017					
Revenue from external customers	**3,158,855**	**546,070**	**790,417**	**26,110**	**4,521,452**
Intersegment revenue	**–**	**600**	**–**	**–**	**600**
Segment profit/(loss)	**(72,384)**	**101,997**	**18,766**	**(33,722)**	**14,657**
Other information:					
Interest revenue	**34,365**	**3,668**	**3**	**3,512**	**41,548**
Interest expense	**83,815**	**5,243**	**1,276**	**3,283**	**93,617**
Depreciation	**57,226**	**4,950**	**184**	**1,933**	**64,293**
Income tax expense/(credit)	**(4,343)**	**71,988**	**2,390**	**(5,082)**	**64,953**
Other material non-cash item:					
Reversal of allowance for inventories	**83,695**	**–**	**–**	**–**	**83,695**

	Mining and trading of iron ore and raw materials HK$'000	Real estate investment and development HK$'000	Trading of clinker, cement and other building materials HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 March 2016					
Revenue from external customers	1,171,941	156,203	677,442	2,923	2,008,509
Intersegment revenue	–	600	–	–	600
Segment profit/(loss)	(166,072)	(46,240)	18,284	(71,103)	(265,131)
Other information:					
Interest revenue	31,806	4,372	2	3,288	39,468
Interest expense	102,048	10,229	1,125	8,594	121,996
Depreciation	50,205	4,065	208	2,469	56,947
Amortisation	766	–	–	–	766
Income tax expense/(credit)	(107,935)	21,919	2,490	83,788	262
Other material non-cash item:					
Allowance for inventories	65,376	–	–	–	65,376

10. Segment Information *(Continued)*

Reconciliations of reportable segment revenue and profit or loss:

	2017 HK$'000	2016 HK$'000
Revenue		
Total revenue from reportable segments	**4,522,052**	2,009,109
Elimination of intersegment revenue	**(600)**	(600)
Consolidated revenue	**4,521,452**	2,008,509
Profit or loss		
Total profit/(loss) of reportable segments	**14,657**	(265,131)
Other profit or loss	**83,773**	57,185
Share of loss of a joint venture	**–**	(3,380)
Allowance for loan and other receivables	**–**	(153,566)
Allowance for uncollectible minimum lease payments receivable	**(25,685)**	(39,126)
Reversal of impairment loss on property, plant and equipment	**31,185**	–
Reversal of impairment loss on other intangible assets	**97,215**	–
Impairment loss on other intangible assets	**(20,331)**	(326,909)
Impairment loss on property, plant and equipment	**(1,669)**	(102,410)
Impairment loss on goodwill	**(15,105)**	(23,000)
Impairment loss on available-for-sale financial assets	**(12,327)**	(16,646)
Loss on extinguishment of financial liabilities	**(43,026)**	–
Net gains on disposals of available-for-sale financial assets	**10,170**	5,378
Gains on disposal of an associate	**–**	606,097
Gains on disposal of a subsidiary	**–**	189,652
Fair value gains on derivative financial instruments	**53,903**	3,099
Fair value gains on investment properties	**6,444**	7,699
Net gains on disposals of financial assets at fair value through profit or loss	**3,632**	7,796
Fair value gains/(losses) on financial assets at fair value through profit or loss	**17,030**	(1,976)
Finance costs	**(195,856)**	(200,667)
Unallocated amounts	**(66,939)**	(50,582)
Consolidated loss before tax	**(62,929)**	(306,487)

10. Segment Information *(Continued)*

Geographical information:

	Revenue		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**3,708,070**	1,331,667	**2,358,764**	2,461,421
Macau	**–**	–	**312,001**	312,002
Malaysia	**77,369**	63,833	**1,841,983**	1,701,035
Taiwan	**285,454**	283,801	**–**	–
Others	**450,559**	329,208	**224,951**	185,259
	4,521,452	2,008,509	**4,737,699**	4,659,717

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

Revenue from major customers:

	2017	2016
Mining and trading of iron ore and raw materials segment	**HK$'000**	HK$'000
Customer a	**1,186,046**	–
Customer b	**404,475**	299,587
Customer c	**137,504**	240,296

	2017	2016
Trading of clinker, cement and other building materials segment	**HK$'000**	HK$'000
Customer d	**257,330**	263,149

11. Finance Costs

	2017	2016
	HK$'000	HK$'000
Finance lease charges	**133**	122
Interest on bank and other borrowings wholly repayable within 5 years	**153,236**	167,033
Interest on guaranteed notes	**17,258**	–
Interest on bonds	**476**	–
Effective interest expense on other loans	**8,992**	19,075
Effective interest expense on convertible bonds	**24,607**	25,884
Less: Borrowing costs capitalised into properties under development for sale	**(8,846)**	(11,447)
	195,856	200,667

Borrowing costs were capitalised at a rate of 4.8%–12% (2016: 6.9%–12%) per annum for the year ended 31 March 2017.

12. Income Tax Expense

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

	2017	2016
	HK$'000	HK$'000
Hong Kong Profits Tax		
Provision for the year	**2,417**	1,054
(Over)/under-provision in prior year	**(27)**	1,436
	2,390	2,490
Overseas Profits Tax		
Provision for the year	**931**	2,731
(Over)/under-provision in prior year	**(162)**	3,684
	769	6,415
PRC Corporate Income Tax		
Provision for the year	**39,832**	86,859
Under-provision in prior year	**–**	3,599
	39,832	90,458
LAT		
Provision for the year	**37,784**	5,186
Deferred tax (note 36)	**(15,822)**	(104,287)
	64,953	262

Hong Kong Profits Tax is provided at 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 March 2017.

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% (2016: 25%) during the year ended 31 March 2017.

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

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

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

12. Income Tax Expense *(Continued)*

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

	2017	2016
	HK$'000	HK$'000
Loss before tax	**(62,929)**	(306,487)
Tax at the applicable rates in the jurisdictions concerned	**2,563**	(149,236)
Tax effect of income that are not taxable	**(120,776)**	(81,315)
Tax effect of expenses that are not deductible	**142,361**	191,607
Tax effect of unrecognised temporary differences	**1,280**	1,420
Tax effect of tax loss not recognised	**14,407**	36,280
Tax effect of utilisation of tax losses not previously recognised	**(5,539)**	(618)
LAT	**37,784**	5,186
Tax effect on LAT deductible for calculation of income tax purpose	**(9,446)**	(1,297)
Others	**14,160**	(10,484)
Effect of change in tax rate	**(11,652)**	–
(Over)/under-provision in prior year	**(189)**	8,719
Income tax expense	**64,953**	262

The weighted average applicable tax rate was -4% (2016: 49%). The change is caused by increase in assessable profits in the Group's PRC subsidiaries with applicable tax rate from 25% to 40%.

13. Loss for the Year

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

	2017 HK$'000	2016 HK$'000
Allowance for inventories (included in cost of inventories sold)	–	65,376
Reversal of allowance for inventories (included in cost of inventories sold)@	(83,695)	(616)
Allowance for loan receivables#	–	12,342
Allowance for other receivables#	–	141,224
Allowance for uncollectible minimum lease payments receivable#	25,685	39,126
Auditor's remuneration	3,350	3,250
Bad debts	192	–
Cost of inventories sold	4,056,877	1,823,302
Depreciation	64,575	53,331
Exchange losses, net	14,142	–
Reversal of impairment loss on property, plant and equipment	(31,185)	–
Reversal of impairment loss on other intangible assets	(97,215)	–
Impairment loss on available-for-sale financial assets#	12,327	16,646
Impairment loss on other intangible assets#	20,331	326,909
Impairment loss on property, plant and equipment#	1,669	102,410
Impairment loss on goodwill#	15,105	23,000
Loss on extinguishment of financial liabilities	43,026	–
Loss on disposal of property, plant and equipment	5,956	749
Direct operating expenses of investment properties that generate rental income	13,390	1,679
Operating lease charges in respect of land and buildings	8,839	11,587

Included in other operating expenses

@ Having regard to the increase in the market price of the iron ore, the allowance for inventories was reversed during the year.

14. Employee Benefits Expense (Including Directors' Emoluments)

	2017 HK$'000	2016 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**124,736**	131,964
Retirement benefit scheme contributions	**8,414**	9,264
	133,150	141,228

(a) Retirement benefit schemes

The Group operates several mandatory provident fund schemes (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

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

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2016: two) directors whose emoluments are reflected in the analysis presented in note 15 to the consolidated financial statements. The emoluments of the remaining two (2016: three) highest paid individuals are set out below:

	2017 HK$'000	2016 HK$'000
Salaries and allowances	**7,405**	10,706
Discretionary bonus	**1,611**	1,343
Retirement benefit scheme contributions	**404**	422
	9,420	12,471

The emoluments fell within the following bands:

	Number of individuals 2017	2016
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**2**	1
HK$5,000,001 to HK$5,500,000	**–**	1

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

15. Benefits and Interests of Directors

(a) Directors' emoluments

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

	2017 HK$'000	2016 HK$'000
Fees		
Independent non-executive directors	1,240	1,240
Other emoluments		
Executive directors		
— Basic salaries, allowances and benefits in kind	16,228	17,138
— Retirement benefit scheme contributions	676	764
Non-executive directors		
— Basic salaries, allowance and benefits in kind	812	625
— Retirement benefit scheme contributions	41	31
Independent non-executive directors		
— Retirement benefit scheme contributions	39	39
	19,036	19,837

The emoluments of each director for the years ended 31 March 2017 and 2016 are set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director				
Mr. WONG Ben Koon	–	9,352	391	9,743
Dr. MAO Shuzhong	–	2,160	72	2,232
Ms. Gloria WONG	–	1,730	80	1,810
Mr. KONG Siu Keung	–	2,986	133	3,119
Mr. LIU Yongshun	–	500	25	525
Mr. WU Likang	–	312	16	328
Mr. YUEN Kim Hung, Michael	280	–	14	294
Mr. YUNG Ho	280	–	–	280
Mr. CHAN Kai Nang	500	–	25	525
Mr. MA Jianwu	180	–	–	180
Total for 2017	1,240	17,040	756	19,036

15. Benefits and Interests of Directors *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director				
Mr. WONG Ben Koon	–	8,472	391	8,863
Dr. MAO Shuzhong	–	2,232	75	2,307
Ms. Gloria WONG	–	1,730	80	1,810
Mr. KONG Siu Keung	–	3,017	133	3,150
Mr. LIU Yongshun	–	500	25	525
Mr. WU Likang	–	1,812	91	1,903
Mr. YUEN Kim Hung, Michael	280	–	14	294
Mr. YUNG Ho	280	–	–	280
Mr. CHAN Kai Nang	500	–	25	525
Mr. MA Jianwu	180	–	–	180
Total for 2016	1,240	17,763	834	19,837

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

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. Dividends

The Board does not recommend the payment of final dividend for the year ended 31 March 2017 (2016: Nil).

17. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on (i) the loss for the year attributable to the owners of the Company of approximately HK$119,733,000 (2016: HK$263,209,000); and (ii) the weighted average number of ordinary shares of 10,013,696,159 (2016: 9,617,450,688) in issue during the year.

(b) Diluted loss per share

The exercise of the Group's outstanding convertible bonds for the years ended 31 March 2017 and 2016 would be anti-dilutive.

There was no dilutive potential ordinary shares for the Company's share options during the years ended 31 March 2017 and 2016.

18. Property, Plant and Equipment

	Furniture and fixtures HK$000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Buildings HK$'000	Mining infrastructure HK$'000	Total HK$'000
Cost									
At 1 April 2015	5,355	544	94,975	3,441	224,905	3,031	47,848	497,451	877,550
Additions	534	733	1,016	936	742	797	–	23,473	28,231
Disposal and write off	(749)	–	(218)	(374)	–	–	–	(1,186)	(2,527)
Exchange differences	(67)	(23)	(659)	(136)	(171)	(8)	(1,388)	(11,185)	(13,637)
At 31 March 2016 and 1 April 2016	**5,073**	**1,254**	**95,114**	**3,867**	**225,476**	**3,820**	**46,460**	**508,553**	**889,617**
Transfer from finance lease receivable (note 22)	**–**	**–**	**–**	**32**	**14,375**	**–**	**88,274**	**–**	**102,681**
Additions	**–**	**686**	**335**	**684**	**122**	**–**	**–**	**8,936**	**10,763**
Disposal and write off	**–**	**–**	**(4,469)**	**(8)**	**(4,696)**	**–**	**–**	**(7,145)**	**(16,318)**
Exchange differences	**48**	**(47)**	**(497)**	**(178)**	**(1,302)**	**(294)**	**(1,266)**	**12,706**	**9,170**
At 31 March 2017	**5,121**	**1,893**	**90,483**	**4,397**	**233,975**	**3,526**	**133,468**	**523,050**	**995,913**
Accumulated depreciation and impairment									
At 1 April 2015	4,401	271	30,729	2,066	59,990	1,465	3,482	120,169	222,573
Charge for the year	519	54	9,837	730	21,704	–	2,095	22,848	57,787
Disposal and write off	(741)	–	(179)	(367)	–	–	–	(491)	(1,778)
Impairment losses (note 21)	63	–	7,204	–	22,919	–	179	72,045	102,410
Exchange differences	(23)	–	(435)	(78)	(12)	–	(125)	(1,622)	(2,295)
At 31 March 2016 and 1 April 2016	**4,219**	**325**	**47,156**	**2,351**	**104,601**	**1,465**	**5,631**	**212,949**	**378,697**
Charge for the year	**409**	**374**	**9,946**	**630**	**17,949**	**–**	**9,372**	**25,915**	**64,595**
Disposal and write off	**–**	**–**	**(2,557)**	**(8)**	**(2,506)**	**–**	**–**	**(2,558)**	**(7,629)**
Reversal of impairment losses (note 21)	**(24)**	**–**	**(1,660)**	**–**	**(5,456)**	**–**	**(63)**	**(23,982)**	**(31,185)**
Impairment losses (note 21)	**–**	**–**	**–**	**–**	**1,254**	**415**	**–**	**–**	**1,669**
Exchange differences	**49**	**(8)**	**(345)**	**(100)**	**(505)**	**–**	**(178)**	**2,980**	**1,893**
At 31 March 2017	**4,653**	**691**	**52,540**	**2,873**	**115,337**	**1,880**	**14,762**	**215,304**	**408,040**
Carrying amount									
At 31 March 2017	**468**	**1,202**	**37,943**	**1,524**	**118,638**	**1,646**	**118,706**	**307,746**	**587,873**
At 31 March 2016	854	929	47,958	1,516	120,875	2,355	40,829	295,604	510,920

At 31 March 2017, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately HK$36,020,000 (2016: HK$38,431,000) (notes 33 and 45).

At 31 March 2017, the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately HK$1,824,000 (2016: HK$4,651,000).

19. Investment Properties

	Investment properties	
	2017	2016
	HK$'000	HK$'000
At beginning of year	**2,280,535**	2,359,799
Acquisition of a subsidiary (Note 43(a))	**15,162**	–
Additions	**20,887**	16,010
Fair value gains	**6,444**	7,699
Exchange differences	**(104,721)**	(102,973)
At end of year	**2,218,307**	2,280,535

(a) The fair values of the Group's investment properties as at 31 March 2017 and 31 March 2016 have been arrived at on the basis of valuations carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer. The valuations of investment properties have been arrived at adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition or calculated using income capitalization approach by reference to net rental income allowing for reversionary income potential.

(b) At 31 March 2017, investment properties with carrying amount of approximately HK$2,203,145,000 (2016: HK$2,226,855,000) were pledged as security for the Group's bank borrowings (notes 33 and 45) and loan facilities granted to a non-controlling shareholder of a subsidiary and its subsidiary (note 44(b)).

20. Goodwill

	2017	2016
	HK$'000	HK$'000
Cost		
At beginning and at the end of year	**73,611**	73,611
Accumulated impairment		
At beginning of year	**58,506**	35,506
Impairment losses	**15,105**	23,000
At end of year	**73,611**	58,506
Carrying amount		
At 31 March	**–**	15,105

20. Goodwill *(Continued)*

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

	At beginning of year HK$'000	Addition HK$'000	Impairment HK$'000	At end of year HK$'000
Mining and trading of iron ore and raw materials segment				
2017				
Prosperity Materials Macao Commercial Offshore Limited ("MCO")	**15,105**	**–**	**(15,105)**	**–**
2016				
MCO	38,105	–	(23,000)	15,105

At 31 March 2017, before impairment testing, goodwill of HK$15,105,000 was allocated to MCO within the mining and trading of iron ore and raw materials segment. Due to further decline in gross margin from trading of iron ore, further impairment of approximately HK$15,105,000 was recognised during the year.

The recoverable amount of the CGU of approximately HK$312,000,000 has been determined based on value in use, being estimated future cash flows of the trading of iron ore operation of MCO discounted to their present value using a pre-tax discount rate of 17.4% (2016: 18.0%). The key assumptions for the value in use determination are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on the long-term average economic growth rate of the geographical area in which the business of the CGU operate. Budgeted gross margin and turnover are based on past experience and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors. The cash flow forecasts of MCO cover a period of five years and with the residual period using the growth rate of 0% (2016: 0%). This rate does not exceed the average long-term growth rate for the relevant markets.

21. Other Intangible Assets

	Mining rights HK$'000
Cost	
At 1 April 2015	2,950,905
Contract renegotiation	(405,600)
Exchange differences	(7,296)
At 31 March 2016	**2,538,009**
Exchange differences	**2,980**
At 31 March 2017	**2,540,989**
Accumulated amortisation and impairment	
At 1 April 2015	677,940
Amortisation for the year	766
Impairment losses	326,909
Exchange differences	(1,087)
At 31 March 2016	**1,004,528**
Reversal of impairment losses	**(97,215)**
Impairment losses	**20,331**
Exchange differences	**1,224**
At 31 March 2017	**928,868**
Carrying amount	
At 31 March 2017	**1,612,121**
At 31 March 2016	1,533,481

At 31 March 2017, the mining rights represents the mining permits of iron ore mining sites located in Malaysia and Brazil, and the mining permits of granite mining sites located in the PRC of approximately HK$1,345,744,000 (2016: HK$1,287,486,000), HK$152,225,000 (2016: HK$111,512,000) and HK$114,152,000 (2016: HK$134,483,000) respectively.

Mining rights are amortised using the unit of production method based on the actual production volume over the estimated total probable reserves within the terms of license. In the opinion of directors, the cost for the extension of the mining period for the mining rights is considered to be minimal.

21. Other Intangible Assets *(Continued)*

Impairment review of iron ore mining operation

Having regard to the rebound of the market consensus on the forecast price of 62% grade iron ore ("Forecasted Price") from US$45 per tonne at 31 March 2016 to US$63.5 per tonne at 31 March 2017, which was benefited by the China's consistently high level of steel production and the world's reduced iron ore output, the Group carried out an impairment review of the iron ore mining and trading operations of Billion Win Capital Limited ("Billion Win") which is considered as a CGU, including other intangible assets and property, plant and equipment by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma Appraisals Limited ("Roma"). As the result, reversal of impairment loss of approximately HK$58,258,000 (2016: impairment loss of HK$234,299,000) and HK$21,532,000 (2016: impairment loss of HK$75,126,000) for other intangible assets and property, plant and equipment, respectively, were recognised in profit or loss.

The recoverable amount of the CGU of approximately HK$1,942,200,000 has been determined based on value in use, being estimated future cash flows of the mining operation of Billion Win, which were prepared with reference to the report prepared by Blackstone Mining Associates Limited as disclosed in the circular of the Company dated 30 August 2014 (the "Circular") and updated with the latest mining plan of Sri Jaya Mine which covering the expected life of the operation up to 2033, discounted to their present value using a pre-tax discount rate of 19.64% (2016: 12.51%).

In addition, the Group carried out impairment review for the iron ore mining and trading operations of United Goalink Limited ("UGL") which is considered as a CGU, including other intangible assets and property, plant and equipment by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma. As the result, reversal of impairment loss of approximately HK$38,957,000 (2016: impairment loss of HK$92,610,000) and HK$9,653,000 (2016: impairment loss of HK$27,284,000) for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss.

The recoverable amount of the CGU of approximately HK$78,000,000 has been determined based on value in use, being estimated future cash flows of the mining operation of UGL, which were prepared with reference to the mining plan covering the expected life of the operation up to 2026, discounted to their present value using a pre-tax discount rate of 18.93% (2016: 14.98%).

The key assumptions for the impairment tests of both Billion Win and UGL include the iron ore prices as well as the inflation rate over the expected life of the mines. Selling prices for iron ore and forecast inflation rates were based on external sources and adjustments were made for the expected quality of the forecast production.

Management has estimated the long term forecast selling prices for iron ore with reference to Forecasted Price from 2017 to 2021 from Bloomberg, and inflation rate of 3% was applied to selling price thereafter to the end of expect life of the mines. The inflation rate, which was sourced from International Monetary Fund, represented long term inflation rate of the PRC where the ultimate customers located.

21. Other Intangible Assets *(Continued)*

Impairment review of granite mining operation

At 31 March 2017, having regard to the change in production plan of granite products during the year, the Group carried out an impairment review of granite mining operation which is considered as a CGU, including other intangible assets and property, plant and equipment by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma. As the result, impairment of approximately HK$20,331,000 (2016: HK$0) and HK$1,669,000 (2016: HK$0) for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss.

The recoverable amount of the granite mining operation of approximately HK$129,472,000 has been determined based on value in use, being estimated future cash flows of the granite mining operation , which were prepared with reference to the mining plan covering the expected life of the operation up to 2035, discounted to their present value using a pre-tax discount rate of 18.24% (2016: 13.32%).

The key assumptions for the impairment test include the production plan of granite products as well as the inflation rates over the expected life of the mine. Management has estimated the long term forecast production plan for granite products with reference to the management expectation on the market performance, and inflation rate of 3% was applied from 2018 to the end of expect life of the mine. The inflation rate, which was sourced from International Monetary Fund, represented long term inflation rate of the PRC where the ultimate customers located.

22. Finance Lease Receivable

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	257,839	**–**	224,464
Less: Unearned finance income	**–**	(33,375)	**N/A**	N/A
Present value of minimum lease payments receivable	**–**	224,464	**–**	224,464
Less: Allowance for uncollectible minimum lease payments receivable			**–**	(129,473)
Amount receivable within 12 months (shown under current assets)			**–**	(94,991)
Amount receivable after 12 months			**–**	–

The Group leases out an iron ore processing plant acquired from the lessee during the year under a finance lease expiring in three years. The Group was granted a put option to request the lessee to buy back the iron ore processing plant which is exercisable at the end of the three-year lease term and/or under other conditions as defined in the put option agreement dated 27 February 2013 (the "Put Option Agreement"), which was expired on 17 June 2015. On 31 May 2015, the Group was granted a new put option which is under the same terms and conditions as defined in the Put Option Agreement. The new put option was exercisable on 31 May 2015 and expiring on 26 February 2017. The finance lease does not include any contingent rentals.

Upon maturity of the lease on 26 February 2017, the Group did not exercise the put option to request the lessee to buy back the iron ore processing plant and the remaining finance lease receivable has been transferred to property, plant and equipment (note 18).

23. Available-For-Sale Financial Assets

	2017 HK$'000	2016 HK$'000
Listed equity securities in Hong Kong, at fair value	267,087	372,174
Listed equity securities outside Hong Kong, at fair value	17,130	8,363
Unlisted equity securities, at fair value (Note)	82,135	102,945
	366,352	483,482
Analysed as		
Current assets	293,176	397,979
Non-current assets	73,176	85,503
	366,352	483,482

Available-for-sale financial assets are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	340,262	457,677
US$	18,671	10,583
RMB	–	11,071
Canadian dollar ("CAD")	7,419	4,151
	366,352	483,482

The fair values of listed equity securities are based on quoted closing price at the end of the reporting period.

Note:

Included in unlisted equity securities are amounts of approximately:

(i) HK$8,959,000 (2016: HK$6,371,000) representing investments in funds of which the investment portfolio mainly comprise of listed equity securities. The fair values of unlisted equity securities are based on prices quoted by the financial institutions or fund administrators.

(ii) HK$73,176,000 (2016: HK$96,574,000) representing investments in unlisted equity securities. The Group establishes fair value by using valuation techniques. These include the use of market comparable approach, residual method and income capitalisation method, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

At 31 March 2017, listed equity securities with an aggregate carrying amount of HK$241,038,000 (2016: HK$348,455,000) have been pledged as security for the Group's margin loan (note 38(b)(ii)) and unlisted equity securities with an aggregate carrying amount of HK$73,176,000 (2016: HK$0) have been pledged as security for the Group's other borrowing (note 40).

24. Financial Assets at Fair Value through Profit or Loss

	2017	2016
	HK$'000	HK$'000
Derivative financial assets	**19,360**	274
Financial assets held for trading (Note)		
Listed equity securities in Hong Kong, at fair value	**31,699**	25,796
	51,059	26,070
Analysed as:		
Current assets	**31,699**	25,796
Non-current assets	**19,360**	274
	51,059	26,070

Note: The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of listed equity securities are based on quoted closing price at the end of the reporting period.

25. Non-Current Prepayments and Other Receivables

	2017	2016
	HK$'000	HK$'000
Prepayments		
— purchase of iron ore (note)	**312,000**	312,000
— property, plant and equipment	**4,580**	4,365
— leases	**1,601**	2,227
— others	**1,217**	1,084
	319,398	319,676
Consideration receivable (note 28(b))	**–**	273,530
Loan receivables (note 28(d)(vi))	**–**	23,806
	319,398	617,012

Note:

As at 31 March 2017, the Group has entered into an off-take agreement with an iron ore supplier with respect to the balance of prepayments, which are expected to be recovered or recognised as expense after one year.

26. Inventories

	2017 **HK$'000**	2016 HK$'000
Properties under development for sale	**1,491,910**	1,157,644
Properties held for sale	**953,781**	773,461
Raw iron ore	**7,522**	6,970
Processed iron ore	**101,316**	69,840
Granite products	**2,661**	3,439
	2,557,190	2,011,354

At 31 March 2017, inventories with carrying amount of HK$717,792,000 (2016: HK$637,533,000) were pledged as security for the Group's bank borrowings (notes 33 and 45) and loan facilities granted to a non-controlling shareholder of a subsidiary and its associate companies (note 44(b)).

The carrying amount of inventories expected to be recovered after more than twelve months from 31 March 2017 amounted to HK$1,491,910,000 (2016: HK$1,157,644,000).

For the year ended 31 March 2017, amounts of depreciation of property, plant and equipment of approximately HK$20,000 (2016: HK$4,456,000) and amortisation of other intangible assets of approximately HK$0 (2016: HK$766,000) are capitalised as inventories respectively.

27. Trade and Bills Receivables

In relation to the trading of clinker, cement and other building materials and iron ore and raw materials, the Group receives from each customer an irrevocable documentary credit issued at sight by a bank undertaking payment to the Group upon the presentation of relevant documents as required by the issuing bank. The Group's credit terms generally range from 0 to 90 (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:

	2017 **HK$'000**	2016 HK$'000
0 to 90 days	**359,237**	184,079
91 to 180 days	**139,321**	1,434
181 to 365 days	**1,721**	11,790
Over 1 year	**23,235**	20,966
	523,514	218,269

As at 31 March 2017, an allowance was made for estimated irrecoverable trade receivables of approximately HK$4,280,000 (2016: HK$4,636,000).

27. Trade and Bills Receivables *(Continued)*

Reconciliation of allowance for trade receivables:

	2017 HK$'000	2016 HK$'000
At beginning year	**4,636**	4,720
Exchange differences	**(356)**	(84)
At end of year	**4,280**	4,636

As at 31 March 2017, trade receivables of HK$166,974,000 (2016: HK$94,571,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2017 HK$'000	2016 HK$'000
0 to 90 days	**2,697**	64,545
91 to 180 days	**139,321**	1,434
Over 180 days	**24,956**	28,592
	166,974	94,571

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

	2017 HK$'000	2016 HK$'000
HK$	**–**	2,646
US$	**451,842**	139,885
RMB	**68,133**	75,738
Malaysian Ringgit ("MYR")	**3,539**	–
	523,514	218,269

28. Prepayments, Deposits and Other Receivables

	2017 HK$'000	2016 HK$'000
Prepayments		
— other taxes (note (a))	**34,269**	50,594
— iron ore	**30,879**	27,591
— building materials	**38,528**	–
— others	**47,893**	29,038
	151,569	107,223
Other deposits	**21,589**	1,504
Consideration receivable (note (b))	**346,750**	93,789
Other receivables (note (c))	**91,289**	99,406
Loan receivables (note (d))	**39,751**	85,533
	650,948	387,455

As at 31 March 2017, an allowance was made for estimated irrecoverable loan and other receivables of approximately HK$169,166,000 (2016: HK$169,166,000).

Reconciliation of allowance for loan and other receivables:

	2017 HK$'000	2016 HK$'000
At beginning of year	**169,166**	15,600
Allowance for the year	**–**	153,566
At end of year	**169,166**	169,166

Notes:

(a) Included in prepaid other taxes are amounts of approximately:

(i) HK$17,774,000 (2016: HK$32,259,000) representing taxes paid in relation to the sales proceeds received from purchasers in connection with the Group's pre-sales of properties.

(ii) HK$16,495,000 (2016: HK$15,206,000) representing tax credit on the social contribution and value-added tax paid in relation to purchase of raw materials and property, plant and equipment in connection with the mining of iron ore.

(b) On 30 September 2015, the Group entered into an equity transfer agreement and a supplemental agreement (the "Agreements") to dispose of its interest in Changtai Jinhongbang Real Estate Development Co., Ltd.* ("Changtai"), through disposal of 100% equity interests (the "Sale Shares") in the immediate holding company, Escrow Limited ("Escrow"), and the loans provided by the Group to Changtai (the "Shareholder's Loan") to Xiamen Dangdai Investment Group Company Limited* (the "Purchaser"). The payment obligation of the Purchaser under the Agreements was secured by 30% equity interests in Xiamen Xindonglian Property Development Company Limited* (the "XDL Equity Pledge") and personal guarantee from Mr. Wang Chunfang, the legal representative of the Purchaser. The aggregate cash consideration is approximately RMB330,541,000 (equivalent to approximately HK$403,300,000) (the "Principal Amount"), with interests accrued on the Principal Amount calculated at a rate of 8% per annum accrued up to the last day by the end of the second anniversary after the date of completion of the registration of the XDL Equity Pledge or after the 26th business days upon the signing of the Agreements, whichever is earlier (the "Second Anniversary").

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

28. Prepayments, Deposits and Other Receivables *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The consideration in relation to the disposal of the Sale Shares and the Shareholder's Loan will be satisfied in cash in the following manner:

(i) 30% of the consideration, being RMB99,162,300 (equivalent to approximately HK$121,000,000) with interests accrued after the date of completion of the registration of the XDL Equity Pledge or after the 26th business days upon the signing of the equity transfer agreement, whichever is earlier (the "First Anniversary"), shall be payable by the Purchaser by the end of the First Anniversary; and

(ii) 70% of the consideration, being RMB231,378,700 (equivalent to approximately HK$282,300,000) with interests, shall be payable by the Purchaser by the end of the Second Anniversary.

The consideration receivable is recognised initially at fair value which is determined by using the discounted cash flow method with a discount rate of 13.28% that reflects the Purchaser's credit rating. The fair value is within level 3 of the fair value hierarchy.

Included in consideration receivable of approximately HK$56,786,000 was pledged as security for the Group's other borrowings amounts to HK$150,000,000 (2016: HK$0) (note 40).

(c) Included in other receivables are amounts of approximately:

(i) HK$6,554,000 (2016: HK$17,492,000) representing the interests accrued in respect of the loan receivables.

(ii) HK$0 (2016: HK$8,424,000) representing the commission receivable in connection with the sale of iron ore in accordance with a master agency agreement that is repayable on 10 August 2016.

(iii) HK$19,308,000 (2016: HK$0) representing the security for the Group's other borrowings amounts to HK$120,000,000 (2016: HK$0) (note 40).

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

(i) HK$17,036,000 (2016: HK$23,806,000) made to a non-controlling shareholder of a subsidiary (2016: a non-controlling shareholder of a subsidiary and its associate companies), which are unsecured, interest-bearing at 10% (2016: 10%) per annum and repayable within one year.

(ii) HK$0 (2016: HK$46,800,000) made to a business associate that was secured by all the shares in the business associate, interest-bearing at 7% per annum and repayable within one year.

(iii) HK$12,342,000 (2016: HK$12,342,000) made to business associates that are unsecured, interest-free and repayable within one year. As at 31 March 2017, an allowance was made for estimated irrecoverable loan receivable of approximately HK$12,342,000 (2016: HK$12,342,000).

(iv) HK$0 (2016: HK$14,927,000) made to a business associate that was unsecured, interest-bearing at 8% per annum and repayable within one year.

(v) HK$15,600,000 (2016: HK$15,600,000) made to a third party that is unsecured, interest bearing at 8% per annum and repayable within one year. As at 31 March 2017, an allowance was made for estimated irrecoverable loan receivable of approximately HK$15,600,000 (2016: HK$15,600,000).

(vi) HK$22,715,000 (2016: HK$0) made to a third party that is unsecured, interest-bearing at 20% per annum and repayable within one year. As at 31 March 2016, the loan receivable was included in non-current assets (note 25).

29. Pledged Deposits, Time Deposits and Bank and Cash Balances

The pledged deposits and time deposits of approximately HK$0 and HK$0, respectively (2016: HK$5,107,000 and HK$1,428,000) carry fixed interest rates and therefore are subject to fair value interest rate risk. The bank deposits of approximately HK$361,765,000 (2016: HK$244,774,000) carry floating interest rate thus expose the Group to cash flow interest rate risk.

Pledged deposits mainly represent the deposits placed in banks to secure letters of credit facilities granted to the Group (note 45).

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, a subsidiary of the Group is required to place certain amount of its presale proceeds of properties at designated bank accounts as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the properties when approval from the local State-Owned Land and Resource Bureau is obtained. As at 31 March 2017, guarantee deposits of approximately HK$59,689,000 (2016: HK$28,934,000) was included in cash and bank balances. The balance of the deposits will be released gradually after completion of the properties, delivery of the properties and issuance of the properties ownership certificates of the properties.

Included in pledged deposits, time deposits and bank and cash balances is an amount of approximately HK$265,672,000 as at 31 March 2017 (2016: HK$97,338,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

30. Share Capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2015, 31 March 2016 and 31 March 2017	20,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2015	8,592,333,967	85,923
Issue of new shares upon share placements (note a)	1,203,280,000	12,033
At 31 March 2016 and 1 April 2016	9,795,613,967	97,956
Issue of new shares upon share placements (note b)	400,000,000	4,000
At 31 March 2017	10,195,613,967	101,956

30. Share Capital *(Continued)*

Notes:

(a) On 29 April 2015, the Company and SBI China Capital Financial Services Limited entered into a placing agreement in respect of the placement of 714,280,000 ordinary shares of HK$0.01 each to independent investors of HK$0.238 per share. The placement was completed on 13 May 2015 and the premium on the issue of shares of approximately HK$154,356,000, net of share issue expenses of approximately HK$8,500,000, was credited to the Company's share premium accounts.

On 4 June 2015, the Company and CNI Securities Group Limited entered into a placing agreement in respect of the placement of 489,000,000 ordinary shares of HK$0.01 each to independent investors of HK$0.261 per share. The placement was completed on 12 June 2015 and the premium on the issue of shares of approximately HK$120,186,000, net of share issue expenses of approximately HK$2,553,000, was credited to the Company's share premium accounts.

(b) On 7 September 2016, the Company and Enhanced Securities Limited entered into a placing agreement in respect of the placement of 400,000,000 ordinary shares of HK$0.01 each 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 and the premium on the issue of shares of approximately HK$61,184,000, net of share issue expenses of approximately HK$2,016,000, was credited to the Company's share premium accounts.

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

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

During the year ended 31 March 2017, the Group's strategy, which was unchanged from 2016, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-equity ratio, which represented total debts (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds) over shareholders' equity, at 31 March 2017 and at 31 March 2016 were 107% and 88%, respectively.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2017, 45% (2016: 41%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 March 2017 and 2016.

31. Statement of Financial Position and Reserve Movements of the Company

(a) Statement of financial position of the Company

	2017 HK$'000	2016 HK$'000
Non-current assets		
Property, plant and equipment	**15**	28
Investment in subsidiaries	**2,363,719**	1,985,563
	2,363,734	1,985,591
Current assets		
Financial assets at fair value through profit or loss	**31,699**	25,796
Prepayments, deposits and other receivables	**3,739**	3,312
Bank balances	**3,195**	9,552
	38,633	38,660
TOTAL ASSETS	**2,402,367**	2,024,251
Capital and reserves		
Share capital	**101,956**	97,956
Reserves	**1,412,854**	1,418,040
Total equity	**1,514,810**	1,515,996
Non-current liabilities		
Convertible bonds	**156,537**	–
Guaranteed notes	**166,932**	–
Bonds	**72,000**	–
	395,469	–
Current liabilities		
Other payables	**9,292**	5,835
Derivative financial liabilities	**7,288**	–
Other borrowings	**302,750**	310,000
Financial guarantees	**172,758**	192,420
	492,088	508,255
Total liabilities	**887,557**	508,255
TOTAL EQUITY AND LIABILITIES	**2,402,367**	2,024,251
Net current liabilities	**(453,455)**	(469,595)
Total assets less current liabilities	**1,910,279**	1,515,996

Approved by the Board of Directors on 30 June 2017 and signed on its behalf by:

Wong Ben Koon
Chairman and Executive Director

Kong Siu Keung
Executive Director

31. Statement of Financial Position and Reserve Movements of the Company *(Continued)*

(b) Reserve movements of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Investment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	1,661,795	872,101	13,523	1,127	(1,100,301)	1,448,245
Total comprehensive income for the year	–	–	–	(1,127)	(303,620)	(304,747)
Issue of shares upon placements	274,542	–	–	–	–	274,542
Transfer of reserve upon lapse of share options	–	–	(513)	–	513	–
Changes in equity for the year	274,542	–	(513)	(1,127)	(303,107)	(30,205)
At 31 March 2016 and 1 April 2016	1,936,337	872,101	13,010	–	(1,403,408)	1,418,040
Total comprehensive income for the year	–	–	–	–	(66,370)	(66,370)
Issue of shares upon placements	61,184	–	–	–	–	61,184
Transfer of reserve upon lapse of share options	–	–	(410)	–	410	–
Changes in equity for the year	61,184	–	(410)	–	(65,960)	(5,186)
At 31 March 2017	**1,997,521**	**872,101**	**12,600**	**–**	**(1,469,368)**	**1,412,854**

32. Reserves

(a) Group

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

32. Reserves *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Foreign currency translation reserve

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

The reserve is dealt with in accordance with the accounting policies set out in note 4(e)(iii) to the consolidated financial statements.

(iii) Contributed surplus

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

(iv) Merger reserve

The excess of the consolidated net assets represented by the shares in subsidiaries acquired over the nominal value of the shares issued by Prosperity Minerals Holdings Limited ("PMHL") in exchange under the combination was transferred to merger reserve.

(v) Share-based payment reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 4(y) to the consolidated financial statements.

(vi) Investments reserve

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

(vii) Capital reserve

The capital reserve comprises the difference in carrying amount of term loan from a related company and the present value of revised estimated future cash flows computed at the term loan's original effective interest rate.

(viii) Other reserve

The other reserve, which is non-distributable, is appropriated from the profit after tax of a Macau subsidiary and a PRC subsidiary of the Group under the Macao Commercial Code and applicable laws and regulations in the PRC, respectively.

33. Bank Borrowings

	2017 **HK$'000**	2016 HK$'000
Secured		
Bank loans	**1,166,786**	1,715,676
Trust receipt loans	**523,670**	227,644
Invoices financing	**116,909**	3,657
Bills negotiation	**–**	3,609
	1,807,365	1,950,586

The borrowings are repayable as follows:

	2017 **HK$'000**	2016 HK$'000
On demand or within one year	**1,067,973**	1,116,201
In the second year	**265,020**	257,173
In the third to fifth years, inclusive	**474,372**	577,212
	1,807,365	1,950,586
Less: Amount due for settlement within 12 months	**(1,067,973)**	(1,116,201)
Amount due for settlement after one year which contain a repayment on demand clause	**(177,626)**	(108,386)
Amount due for settlement after 12 months	**561,766**	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 a current liability is expected to be settled within one year.

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

	RMB HK$'000	**HK$** HK$'000	**US$** HK$'000	**Total** HK$'000
2017				
Bank loans	**116,578**	**724,382**	**325,826**	**1,166,786**
Trust receipt loans	**–**	**–**	**523,670**	**523,670**
Invoices financing	**–**	**–**	**116,909**	**116,909**
2016				
Bank loans	151,771	742,263	821,642	1,715,676
Trust receipt loans	–	–	227,644	227,644
Invoices financing	–	–	3,657	3,657
Bills negotiation	–	–	3,609	3,609

33. Bank Borrowings *(Continued)*

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

	2017	2016
Bank loans	**2.2% to 7.9%**	1.4% to 8.7%
Trust receipt loans	**2.5% to 4.3%**	2.3% to 2.7%
Invoices financing	**2.8%**	2.7%

Bank borrowings of approximately HK$158,542,000 (2016: HK$127,494,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

Bank borrowings of approximately HK$1,648,823,000 (2016: HK$1,819,483,000) are arranged at floating interest rates, thus exposing the Group to cash flow interest rate risk.

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

34. Finance Lease Payables

	Minimum lease payments		**Present value of minimum lease payments**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Within one year	**1,023**	2,082	**914**	1,909
In the second to fifth years, inclusive	**290**	1,185	**235**	1,036
	1,313	3,267	**1,149**	2,945
Less: Future finance charges	**(164)**	(322)	**N/A**	N/A
Present value of lease obligations	**1,149**	2,945	**1,149**	2,945
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(914)**	(1,909)
Amount due for settlement after 12 months			**235**	1,036

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 3–5 years (2016: 3–5 years). At 31 March 2017, the effective borrowing rate was 2.65%–2.85% (2016: 2.63%–3.71%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicles at nominal prices.

34. Finance Lease Payables *(Continued)*

Finance lease payables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	–	677
US$	1,149	2,268
	1,149	2,945

The Group's finance lease payables are secured by the lessors' title to the leased assets.

35. Other Loans and Payables

	2017 HK$'000	2016 HK$'000
Due to related companies (note (a))	60,743	55,946
Term loan from a related company (note (b))	255,643	248,670
	316,386	304,616

Notes:

(a) Due to related companies are unsecured, interest-free and repayable on 30 April 2018 (2016: 30 April 2017).

(b) The term loan from a related company is unsecured, interest-free and repayable on 9 October 2017, subject to the option of the Group to extend the maturity for a further three years. If the loan is extended for further three years, the loan shall carry interest at the rate of 4% per annum. During the year, the Group has exercised the option to extend the maturity for further three years, maturing on 9 October 2020. The difference between the carrying amounts of the term loan before the extension and the present value of revised estimated future cash flows computed at the term loan's original effective interest rate of 4% per annum, of approximately HK$2,019,000 has been credited to equity as capital reserve during the year ended 31 March 2017.

36. Deferred Tax

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

	Revaluation of properties under development for sale HK$'000	Depreciation charges in excess of related depreciation allowance HK$'000	Revaluation of investment properties HK$'000	Temporary difference on LAT HK$'000	Tax losses (note) HK$'000	Fair value difference of other intangible assets HK$'000	Others HK$'000	Total HK$'000
At 1 April 2015	80,297	21,761	315,763	(92,700)	(30,272)	416,462	2,456	713,767
Charged/(credited) to profit or loss for the year (note 12)	(6,793)	(27,968)	2,210	(731)	(430)	(71,224)	649	(104,287)
Exchange differences	(8,047)	–	(9,085)	4,068	836	–	(128)	(12,356)
At 31 March 2016 and 1 April 2016	65,457	(6,207)	308,888	(89,363)	(29,866)	345,238	2,977	597,124
Charged/(credited) to profit or loss for the year (note 12)	**(16,403)**	**(10,312)**	**1,596**	**(5,611)**	**11,467**	**2,544**	**897**	**(15,822)**
Exchange differences	**(7,621)**	**–**	**(9,190)**	**4,226**	**334**	**–**	**(158)**	**(12,409)**
At 31 March 2017	**41,433**	**(16,519)**	**301,294**	**(90,748)**	**(18,065)**	**347,782**	**3,716**	**568,893**

Note: The tax losses of approximately HK$0 (2016: HK$57,901,000) will expire within five years. Other tax losses do not expire under the current tax legislation.

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

	2017 HK$'000	2016 HK$'000
Deferred tax liabilities	**694,559**	723,319
Deferred tax assets	**(125,666)**	(126,195)
	568,893	597,124

At the end of the reporting period the Group has unused tax losses of approximately HK$293,215,000 (2016: HK$421,786,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$75,271,000 (2016: HK$119,465,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$217,944,000 (2016: HK$302,321,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$72,639,000 (2016: HK$67,616,000) that will expire within five years. Other tax losses do not expire under the current tax legislation.

37. Trade and Bills Payables

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

	2017 HK$'000	2016 HK$'000
Not yet due	291,422	115,022
Due within 3 months or on demand	316,078	96,123
Due after 3 months	104,719	42,037
	712,219	253,182

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

	2017 HK$'000	2016 HK$'000
US$	345,803	77,442
RMB	352,944	159,178
MYR	13,472	16,562
	712,219	253,182

38. Other Payables and Deposits Received

	2017 HK$'000	2016 HK$'000
Accrued expenses	56,528	50,038
Due to related companies (note (a))	53,489	197,108
Other payables (note (b))	446,975	319,649
Receipts in advance (note (c))	786,504	444,369
Rental deposits received	9,348	8,772
	1,352,844	1,019,936

Notes:

(a) Included in due to related companies of approximately HK$17,036,000 (2016: HK$0) is unsecured, interest-bearing at 10% per annum and is repayable in January 2018. The remaining balance of approximately HK$36,453,000 (2016: HK$197,108,000) is unsecured, interest-free and repayable on demand.

(b) Included in other payables are amounts of approximately:

(i) HK$109,616,000 (2016: HK$184,515,000) representing other loans that are unsecured, interest-bearing at 10%–12% per annum and repayable on demand.

(ii) HK$37,632,000 (2016: HK$39,942,000) representing margin loan granted by a securities broker.

(iii) HK$201,601,000 (2016: HK$0) represented advance from independent third parties that, are unsecured, interest-free and repayable on demand.

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

39. Convertible Bonds

On 14 March 2014, the Company issued the 2015 Convertible Notes ("2015 Convertible Notes") and the 2017 Convertible Notes ("2017 Convertible Notes") to ICBC International Investment Management Limited ("ICBCI") with an nominal value of US$25,000,000 each ("ICBCI Convertible Notes"). The 2015 Convertible Notes and 2017 Convertible Notes were fully redeemed during the year ended 31 March 2016.

In April and May 2016, the Company issued the US$20,000,000 (equivalent to approximately HK$156,000,000), 5% per annum guaranteed convertible bonds (the "CCB Convertible Bonds") to Cheer Hope Holdings Limited ("Cheer Hope"). The CCB Convertible Bonds are guaranteed by a director of the Company, Mr. Wong Ben Koon. The CCB Convertible Bonds bear interest at 5% per annum, with a redemption amount payable by the Company on the maturity that would yield an internal rate of return of 10%, and shall be matured on 15 April 2018, and upon a request in writing made by the Company, and with approval from the bonds holder, the term of the bond shall be extended to 15 April 2019. Interests are payable semi-annually.

The CCB Convertible Bonds, at the option of Cheer Hope, are convertible in whole or in part of the outstanding principal amount of the CCB Convertible Bonds at any time which is 5 business days before the maturity date, at an initial conversion price into fully paid ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price was HK$0.27 per share.

On 29 June 2016, the Company, Cheer Hope and Mr. Wong Ben Koon entered into the deed of amendment (the "CCB CB Amendment Deed"), to amend certain terms and conditions of the CCB Convertible Bonds. The deed of amendment was effective on 19 July 2016. Pursuant to the CCB CB Amendment Deed, the conversion price and coupon rate were subject to adjustment with reference to the current market price per share on a conversion price reset calculation date stipulated in the CCB CB Amendment Deed.

Having regard to the substantial modification to the terms of the CCB Convertible Bonds, the original financial liability was extinguished upon the effective date of the CCB CB Amendment Deed, and a new financial liability was recognised. The conversion price was reset to HK$0.16 per share since 31 December 2016. In addition, the coupon rate of the CCB Convertible Bonds increased from 5% to 6% per annum and the applicable internal rate of return rate payable on the maturing date was increased from 10% to 11%.

39. Convertible Bonds *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Liability component:		
Convertible bonds/notes		
At beginning of year	–	200,181
Issued during the year	125,901	–
Interest charged	24,607	14,805
Interest on early redemption of convertible loan notes	–	11,079
Extinguishment of the original financial liabilities	(132,719)	–
Recognition of new financial liabilities	142,735	–
Repayment during the year	(3,987)	(226,065)
At end of year	156,537	–
Derivative financial assets:		
Derivative assets embedded in convertible notes		
At beginning of year	–	11,973
Fair value loss	–	(11,973)
At end of year	–	–
Derivative financial liabilities:		
Derivative liabilities embedded in convertible bonds/notes		
At beginning of year	–	14,799
Issued during the year	28,181	–
Extinguishment of the original financial liabilities	(28,181)	–
Recognition of new financial liabilities	61,191	–
Fair value gain	(53,903)	(14,799)
At end of year	7,288	–

The interest charged for the year ended 31 March 2017 is calculated by applying an effective interest rate of 18.04% to 21.28% to the liability components of CCB Convertible Bonds for the 24-month period since CCB Convertible Bonds were issued.

The interest charged for the year ended 31 March 2016 is calculated by applying an effective interest rate of 20.0% to the liability components of ICBCI Convertible Notes for the 12-month period since the respective convertible loan notes were issued, and the interest arising from the early redemption of the ICBCI Convertible Notes.

The directors estimate the fair value of the liability component of the CCB Convertible Bonds at 31 March 2017 to be approximately HK$158,206,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

39. Convertible Bonds *(Continued)*

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

CCB Convertible Bonds

	31 March 2017	19 July 2016	Date of issue
Share price — The Company	**HK$0.123**	HK$0.191	HK$0.198
Expected volatility	**34.66%**	53.98%	52.61%
Expected life (years)	**1.04**	1.74	1.97
Risk free rate	**0.64%**	0.65%	0.78%
Expected dividend yield	**0%**	0%	0%

40. Other Borrowings

	2017 HK$'000	2016 HK$'000
Secured	**270,000**	300,000
Unsecured	**32,750**	10,000
	302,750	310,000

Other borrowings are repayable on demand or within one year.

The carrying amounts of other borrowings are denominated in HK$.

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

	2017	2016
Other borrowings	**8%–16%**	12%–16%

Other borrowings are arranged at fixed interest rates, thus exposing the Group to fair value interest rate risk.

Other borrowings of HK$270,000,000 (2016: HK$300,000,000) are secured by equity interests in certain subsidiaries of the Group, personal guarantee executed by Mr. Wong Ben Koon, the Group's consideration receivable (note 28(b)) and other receivable (note 28(c)(iii)) and available-for-sale financial assets (note 23).

41. Guaranteed Notes and Bonds

	2017 HK$'000
Guaranteed Notes (Note i)	**166,932**
Bonds (Note ii)	**72,000**
	238,932

Note:

(i) In April and May 2016, the Company issued the US$20,000,000 (equivalent to approximately HK$156,000,000), 5% per annum guaranteed notes (the "Guaranteed Notes") to Cheer Hope. The guaranteed notes are guaranteed by a director of the Company, Mr. Wong Ben Koon.

The interest charged for the year ended 31 March 2017 is calculated by applying an effective interest rate of 11.8% to Guaranteed Notes for the 24-month period since the respective guaranteed notes were issued. The Guaranteed Notes shall be matured on 15 April 2018, and upon a request in writing made by the Company, and with approval from the notes holder, the term of the bond shall be extended to 15 April 2019.

The Guaranteed Notes bear interest at the rate of 5% per annum during the issue date to 31 December 2016 and bear interest at the rate of 6% per annum since 31 December 2016 on the outstanding principal amount of the guaranteed notes which will be paid semi-annually.

(ii) On 10 January 2017, the Company entered into an agreement pursuant to which a referral agent agreed to act as a referral agent for the purposes of referring subscribers to the Company on a best effort basis for the issue of the 6.5% coupon bonds due 2019 (the "Bonds") in an aggregate principal amount of up to HK$300,000,000 during 10 January 2017 to 30 June 2017. At 31 March 2017, the Bonds in an aggregate principal amount of HK$72,000,000 has been successfully subscribed by several independent institutional or private investors. The effective interest rate of the Bonds is 6.31%.

42. Share-Based Payments

Equity-settled share option schemes

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

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

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

42. Share-Based Payments *(Continued)*

Equity-settled share option schemes *(Continued)*

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

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

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

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

Name or category of participant	Number of options outstanding as at 1 April 2016	Lapsed during the year	Number of options outstanding as at 31 March 2017	Date of grant of share options	Exercisable Period	Exercise price of share options	Closing price of the shares immediately before date of grant of share options
						HK$	HK$
Director							
Dr. MAO Shuzhong	30,000,000	–	30,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. LIU Yongshun	15,000,000	–	15,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
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
	65,000,000	–	65,000,000				
Other							
Other employees	31,800,000	(4,000,000)	27,800,000	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	(4,000,000)	122,800,000				

42. Share-Based Payments *(Continued)*

Equity-settled share option schemes *(Continued)*

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

	2017		2016	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of year	**126,800,000**	**0.41**	131,800,000	0.41
Lapsed during the year	**(4,000,000)**	**0.41**	(5,000,000)	0.41
Outstanding at the end of year	**122,800,000**	**0.41**	126,800,000	0.41
Exercisable at the end of year	**122,800,000**	**0.41**	126,800,000	0.41

At 31 March 2017, the options outstanding have a weighted average remaining contractual life of 4 years (2016: 5 years).

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

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

43. Notes to the Consolidated Statement of Cash Flows

(a) Acquisition of Dongguan City Danxing Industrial Company Limited* ("Danxing")

During the year, the Group acquired the remaining 90% equity interests in Danxing (the "Acquisition"), a then available-for-sale investment owned by the Group as to 10%, by subscription of new share capital issued by Danxing amounted to RMB12,540,000 (equivalent to HK$14,242,000) and allotment of 30% equity interests in Dongguan Honwill Limited* ("Honwill"), a subsidiary of the Group. Danxing did not conduct any substantial operation before it was acquired by the Group. Thus, the directors are of the view that the Acquisition did not constitute a business combination but for the purpose of acquiring properties in relation to the Group's property development project in the PRC. The Acquisition was completed on 28 March 2017.

The purchase consideration was allocated to the identifiable assets and liabilities of Danxing acquired as at its date of acquisition as follows:

	HK$'000
Net assets acquired:	
Properties under development for sale	207,323
Investment properties	15,162
Other receivables	3,551
Bank borrowings	(15,154)
Other payables and accruals	(727)
Current tax liabilities	(66)
	210,089
Satisfied by:	
Issue of shares of Honwill	185,573
Cash	14,242
Available-for-sale financial assets	10,274
	210,089
Net cash outflow arising on acquisition:	
Cash consideration paid	(14,242)

The equity interests in Honwill allotted were measured at the acquisition-date fair value of Danxing less cash consideration paid and fair value of 10% equity interests in Danxing remeasured at the acquisition date.

43. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(a) Acquisition of Dongguan City Danxing Industrial Company Limited* ("Danxing") *(Continued)*

The fair value of properties under development for sale of Danxing was determined using residual method. The key inputs are as follows:

	Range
Adjusted market price (RMB/square metre)	22,500 — 48,000
Adjusted market price (RMB/car parking space)	130,000
Developer's profit	15%

The fair value of investment properties of Danxing was determined using income capitalisation method. The key inputs are as follows:

	Range
Reversionary yield	5%
Monthly rental (RMB/square metre)	13-15

* The English translation of the companies' name for reference only. The official name of the companies are in Chinese.

(b) Acquisition of Verton Ventures Limited ("Verton")

On 22 September 2015, the Group acquired 100% of the issued share capital of Verton, which holds 75% interests in PT. Tritama Barata Makmur ("PT. TBM"), for a consideration of Indonesian Rupiah ("IDR") 109,953,750,000 (equivalent to approximately HK$61,177,000). PT. TBM did not generate any revenue since its date of incorporation on 1 March 2013. The acquisition of Verton did not constitute a business combination. The acquisition is for the purpose of acquiring the prepaid land leases in relation to the Group's property development in Indonesia.

The purchase consideration was allocated to the identifiable assets of Verton acquired as at its date of acquisition as follows:

	HK$'000
Net assets acquired:	
Properties under development for sale	81,569
Non-controlling interests	(20,392)
	61,177
Satisfied by:	
Cash	61,177
Net cash outflow arising on acquisition:	
Cash consideration paid	(61,177)

43. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(c) Disposal of Escrow

As referred to in note 28(b) to the consolidated financial statements, on 30 September 2015, the Group entered into the Agreements to dispose of its interests in Changtai, through disposal of the Sale Shares in Escrow and the Shareholder's Loan, to the Purchaser. The consideration will be fully settled by the Purchaser by the end of the Second Anniversary and the legal transfer of the equity interests in Escrow will be transferred to the Purchaser at the same time.

The payment obligation of the Purchaser under the Agreements was secured by the XDL Equity Pledge and personal guarantee from Mr. Wang Chunfang, the legal representative of the Purchaser. Once the registration of the XDL Equity Pledge has been completed, the Group no longer directs the relevant activities of Changtai through Escrow. On 12 November 2015, the XDL Equity Pledge has been registered and Escrow and the Shareholder's Loan have been disposed of.

Net assets at the date of disposal were as follows:

	HK$'000
Interests in a joint venture	79,997
Amount due from a joint venture	21,128
Loan to a joint venture	80,692
Bank balances	9
Accruals	(33)
Net assets disposed of	181,793
Release of exchange fluctuation reserve	(7,749)
Gains on disposal of a subsidiary	189,652
Total consideration	363,696
Consideration satisfied by:	
Cash	363,696
Net cash inflow arising on disposal:	
Cash consideration received	11,903
Cash and cash equivalents disposed of	(9)
	11,894

44. 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:

	2017 **HK$'000**	2016 HK$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	**486,734**	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 31 March 2017, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

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

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

	2017 **HK$'000**	2016 HK$'000
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	**776,849**	747,513

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

At 31 March 2017, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

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

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

45. Banking Facilities

As at 31 March 2017, the Group's banking facilities were secured by:

(a) the charge over certain property, plant and equipment (note 18), investment properties (note 19), inventories (note 26) and certain bank deposits (note 29) 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 guarantees executed by Mr. Wong Ben Koon and directors of subsidiaries;

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

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

(h) equity interests in certain companies executed by Mr. Wong Ben Koon and a related company.

As at 31 March 2016, the Group's banking facilities were secured by:

(a) the charge over property, plant and equipment (note 18), investment properties (note 19), inventories (note 26) and certain bank deposits (note 29) 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 guarantees executed by Mr. Wong Ben Koon and directors of subsidiaries;

(f) deeds 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.

46. Commitments

As at 31 March 2017, 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:

	2017	2016
	HK$'000	HK$'000
Within one year	**93,365**	251,456
In the second to fifth years, inclusive	**7,145**	14,480
	100,510	265,936

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$85,238,000 (2016: HK$242,881,000) and rentals payable by the Group for the office premises and staff quarters of approximately HK$15,272,000 (2016: HK$23,055,000). Leases are negotiated for a term of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Operating lease commitments — as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 10 years (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.

At 31 March 2017, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**43,021**	34,395
In the second to fifth years, inclusive	**138,280**	81,567
After five years	**62,684**	15,257
	243,985	131,219

47. Related Party Transactions

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

(a) Compensation of key management personnel

	2017 HK$'000	2016 HK$'000
Directors' fees	**1,240**	1,240
Basic salaries, allowances and benefits in kind	**26,056**	27,260
Retirement benefits scheme contributions	**1,160**	1,238
	28,456	29,738

(b) Donations for the year

	2017 HK$'000	2016 HK$'000
A related party(i)	**7,081**	–

(c) Interest expense/(interest expense waived) during the year

	2017 HK$'000	2016 HK$'000
Related companies(ii)	**–**	16,717
Related companies(ii)	**–**	(16,717)

(d) Other receivables as at 31 March

	2017 HK$'000	2016 HK$'000
Related companies(ii)	**2,436**	1,112

Notes:

(i) Mr. Wong Ben Koon is the President of the unincorporated association.

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

48. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 March 2017 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest		Principal activities
			Direct	Indirect	
Billion Win	The British Virgin Islands ("BVI")	10,000 ordinary shares of US$1 each	–	100%	Investment holding
Bliss Hero Investment Limited	Hong Kong	3,000,100 ordinary shares of HK$1 each	–	100%	Investment holding
Δ Binhai Qiaohong Zhiye Limited	The PRC	Registered capital of RMB300,000,000	–	100%	Property development
Δ Danxing	The PRC	Registered capital of RMB13,540,000	–	70%	Property development
Δ Honwill	The PRC	Registered capital of RMB71,626,987	–	70%	Property development
First World Venture Resources Sdn. Bhd.	Malaysia	100 ordinary shares of MYR1 each	–	70%	Provision of transportation services
Globest Participações Ltda	Federative Republic of Brazil	61,524,903 ordinary shares of Brazil Reais $1 each	–	85%	Mining and processing of iron ore
Grace Wise Pte. Ltd.	Singapore	1 ordinary share of Singapore dollar 1 each	–	100%	Trading of iron ore
# Δ Guangzhou Bliss Hero Real Estate Development Limited	The PRC	Registered capital of HK$270,000,000	–	100%	Property leasing
* Δ Guangzhou Fuchun Dongfang Real Estate Investment Company Limited ("Fuchun Dongfang")	The PRC	Registered capital of RMB420,000,000	–	55%	Property development, sales and leasing
# Guilin Star Brite Stone Materials Co., Ltd.	The PRC	Registered capital of US$9,800,000	–	60%	Mining and processing of granite and selling of granite products
#Δ Hangzhou Chengzhuo Trading Company Limited	The PRC	Registered capital of RMB30,000,000	–	100%	Trading of iron ore and steel

48. Principal Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
#Δ Hangzhou Gangchang Technology & Trade Company Limited	The PRC	Registered capital of RMB35,000,000	–	100%	Trading of iron ore equipment
Lead Hero Investments Limited	BVI	33,334 ordinary shares of US$1 each	–	70%	Investment holding
MCO	Macao	100,000 ordinary shares of Macao Pataca ("MOP") 1 each	–	100%	Trading of iron ore
Phoneix Lake Sdn. Bhd.	Malaysia	6,242,002 ordinary shares of MYR1 each	–	100%	Mining and processing of iron ore
PMHL	Jersey	143,391,230 ordinary shares of Great Britain Pound 0.01 each	64.07%	35.93%	Investment holding
Pro-Rise Business Limited	BVI	1,000 ordinary shares of US$1 each	–	100%	Investment holding
Profit World Ventures Limited	BVI	20,000 ordinary shares of US$1 each	100%	–	Investment holding
Prosperity Cement (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of clinker, cement and other building materials
Prosperity Cement (Asia) Limited — Macao Commercial Offshore	Macao	1 ordinary share of MOP100,000 each	–	100%	Trading of clinker, cement and other building materials
Prosperity Minerals Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of advisory, planning and administrative services
Prosperity Minerals Management Limited	Hong Kong	100,000 ordinary shares of HK$1 each	–	100%	Provision of human resources and administrative services
Prosperity Real Estate Holdings Limited	Bermuda	1 ordinary share of HK$1 each	–	100%	Investment holding

48. Principal Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest		Principal activities
			Direct	Indirect	
Prosperity Trading Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Trading of building materials
PT. TBM	Indonesia	45,000 ordinary share of IDR1,000,000 each	–	75%	Property development
Sharp Advance International Limited	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
Success Top Enterprise Ltd	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of building materials
Δ* Suzhou Jiaxin Real Estate Development Company Limited	The PRC	Registered capital of RMB100,000,000	–	55%	Property development
WM Aalbrightt Investment Holdings (Hong Kong) Limited	Hong Kong	100,000 ordinary shares of HK$1 each	–	60%	Investment holding
#Δ Zhejiang Changxing Investment Co., Ltd	The PRC	Registered capital of US$58,600,000	–	100%	Investment holding
UGL	BVI	2 ordinary shares of US$1 each	–	85%	Investment holding

\# a wholly-owned foreign enterprise established in the PRC

* a sino foreign equity joint venture established in the PRC

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

48. Principal Subsidiaries *(Continued)*

The following table shows information of subsidiaries that have non-controlling interests material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	Honwill and Danxing		Fuchun Dongfang	
	2017	2016	**2017**	2016
Principal place of business and country of incorporation	**The PRC**	The PRC	**The PRC**	The PRC
% of ownership interests and voting rights held by non-controlling interests	**30%**	30%	**45%**	45%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 March				
Non-current assets	**15,794**	981	**2,084,988**	2,174,995
Current assets	**331,083**	142,484	**785,295**	888,749
Non-current liabilities	**–**	–	**(343,677)**	(388,194)
Current liabilities	**(78,962)**	(49,219)	**(723,997)**	(770,213)
Net assets	**267,915**	94,246	**1,802,609**	1,905,337
Accumulated non-controlling interests	**183,345**	1,344	**811,174**	857,402
Year ended 31 March				
Revenue	**–**	–	**156,254**	143,327
Profit/(loss) for the year	**2,701**	(1,783)	**(15,768)**	(28,789)
Other comprehensive income	**(10,466)**	11,073	**–**	–
Total comprehensive income	**(7,765)**	9,290	**(15,768)**	(28,789)
(Loss)/profit allocated to non-controlling interests	**(2,330)**	2,787	**(7,096)**	(12,955)
Net cash generated from/(used in) operating activities	**855**	(116,254)	**52,199**	(106,448)
Net cash used in investing activities	**(14,581)**	(1,430)	**(9,131)**	(412)
Net cash generated from/(used in) financing activities	**11,628**	136,098	**(14,893)**	76,411
Net (decrease)/increase in cash and cash equivalents	**(2,098)**	18,414	**28,175**	(30,449)

49. Events after the Reporting Period

(a) On 26 October 2016, the Group 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") and its subsidiaries ("Indonesia Conch Group") at a maximum consideration of HK$450,000,000 ("Consideration"). HK$100,000,000 of the Consideration shall be satisfied by the issue of 5% per annum convertible bonds (and 8% per annum starting from the maturity of third anniversary of the date of the issue) to PMIL, while the remaining HK$350,000,000 of the Consideration shall be satisfied by the allotment and issue of shares of the Company to PMIL.

Indonesia Conch is a company incorporated in Indonesia and is principally engaged in investment and trading. The transaction was approved by the Company's shareholders in the special general meeting held on 29 May 2017. Up to the date of these financial statements, the acquisition has not yet been completed.

(b) On 9 June 2017, the Company and SMI Holdings Group Limited (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company has conditionally agreed to allot and issue 639,122,793 shares of the Company (the "Subscription Shares") and the Subscriber has conditionally agreed to subscribe for the Subscription Shares at a subscription price of HK$0.11 per share pursuant to the terms and conditions of the Subscription Agreement. On the same day, the Company and the Subscriber also entered into an option agreement (the "Option Agreement") pursuant to which the Company has conditionally agreed to grant option to the Subscriber to subscribe for 1,320 million shares of the Company (the "Option Share") for an aggregate amount of HK$145,200,000 at the initial option subscription price of HK$0.11 per Option Share (subject to adjustments).

On 13 June 2017, the Company and the Subscriber entered into a deed of termination pursuant to which both parties agreed to terminate the Option Agreement with immediate effect and both parties are released from all obligations under the Option Agreement, save for any liability arising out of any antecedent breaches thereof. On the same day, the Company and the Subscriber also entered into a deed of amendment to amend the Subscription Agreement (the "Amended and Restated Subscription Agreement"), pursuant to which the Company has conditionally agreed to allot and issue 1,959,122,793 shares of the Company (the "New Subscription Shares") and the Subscriber has conditionally agreed to subscribe for the New Subscription Shares in two tranches at a subscription price of HK$0.11 per share pursuant to the terms and conditions of the Amended and Restated Subscription Agreement.

The subscription of shares mentioned above has not been completed up to the date of these financial statements.

Summary of Properties Held for Investment

As at 31 March 2017

	Location	Term of lease	Type of use
1	Certain portion on 1/F, 2/F, 3/F and 13/F, whole floor of 14/F to 26/F and Basement, Silverbay Plaza, No. 299, Yan Jiang Zhong Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Medium-term lease	Office and car parking spaces
2	B1-B3, 1/F-4/F of Oriental Landmark, at the junction of Wen De Road and Wen Ming Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Medium-term lease	Retail outlets and car parking spaces

Summary of Properties Under Development

As at 31 March 2017

	Location	Intended use
1	Oriental Landmark, at the junction of Wen De Road and Wen Ming Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Residential, office and car parking spaces
2	One City, No. 231 Chang Xing Road, Binhai county, Yancheng City, Jiangsu Province, the PRC	Residential, shops and car parking spaces
3	FuYuan, Jin Ting Road North, Jin Ting Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	Residential
4	Longping Road North, Guanjingtou Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC	Residential and commercial
5	At the junction of Jalan Kembangan and Jalan Puri Indah, West Jakarta, Indonesia	Residential

Summary Financial Information

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

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**4,521,452**	2,008,509	3,578,700	5,451,942	3,512,306
(Loss)/profit before tax	**(62,929)**	(306,487)	(635,509)	729,353	(309,758)
Income tax expense	**(64,953)**	(262)	(122,392)	(442,177)	(8,737)
(Loss)/profit for the year	**(127,882)**	(306,749)	(757,901)	287,176	(318,495)
Attributable to:					
Owners of the Company	**(119,733)**	(263,209)	(839,453)	130,717	(205,841)
Non-controlling interests	**(8,149)**	(43,540)	81,552	156,459	(112,654)
	(127,882)	(306,749)	(757,901)	287,176	(318,495)

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**4,955,901**	5,169,025	5,867,185	4,790,208	3,940,413
Current assets	**4,533,330**	3,418,943	3,971,705	3,599,193	5,011,971
Current liabilities	**(4,159,015)**	(3,374,561)	(3,960,222)	(3,454,851)	(3,783,025)
Non-current liabilities	**(1,968,415)**	(1,754,970)	(2,516,934)	(1,221,863)	(1,078,284)
Total equity	**3,361,801**	3,458,437	3,361,734	3,712,687	4,091,075
Attributable to:					
Owners of the Company	**2,340,843**	2,569,632	2,408,560	2,874,969	2,211,320
Non-controlling interests	**1,020,958**	888,805	953,174	837,718	1,879,755
	3,361,801	3,458,437	3,361,734	3,712,687	4,091,075

Note: Amounts disclosed in the summary financial information for prior years were extracted from the annual report for the year ended 31 March 2016.