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

Interim Report 2017/18

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Dr. MAO Shuzhong, *Chief Executive Officer*
Ms. Gloria WONG
Mr. KONG Siu Keung
Mr. LI Zhimin (appointed on 3 July 2017)
Mr. WANG Jiafu
(appointed on 3 July 2017)

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

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STOCK CODE

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AUDITOR

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Certified Public Accountants
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SOLICITORS

Stephenson Harwood
18th Floor
United Centre
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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

RESULTS AND FINANCIAL OVERVIEW

For the six months ended 30 September 2017 (the "Period under review"), Prosperity International Holdings (H.K.) Limited ("Prosperity" or the "Company") and its subsidiaries (which are collectively referred to as the "Group") recorded a net loss of approximately HK$104 million, against the net profit of approximately HK$95 million for the six months ended 30 September 2016 ("the same period of the Previous Financial Year").

The loss was attributable to the increase in the operating expenses and impairment losses of approximately HK$26 million recorded for certain available-for-sale financial assets of the Group during the Period under review. On the other hand, a further reversal of part of impairment losses for the Group's iron ore mining and processing businesses of approximately HK$70 million was recorded in the Period under review, compared with those of approximately HK$301 million was recorded in the same period of the Previous Financial Year.

Approximately HK$61 million in revenue from sales of the remaining portion of the residential properties at Oriental Landmark in Guangzhou city in Guangdong province, the People Republic of China (the "PRC") were recognised during the Period under review.

During the Period under review, the market consensus on the forecasted price of 62% grade iron ore (the "Forecasted price") increased to US$68 per tonne as at 30 September 2017 from US$63 per tonne as at 31 March 2017. Having regard to the increase in the Forecasted Price, 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 operations in Malaysia, and those of United Goalink Limited ("UGL"), which is considered as the CGU of its iron ore mining operations in Brazil. Approximately HK$70 million of the impairment losses against other intangible assets and property, plant and equipment for the Group's iron ore businesses in Malaysia and Brazil was reversed for the Period under review as the recoverable amounts of such assets were revised up by the Group after it referred to valuations conducted by an independent valuer. During the Period under review, 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 Period under review increased by 35% year on year to approximately HK$2,099 million. The increase in turnover was mainly attributable to the higher volume of tonnage shipped at the iron ore trading operations and higher average iron ore price compared with those in the same period of the Previous Financial Year.

During the Period under review, the volume of tonnage shipped at the Group's iron ore trading operations increased by 49.7% year on year to approximately 2.50 million tonnes (the same period of the Previous Financial Year: approximately 1.67 million tonnes) while the average selling price for the iron ore sold by the Group increased by 19.98% year on year to approximately US$74.63 per dry metric tonne (the same period of the Previous Financial Year: US$62.20 per dry metric tonne).

Basic loss per share was 1.05 HK cents, against the basic earnings of 0.91 HK cents per share for the same period of the Previous Financial Year.

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

BUSINESS REVIEW

PRC Steel Market

China's apparent crude steel consumption surged by 12.4% year on year to 587 million tonnes for the first nine months of 2017, exceeding the year-on-year growth of 0.1% in the same period of 2016 by a wide margin. The demand was stimulated by the resumed acceleration of the country's economic growth during the period, and the robust growth in its fixed asset investment. To meet the increasing demand, steel mills in the country ramped up crude steel production by 6.3% year on year to 638.73 million tonnes in the first nine months of 2017, also far surpassing the 0.4% growth in the same period of 2016 (Source: "Lgmi: 明年鋼材消費增速大幅回落" — Lgmi (蘭格鋼鐵), dated 30 October 2017). Under the ongoing supply-side reforms, more advanced steel mills have been squeezing out the backward production capacity and filling the void in the growing market with improved profitability. Strong demand and higher industrial concentration level combined to boost the steel prices. China Steel Price Index ("CSPI") increased by 38.26 points, or 50.6%, to 113.82 points at the end of September 2017 from 75.56 points at the end of September 2016 (Source: "中鋼協: 9月國內市場鋼材價格由升轉降後期將呈小幅波動走勢" — 生意社 quoting from China Iron and Steel Association ("CISA"), dated 20 October 2017).

Overall, the world's crude steel production increased by 5.6% year on year to about 1.27 billion tonnes in the first nine months of 2017. China accounted for about 50.4% of the world's crude steel output and about 72.9% of Asia's, which was about 876.27 million tonnes, thereby maintaining its dominant position in the world's crude steel production (Source: World Steel Association).

PRC Iron Ore Market

Prices of the 62% grade iron ore were generally higher in the first nine months of 2017 than in the same period of 2016 as they were boosted by China's strong demand on the back of the resumed acceleration of the country's economic growth.

The country's imports of iron ores and concentrates rose by 7.1% year on year to 816.72 million tonnes for the first nine months of 2017 (Source: General Administration of Customs of the PRC ("China Customs")).

However, the price of the commodity was on a roller coaster as counterbalancing factors also came into play — increased supply from the world's major iron ore firms, high levels of iron ore inventory in China and the Chinese government's order for the country's steel mills to reduce production in winter in an attempt to control pollution.

The price of benchmark 62% grade iron ore per dry metric tonne was in a general uptrend, from US$57.79 in September 2016 to a high of US$89.44 in February 2017, and then slid to a low of US$57.48 in June 2017, only to start another climb that culminated in another high of US$76.07 in August 2017 before it decreased to US$71.53 in September 2017 (Source: indexmundi).

Some industry analysts read the recent price decline as a sign of China' economic slowdown. Nevertheless, other analysts estimated that China's economy may be able to grow by at least 6.8% for 2017 in view of the momentum for the first nine months, thus bucking the trend of deceleration from 2010 to 2016 (Source: "Lgmi: 明年鋼材消費增速大幅回落" — Lgmi (蘭格鋼鐵), dated 30 October 2017).

On the supply side, the world's leading iron ore companies have put their added production capacity into operation in an attempt to augment their advantages of low-cost production of high-quality iron ore and economies of scale. In China, domestic iron ore firms also ramped up production as the commodity's price rose to levels that make their business profitable. The country's crude iron ore output increased by 6.3% year on year to about 975.68 million tonnes for the first nine months of 2017 (Source: "2017年1–9月全國鐵礦石原礦產量統計分析" — 報告大廳, dated 24 October 2017). The increased overall supply of the commodity exerted downward pressure on its price. All these developments have resulted in choppy iron ore price movements. A recovery in the commodity's price is far from being certain.

Australia and Brazil, two of the world's major iron ore exporting countries, continued to cash in on China's strong demand, dominating the country's market for imports of the commodity with their more efficient operations, cost advantage and their abundant supply of quality ore. In the first nine months of 2017, China imported about 494.64 million tonnes of iron ore from Australia and about 152.64 million tonnes from Brazil (Source: "2017年10月鐵礦石進口預警監測報告" — 中國煤炭資源網 quoting from CISA, dated 27 October 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 in Sri Jaya, State of Pahang, Malaysia ("Malaysia Mine") and two ore processing plants, of which one is located in Sri Jaya ("Sri Jaya Plant") and one is located in Zon Perindustrian Gebeng ("Gebeng Plant") in State of Pahang, Malaysia (which are collectively referred to as "Malaysia Plant"), and then ships it mainly to the large steel mills in China.

During the Period under review, the Group's iron ore trading operations improved as compared with the same period of the Previous Financial Year. The volume of tonnage of iron ore shipped increased by 49.7% to approximately 2.50 million tonnes for the Period under review from approximately 1.67 million tonnes for the same period of the Previous Financial Year, and the average selling price for the iron ore sold by the Group increased by 19.98% to approximately US$74.63 per dry metric tonne for the Period under review from approximately US$62.20 per dry metric tonne for the same period of the Previous Financial Year.

While the Group's iron ore trade improved, the Group temporarily suspended its iron ore mining and processing operations in an attempt to minimise the operating loss. It was because the commodity's price had not yet rebounded to a high enough level that could make the business segment profitable following a drastic decline that lasted from early 2013 to the end of 2015 amid a market glut. The Group will resume its iron ore mining and processing operations if iron ore price reaches a high enough level to make them profitable.

1. Malaysia Iron Ore Mining Operation

The Malaysia Mine is a resource-rich mine in Malaysia and has a total mining area of approximately 420 acres. As at 30 September 2017, it had a total probable reserve of 94.5 megatonnes ("Mt") at an average grade of 41.7% iron, which exceeded the 30% crude iron ore average grade in China. The Malaysia Mine is an open pit mine which has a mine life of approximately 14 years based on the latest mining plan.

The Group produces the processed iron ore products mainly through the Sri Jaya Plant, which is adjacent to the Malaysia Mine. The products are processed through a relatively low-cost process, including ballmilling, 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 products per annum. During the Period under review, 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.

The Gebeng Plant is designed to have a throughout capacity of 2 Mt per annum. It was previously leased back to one of the Group's long-term iron ore suppliers on an exclusive basis for a fee of HK$19.5 million per annum in the same period of the Previous Financial Year, and the lease was ended in February 2017.

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 products per annum.

During the Period under review, 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.

Overall, the Group shipped approximately 2.50 million tonnes of iron ore during the Period under review, 49.7% more than it did in the same period of the Previous Financial Year.

Real Estate Investment and Development

During the first nine months in 2017, the growth in property sales by both gross floor area ("GFA") and value decelerated due to the tightening monetary policy and market control measures. Yet the housing sales vale remained high (Source: "Rebounding Investment and Healthy Fundamentals" — a research report by Guotai Junan Securities, dated 19 October 2017). However, growth of investment in the PRC's real estate development accelerated to 8.1% year on year during the period from the 5.8% year on year for the same period of 2016 (Source: The National Bureau of Statistics of the PRC ("Natural Bureau of Statistics")). The property sales grew by 10.3% year on year in GFA to about 1.16 billion square metre ("sq.m.") (For January to September of 2016: an increase of 26.9%) and surged by 14.6% year on year in value to about RMB9.19 trillion (For January to September of 2016: an increase of 41.3%). At the 19th National Congress of the Communist Party of China, the government reiterated that "housing is for the people to live in, not to speculate in", showing its determination to implement the housing market control measures. During the Period under review, the Group's business of real estate investment and development strengthened its existing operations and made progress in projects which were started in the past three years in the promising markets of economically vibrant cities in the PRC and the capital of Indonesia.

1. Binhai County of Yancheng City, Jiangsu Province

In Binhai county of Yancheng city, Jiangsu province, the Group is now developing residential and commercial properties on a piece of land of 159,698 sq.m. over which it has the land use rights. The property project is called One City and is situated in the former Laoxijie, which has a long history as a busy thoroughfare and is now the core of Binhai county's central business district ("CBD"). The street is prized for its traditional role in the local economy and prime location, and has been marked out as the first area for the county's urban renewal. One City will be positioned as an urban complex that blends the classical architectural features of the local tradition with modern facilities for culture, tourism, commerce and housing. The property project is accessible by a convenient transportation network that includes two nearby airports, namely Lianyungang Baitabi Airport and Yancheng Airport, the national highway G204 and three expressways, namely Beijing-Shanghai Expressway, Nanjing-Lianyungang Expressway and Nanjing-Jinjiang-Yancheng Expressway.

One City has a combined GFA of approximately 441,000 sq.m. and will be developed in two phases. 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 30 September 2017, approximately 54% of the shop spaces were sold and delivered to buyers. As for the residential properties, more than 99% of the 11 blocks of apartment buildings and approximately 90% of the 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 recognised in the second half of the financial year ending 31 March 2018. Construction of the second phase of the project commenced in the second quarter of 2017, and presale of the residential properties has commenced, and as of 30 September 2017, 90% of the first two blocks of apartment buildings had been presold. The Group will sell the remaining residential properties and shop spaces for higher prices to capitalise on the booming market.

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 spaces in a commercial building, Silver Bay Plaza, and a 55% equity interests in a commercial and residential property project called Oriental Landmark.

During the Period under review and the same period of the Previous Financial Year, Silver Bay Plaza had an occupancy rate of over 95%. The Group expects to receive stable rental income from the building.

Oriental Landmark is just a few minutes' walk from Beijing Road, a popular pedestrianized shopping street in the center of the city. The commercial property contains a five-floor shopping arcade with an aggregate GFA of approximately 33,000 sq.m., which 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, a fitness club and a supermarket. It had an occupancy rate of approximately 70%. The Group will continue to seek for a variety of tenants that can suit the new positioning of Oriental Landmark. It is expected that the new shopping arcade will become 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, Jiangsu province of the PRC 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").

* For identification purpose only

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 30 September 2017, several villas in the first phase of the project had been sold and delivered to the buyers. The second phase of the project and the deluxe hotel are currently under construction. The deluxe hotel has been topped out and will be put into trial operation in the first half year of 2018.

4. **Dongguan City, Guangdong Province**

Dongguan is rated by Yicai as one of the new first-tier cities because of its excellence in drawing investment (Source: "什麼樣的城市才是最好的城市" — Yicai, dated 31 May 2017). The city has attracted many mobile phone industry leaders to set up factories there. The Group had foreseen the potential development of Dongguan and had started investing in the property market of the city before the market price surged to a very high level.

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 all of the compensation for demolition and resettlement to the owners of the properties erected on the land up to the present.

* For identification purpose only

5. **Xuyi County of Huaian City, Jiangsu Province**

On 16 August 2017, the Company's indirect wholly-owned subsidiary, 浙江昌興投資有限公司 (Zhejiang Changxing Investment Co., Ltd.*) ("Zhejiang Changxing"), entered into an equity transfer framework agreement with 昌盛電氣江蘇有限公司 (Changsheng Electric Jiangsu Co., Ltd.*) ("Changsheng Electric") to ultimately acquire a 70% equity interests in 盱眙昌盛置業有限公司 (Xuyi Changsheng Property Co., Ltd.*) ("Xuyi Changsheng Property") ("Xuyi Acquisition") for up to RMB133 million (equivalent to approximately HK$154 million). The Xuyi Acquisition was completed in October 2017.

The principal assets of Xuyi Changsheng Property consist of two land lots in Xuyi county, Huaian city, Jiangsu province (the "Xuyi Land"). The Xuyi Land has an aggregate site area of approximately 83,658 sq.m. and is located in Xuyi Development Zone near Meihua Road and Kuihua Road, Xuyi county, Huaian city, Jiangsu province of the PRC. It is planned for residential and commercial use with a plot ratio of up to 2.5 and up to 209,145 sq.m. of GFA can be constructed.

The two land lots are adjacent to each other. The Group considers that development of residential and commercial properties can unlock their value.

6. **Suqian City, Jiangsu Province**

On 27 November 2017, Zhejiang Changxing entered into an acquisition framework agreement with 欣捷投資控股集團有限公司 (Xin Jie Investment Holdings Group Co., Ltd.*) ("Xin Jie Investment") in respect of the sale and purchase of 70% of the equity interests in 宿遷勝達房地產開發有限公司 (Suqian Shengda Real Estate Development Co., Ltd.*) ("Suqian Shengda") for the consideration of RMB70 million (equivalent to approximately HK$82.7 million).

The principal assets of Suqian Shengda consist of a land of an aggregate site area of approximately 45,214 sq.m. located at Suqian city, Jiangsu province, the PRC, certain residential units, shopping units and car parking spaces within the land. On the date of the acquisition of the acquisition framework agreement, the land has a site area of approximately 26,460 sq.m. which are yet to be developed, and the expected GFA up to 113,000 sq.m.

* For identification purpose only

7. 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 interests 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

For the first nine months in 2017, the PRC's cement output decreased by 0.5% to about 1.76 billion tonnes compared with the same period in 2016 (Source: National Bureau of Statistics) as the authorities stepped up their efforts to enforce the environmental laws. Nevertheless, the robust demand drove up the commodity's price. China's cement price index ("CEMPI") increased from 102.38 points on 3 January 2017 to 112.94 points on 30 September 2017 (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 supplied the materials to customers in North America and the Asia Pacific Region during the Period under review. It has been the Group's strategy to satisfy its customers' demand for cost-competitive materials by sourcing from countries where suppliers are pricing them aggressively because of the oversupply in their domestic markets. The Group seized such opportunities by matching its customers' preferences to its suppliers' need to export. It also kept assessing the regional supply and demand situation in order to spot any trading opportunities and to strike a balance between its long-term and short-term trading strategies.

In October 2016, 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") and its subsidiaries (collectively referred to as "Indonesia Conch Group") ("Indonesia Conch Acquisition"). 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 two 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 Indonesia Conch 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. The Indonesia Conch Acquisition is completed on 14 July 2017. For more information about the Indonesia Conch Acquisition, 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.

MATERIAL ACQUISITIONS AND OTHER TRANSACTIONS

(a) Share Placement

On 9 June 2017, the Company and a subscriber (the "Subscriber") entered into a subscription agreement dated 9 June 2017 (the "Subscription Agreement") and subsequently amended by a deed of amendment on 13 June 2017 (the "Deed of Amendment"), pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the 1,959,122,793 new ordinary shares of the Company (the "New Subscription Shares") in two tranches at the price of HK$0.11 per New Subscription Share pursuant to the terms and conditions of the Subscription Agreement as amended and restated by the Deed of Amendment.

As of the date of this interim report, the Subscriber has only subscribed for and been allotted 227,272,727 New Subscription Shares. The Company has not yet received the consideration for the remaining 1,731,850,066 New Subscription Shares (the "Remaining Subscription Shares") to fully complete the subscription of the New Subscription Shares.

The Company is still in discussion with the Subscriber in respect of the completion of the Remaining Subscription Shares and will further announce the progress as and when appropriate. The Board believes that the delay in the completion of the Remaining Subscription Shares will not have any material adverse effect on the financial position of the Company or the business operation of the Group.

For further detail, please refer to the announcements of the Company dated 9 June 2017, 13 June 2017 and 18 August 2017.

(b) Acquisition of shares in PT Conch Cement Indonesia

On 14 July 2017, the Company, through its wholly-owned subsidiary, Full Right Asia Limited ("Full Right") acquired 25% of the issued share capital of Indonesia Conch from PMIL at a consideration of HK$450 million ("Consideration") by issuing 5% per annum guaranteed convertible bonds (and 8% per annum starting from the maturity of third anniversary of the date of the issue) (the "PMIL Convertible Bonds") of HK$100 million, which carrying rights to convert 666,666,667 ordinary shares of the Company (the "Shares") to PMIL, and allotting and issuing of 2,333,333,333 Shares (the "Consideration Shares") to PMIL. The Company redeemed the PMIL Convertible Bonds in two batches amounted to HK$50 million each on 21 August 2017 and 6 October 2017.

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 Full Right.

For further details, please refer to the announcements of the Company dated 26 October 2016, 28 April 2017, 31 May 2017, 27 June 2017 and 14 July 2017 and the circular of the Company dated 12 May 2017.

(c) Acquisition of 70% equity interests in Xuyi Changsheng Property Co., Ltd.

On 16 August 2017, Zhejiang Changxing, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer framework agreement with the Changsheng Electric to ultimately acquire 70% equity interests in Xuyi Changsheng Property, at a consideration up to RMB133 million (equivalent to approximately HK$154 million).

For further detail, please refer to the announcement of the Company dated 16 August 2017.

After the completion of the Xuyi Acquisition, Xuyi Changsheng Property will own the Xuyi Land, which are located adjacent to each other, at Xuyi county, Huaian city, Jiangsu province, the PRC. The Xuyi Land has an aggregate site area of approximately 83,658 sq.m. and is planned for residential and commercial use with a plot ratio of up to 2.5 and the site area for construction of up to 209,145 sq.m. of GFA can be constructed. The Xuyi Acquisition was completed in October 2017.

(d) Provision of financial assistance to a non-controlling shareholder of a subsidiary and its subsidiary

On 27 October 2017, 廣州富春東方地產投資有限公司 (Guangzhou Fuchun Dongfang Real Estate Investment Company Limited*) ("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 subsidiary. For details about the arrangement, please refer to the announcement of the Company dated 21 September 2017 and the circular of the Company dated 24 November 2017.

* For identification purpose only

(e) Acquisition of 70% equity interests in Suqian Shengda Real Estate Development Co., Ltd.

On 27 November 2017, Zhejiang Changxing entered into an acquisition framework agreement with Xin Jie Investment in respect of the sale and purchase of 70% of the equity interests in Suqian Shengda for the consideration of approximately RMB70 million (equivalent to approximately HK$82.7 million).

The principal assets of Suqian Shengda consist of a land of an aggregate site area of approximately 45,214 sq.m. located at Suqian city, Jiangsu province, the PRC, certain residential units, shopping units and car parking spaces within the land. On the date of the acquisition framework agreement, the land has a site area of approximately 26,460 sq.m. which are yet to be developed, and the expected GFA up to 113,000 sq.m.

For further detail, please refer to the announcement of the Company dated 27 November 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

The total shareholders' fund of the Group as at 30 September 2017 was approximately HK$2,790 million (31 March 2017: approximately HK$2,341 million). As at 30 September 2017, the Group had current assets of approximately HK$5,080 million (31 March 2017: approximately HK$4,533 million) and current liabilities of approximately HK$4,811 million (31 March 2017: approximately HK$4,159 million). The current ratio was 1.06 as at 30 September 2017 compared to 1.09 at 31 March 2017. The Group generally finances its operations with internally generated cash flow, credit facilities provided by its principal bankers in Hong Kong and the PRC and proceeds from placing of new shares, as well as the proceeds from the issuance of bonds, convertible bonds and guaranteed notes.

As at 30 September 2017, the Group's total bank and cash balances were approximately HK$383 million (31 March 2017: approximately HK$407 million), whilst the pledged deposits amounted to approximately HK$348 million (31 March 2017: approximately HK$70 million). Total outstanding debts as at 30 September 2017 (including bank and other borrowings, convertible bonds, guaranteed notes and bonds) were approximately HK$2,869 million (31 March 2017: approximately HK$2,506 million (including bank and other borrowings, convertible bonds, guaranteed notes and bonds)).

The debt-to-equity ratio of the Group as at 30 September 2017, calculated on the basis of total interest-bearing debts divided by owners' equity, was approximately 1.03 (31 March 2017: approximately 1.07). The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

CAPITAL STRUCTURE

During the Period under review, 8,260,000 Shares of HK$0.01 each were repurchased at prices ranging from HK$0.086 to HK$0.096 per Share repurchased on the market. 4,460,000 of the repurchased Shares were cancelled during the Period under review while the remaining 3,800,000 of the repurchased Shares were subsequently cancelled on 10 October 2017.

EXPLORATION, DEVELOPMENT, MINING AND PRODUCTION ACTIVITIES

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

	For the six months ended 30 September	
	2017	2016
	Tonnes	Tonnes
Mining volume		
Malaysia Mine	**–**	–
Brazil Mine	**–**	–
Guilin Granite Mine	**3,529**	71
Production volume		
Malaysia Mine	**–**	–
Brazil Mine	**–**	–
Guilin Granite Mine	**2,577**	4,759

	For the six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Major expenditure incurred in respect of mining activities		
Malaysia Mine	**–**	–
Brazil Mine	**–**	–
Guilin Granite Mine	**1,075**	1,305
Capital expenditure incurred in respect of development activities		
Malaysia Mine	**–**	–
Brazil Mine	**–**	–
Guilin Granite Mine	**145**	331

HUMAN RESOURCES

As at 30 September 2017, the Group had a total of 348 staff members, 284 of them were based in the PRC and 64 based in Hong Kong.

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

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

CHARGE ON GROUP ASSETS

As at 30 September 2017, the following assets held by the Group were pledged to banks to secure banking facilities granted to the Group:

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

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

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries;

(e) personal guarantee executed by Mr. Wong Ben Koon ("Mr. Wong") 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 and a related company.

OUTLOOK

The price movement of benchmark 62% grade iron ore per dry metric tonne was choppy during the first nine months of 2017 as the factors that boosted or depressed the price took turns to dominate the dynamic supply-demand relationship. An iron ore price recovery is far from being certain. The Group is cautious about the prospect of the iron ore industry, and as such, it may continue suspending its iron ore mining and processing businesses in Malaysia and Brazil to minimise the operating loss. Nevertheless, the Group has been bolstering its other businesses, namely those of clinker, cement and real estate, to minimise the impact of the iron ore market conditions on its overall business performance. For instance, in July 2017, the Group completed its acquisition of a 25% stake in Indonesia Conch, a company which is incorporated in Indonesia and principally engaged in investment, trading and manufacturing and sale of clinker and cement products. The deal can allow the Group to capitalise on the Indonesian government's move to enhance the country's infrastructure and the country's participation in China's Belt and Road Initiative.

Meanwhile, the Group's property business already started projects in some vibrant cities in China and the capital of Indonesia in the past three years to tap the promising markets there. For instance, in October 2017, the Group completed its acquisition of a 70% equity interests in Xuyi Changsheng Property for RMB133 million (equivalent to approximately HK$154 million) to develop residential and commercial properties on two plots of land in Xuyi county, Huaian city, Jiangsu province, the PRC. 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.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2017, together with the comparative figures for the corresponding period of last year, as follows:

		For the six months ended 30 September	
	Note	**2017 (Unaudited) HK$'000**	2016 (Unaudited) HK$'000
Turnover	4	**2,099,168**	1,559,098
Cost of goods sold		**(2,011,550)**	(1,470,329)
Gross profit		**87,618**	88,769
Other income	5	**26,946**	69,506
Selling and distribution costs		**(34,279)**	(47,172)
Administrative expenses		**(202,485)**	(140,036)
Other operating expenses		**(26,483)**	(3,415)
Loss from operations		**(148,683)**	(32,348)
Finance costs	7	**(96,248)**	(88,901)
Fair value losses on financial assets at fair value through profit or loss		**(5,886)**	(3,023)
Fair value gains/(losses) on derivative financial instruments		**46,824**	(2,451)
Fair value gains on investment properties		**2,572**	3,083
Reversal of impairment loss on property, plant and equipment		**14,678**	72,607
Reversal of impairment loss on other intangible assets		**55,815**	228,368
Losses on early redemption of convertible bonds		**(1,334)**	–
(Loss)/gain on disposals of financial assets at fair value through profit or loss		**(1,933)**	1,264

	Note	For the six months ended 30 September 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
(Loss)/profit before tax		**(134,195)**	178,599
Income tax credit/(expense)	8	**29,841**	(83,726)
(Loss)/profit for the period	9	**(104,354)**	94,873
Attributable to:			
Owners of the Company		**(118,786)**	89,144
Non-controlling interests		**14,432**	5,729
		(104,354)	94,873
(Loss)/earnings per share			
— basic (HK cents)	10(a)	**(1.05)**	0.91
— diluted (HK cents)	10(b)	**N/A**	N/A

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit for the period	**(104,354)**	94,873
Other comprehensive income:		
Items that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**132,154**	(49,870)
Fair value gains/(losses) on available-for-sale financial assets	**153,261**	(45,688)
Reclassification adjustment for impairment of available-for-sale financial assets	**26,483**	3,415
Other comprehensive income for the period, net of tax	**311,898**	(92,143)
Total comprehensive income for the period	**207,544**	2,730
Attributable to:		
Owners of the Company	**143,633**	19,793
Non-controlling interests	**63,911**	(17,063)
	207,544	2,730

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	12	**515,927**	587,873
Investment properties	12	**2,312,543**	2,218,307
Other intangible assets		**1,667,769**	1,612,121
Available-for-sale financial assets		**403,000**	73,176
Financial assets at fair value through profit and loss		**–**	19,360
Non-current prepayments and loan receivables		**342,877**	319,398
Deferred tax assets		**127,968**	125,666
		5,370,084	4,955,901
Current assets			
Inventories		**2,865,430**	2,557,190
Available-for-sale financial assets		**476,704**	293,176
Financial assets at fair value through profit and loss		**91,538**	31,699
Trade and bills receivables	13	**418,609**	523,514
Prepayments, deposits and other receivables		**496,432**	650,948
Current tax assets		**128**	198
Pledged deposits		**347,797**	70,042
Bank and cash balances		**383,359**	406,563
		5,079,997	4,533,330
Total assets		**10,450,081**	9,489,231

	Note	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Capital and reserves			
Share capital	14	**127,518**	101,956
Reserves		**2,662,612**	2,238,887
Equity attributable to owners of the Company		**2,790,130**	2,340,843
Non-controlling interests		**1,084,869**	1,020,958
Total equity		**3,874,999**	3,361,801
Non-current liabilities			
Bank borrowings	15	**552,711**	561,766
Finance lease payables		**102**	235
Other loans and payables		**309,450**	316,386
Convertible bonds		**–**	156,537
Guaranteed notes		**–**	166,932
Bonds		**182,000**	72,000
Deferred tax liabilities		**719,468**	694,559
		1,763,731	1,968,415
Current liabilities			
Trade and bills payables	16	**745,582**	712,219
Other payables and deposits received		**1,439,550**	1,352,844
Derivative financial liabilities		**120**	7,288
Current portion of bank borrowings	15	**1,459,619**	1,245,599
Other borrowings		**295,250**	302,750
Convertible bonds		**206,683**	–
Guaranteed notes		**172,446**	–
Current portion of finance lease payables		**906**	914
Current tax liabilities		**491,195**	537,401
		4,811,351	4,159,015
Total liabilities		**6,575,082**	6,127,430
Total equity and liabilities		**10,450,081**	9,489,231
Net current assets		**268,646**	374,315
Total assets less current liabilities		**5,638,730**	5,330,216

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company													
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Treasury shares (Unaudited) HK$'000	Foreign currency translation reserve (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Merger reserve (Unaudited) HK$'000	Share-based payment reserve (Unaudited) HK$'000	Investment reserve (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Other reserve (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 April 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**
Total comprehensive income for the period	**–**	**–**	**–**	**82,675**	**–**	**–**	**–**	**179,744**	**–**	**–**	**(118,786)**	**143,633**	**63,911**	**207,544**
Issue of new shares upon share placement	**2,273**	**22,727**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,000**	**–**	**25,000**
Issue of new shares for acquisition of available-for-sale financial assets	**23,333**	**240,334**	**–**	**–**	**–**	**–**	**–**	**35,491**	**–**	**–**	**–**	**299,158**	**–**	**299,158**
Purchase of treasury shares *(note 14)*	**–**	**–**	**(758)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(758)**	**–**	**(758)**
Cancellation of treasury shares *(note 14)*	**(44)**	**(378)**	**422**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Redemption of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,746)**	**–**	**–**	**–**	**(17,746)**	**–**	**(17,746)**
Appropriation from statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,074)**	**2,074**	**–**	**–**	**–**
Changes in equity for the period	**25,562**	**262,683**	**(336)**	**82,675**	**–**	**–**	**–**	**197,489**	**–**	**(2,074)**	**(116,712)**	**449,287**	**63,911**	**513,198**
At 30 September 2017	**127,518**	**2,260,204**	**(336)**	**(134,954)**	**886,979**	**(12,880)**	**12,600**	**388,802**	**2,019**	**3,166**	**(742,988)**	**2,790,130**	**1,084,869**	**3,874,999**
At 1 April 2016	97,956	1,936,337	–	(142,434)	886,979	(12,880)	13,010	292,377	–	50	(501,763)	2,569,632	888,805	3,458,437
Total comprehensive income for the period	–	–	–	(27,078)	–	–	–	(42,273)	–	–	89,144	19,793	(17,063)	2,730
Issue of new shares upon share placement	4,000	61,184	–	–	–	–	–	–	–	–	–	65,184	–	65,184
Changes in equity for the period	4,000	61,184	–	(27,078)	–	–	–	(42,273)	–	–	89,144	84,977	(17,063)	67,914
At 30 September 2016	101,956	1,997,521	–	(169,512)	886,979	(12,880)	13,010	250,104	–	50	(412,619)	2,654,609	871,742	3,526,351

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Net cash generated from/(used in) operating activities	**42,691**	(40,430)
Net cash (used in)/generated from investing activities	**(264,085)**	102,107
Net cash generated from financing activities	**208,268**	65,371
Net (decrease)/increase in cash and cash equivalents	**(13,126)**	127,048
Effect of foreign exchange rate changes	**(10,078)**	(9,657)
Cash and cash equivalents at beginning of period	**406,563**	178,784
Cash and cash equivalents at end of period	**383,359**	296,175
Analysis of cash and cash equivalents		
Bank and cash balances	**383,359**	296,175

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 Stock Exchange. The Company is an investment holding company.

Basis of Preparation

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

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2017.

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

(a) Adoption of new and revised HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2017. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on these condensed consolidated financial statements.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2017 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group is still in the midst of assessing the possible impacts arising from the new standards and amendments to standards in issue but not yet effective.

3. FAIR VALUE MEASUREMENTS

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

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

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

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

3. FAIR VALUE MEASUREMENTS (Continued)

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

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements as at 30 September 2017 using (unaudited):			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets				
Available-for-sale financial assets				
Equity securities listed in Hong Kong	404,551	–	–	404,551
Equity securities listed outside Hong Kong	16,357	–	–	16,357
Unlisted equity securities	–	9,103	449,693	458,796
Financial assets at fair value through profit or loss				
Derivative financial assets	–	–	67,529	67,529
Held for trading	24,009	–	–	24,009
Recurring fair value measurements:				
Financial liabilities				
Derivative financial liabilities	–	–	120	120

3. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy: (Continued)

Description	Fair value measurement as at 31 March 2017 using (audited):			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements:				
Financial assets				
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
Financial assets at fair value through profit or loss				
Derivative financial assets	–	–	19,360	19,360
Held for trading	31,699	–	–	31,699
Recurring fair value measurements:				
Financial liabilities				
Derivative financial liabilities	–	–	7,288	7,288

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

3. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy: (Continued)

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

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

During the Period under review, there were no transfer between Level 1 and Level 2, or transfer into and out of Level 3.

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

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

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

3. FAIR VALUE MEASUREMENTS (Continued)

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

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value at 30 September 2017 (Unaudited) HK$'000	Fair value at 31 March 2017 (Audited) HK$'000
Unlisted equity securities	Fund's net asset value	N/A	**9,103**	8,959

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 30 September 2017 (Unaudited) HK$'000
Financial Assets					
Unlisted equity securities	Discounted cash flow approach	Discount rate	19%	Decrease	**403,000**
		Discount for minority	22.24%	Decrease	
		Discount for lack of marketability	14.8%	Decrease	
	Market comparable approach	Average price book multiple	0.71	Increase	**46,693**
		Book value	HK$1,059,317,532	Increase	
		Discount for lack of marketability	25%	Decrease	
Derivative financial assets	Black-Scholes Model with Binomial Tree method	Share price	HK$0.4669	Decrease	**67,529**
		Expected volatility	20.0895%	Increase	
		Application failure rate	100%	Increase	
		Dividend yield	0%	Increase	
Financial Liabilities					
Derivative financial liabilities	Black-Scholes Model with Binomial Tree method	Expected volatility	38.012%	Increase	**120**
		Dividend yield	0%	Decrease	

3. FAIR VALUE MEASUREMENTS (Continued)

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

Level 3 fair value measurements (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 31 March 2017 (Audited) HK$'000
Financial Assets					
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	
Financial Liabilities					
Derivative financial liabilities	Black-Scholes Model with Binomial Tree method	Expected volatility	34.66%	Increase	7,288
		Dividend yield	0%	Decrease	

Except for the newly acquired unlisted equity securities that uses discounted cash flow approach, there were no changes in the valuation techniques used for the valuation of the fair values of remaining financial assets and liabilities that measured at level 3 as at 30 September and 31 March 2017.

3. FAIR VALUE MEASUREMENTS (Continued)

(c) Reconciliation of assets 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 1 April 2017 (Audited)	**19,360**	**73,176**
Acquisition during the period	**–**	**359,597**
Fair value gain recognised in profit or loss	**48,169**	**–**
Impairment loss recognised in profit of loss	**–**	**(26,483)**
Fair value gain recognised in other comprehensive income	**–**	**43,403**
At 30 September 2017 (Unaudited)	**67,529**	**449,693**

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

4. TURNOVER

The Group was principally engaged in mining and trading of iron ore and raw materials, real estate investment and development and trading of clinker, cement and other building materials during the six months ended 30 September 2017. The Group's turnover represents the sales of goods to customers, net of discount and returns, and the rental income received from real estates leasing.

5. OTHER INCOME

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Commission received	**726**	11,085
Despatch income	**1,302**	1,291
Interest income	**1,994**	4,495
Interest income from consideration receivable	**14,464**	23,681
Interest income from finance lease receivable	**–**	17,874
Dividend income	**2,344**	1,875
Rental income for lease of machineries	**690**	–
Consultancy services	**–**	5,594
Others	**5,426**	3,611
	26,946	69,506

6. SEGMENT INFORMATION

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

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

(ii) Real estate investment and development

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

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

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 condensed consolidated financial statements.

6. SEGMENT INFORMATION (Continued)

	Mining and trading of iron ore and raw materials HK$'000	**Real estates investment and development HK$'000**	**Trading of clinker, cement and other building materials HK$'000**	**All other segments HK$'000**	**Total HK$'000**
For the six months ended 30 September 2017 (Unaudited)					
Revenue from external customers	**1,629,166**	**96,621**	**359,873**	**13,508**	**2,099,168**
Intersegment revenue	**–**	**300**	**–**	**–**	**300**
Segment (loss)/profit	**(94,222)**	**4,391**	**3,114**	**(24,714)**	**(111,431)**

	Mining and trading of iron ore and raw materials HK$'000	Real estates investment and development HK$'000	Trading of clinker, cement and other building materials HK$'000	All other segments HK$'000	Total HK$'000
For the six months ended 30 September 2016 (Unaudited)					
Revenue from external customers	974,694	116,176	466,133	2,095	1,559,098
Intersegment revenue	–	300	–	–	300
Segment (loss)/profit	(73,156)	18,366	15,453	(13,879)	(53,216)

6. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment profit or loss:

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Total revenue from reportable segments	**2,099,468**	1,559,398
Elimination of intersegment revenue	**(300)**	(300)
	2,099,168	1,559,098
Profit or loss		
Total profit or loss of reportable segments	**(111,431)**	(53,216)
Other profit or loss	**18,739**	47,888
Losses on early redemption of convertible bonds	**(1,334)**	–
Fair value losses on financial assets at fair value through profit or loss	**(5,886)**	(3,023)
Fair value gains/(losses) on derivative financial instruments	**46,824**	(2,451)
Fair value gains on investment properties	**2,572**	3,083
Reversal of impairment loss on property, plant and equipment	**14,678**	72,607
Reversal of impairment loss on other intangible assets	**55,815**	228,368
(Loss)/gain on disposals of financial assets at fair value through profit or loss	**(1,933)**	1,264
Impairment loss of available-for-sale financial assets	**(26,483)**	(3,415)
Finance costs	**(96,248)**	(88,901)
Unallocated amounts	**(29,508)**	(23,605)
Consolidated (loss)/profit before tax	**(134,195)**	178,599

6. SEGMENT INFORMATION (Continued)

Geographical information:

	Revenue For the six months ended 30 September	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
The PRC	**1,726,775**	1,086,644
Others	**372,393**	472,454
	2,099,168	1,559,098

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

	Non-current assets	
	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
The PRC	**2,413,333**	2,358,764
Macau	**312,011**	312,001
Malaysia	**1,766,400**	1,841,983
Others	**324,180**	224,951
	4,815,924	4,737,699

7. FINANCE COSTS

	For the six months ended 30 September	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Finance lease charges	**21**	57
Interest on bank and other borrowings wholly repayable within 5 years	**76,699**	80,364
Interest on bonds	**4,758**	–
Effective interest expenses on other loans	**2,720**	4,509
Effective interest expenses on convertible bonds	**14,316**	5,715
Less: Borrowing costs capitalised into properties under development for sale	**(2,266)**	(1,744)
	96,248	88,901

8. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended 30 September	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Current tax	**(44,916)**	12,200
Deferred tax	**15,075**	71,526
	(29,841)	83,726

8. INCOME TAX (CREDIT)/EXPENSE (Continued)

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profit for the six months ended 30 September 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% (six months ended 30 September 2016: 25%) during the six months ended 30 September 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 PRC subsidiaries at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

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

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

9. (LOSS)/PROFIT FOR THE PERIOD

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

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation and amortisation	**91,904**	34,103
Impairment loss on available-for-sale financial assets	**26,483**	3,415
Reversal of allowance for inventories (included in cost of goods sold)	**(9,909)**	–
Reversal of impairment loss on property, plant and equipment	**(14,678)**	(72,607)
Reversal of impairment loss on other intangible assets	**(55,815)**	(228,368)
Staff costs including directors' emoluments		
Salaries, bonuses, allowances and other costs	**51,749**	44,665
Retirement benefit scheme contributions	**1,986**	1,752

9. (LOSS)/PROFIT FOR THE PERIOD (Continued)

During the six months ended 30 September 2017, the Forecasted Price increased to US$68 per tonne as at 30 September 2017 from US$63 per tonne as at 31 March 2017.

Having regard to the increase in the Forecasted Price, the Group carried out reviews of the recoverable amounts of Billion Win which is considered as the CGU of the Malaysia Iron Ore Mining Operation, and of UGL, which is considered as the CGU of Brazilian Iron Ore Mining Operation by reference to valuation reports prepared by Roma Appraisals Limited, an independent qualified professional valuer. As a result, impairment losses made in prior years against other intangible assets and property, plant and equipment of approximately HK$55,815,000 and HK$14,678,000 (six months ended 30 September 2016: HK$228,368,000 and HK$72,607,000 respectively) in aggregate were reversed by the Group respectively for Billion Win and UGL.

The recoverable amounts of the CGUs have been determined based on value in use, and there are no significant changes in the valuation method between the valuations as at 31 March 2017 and the above impairment reviews of Billion Win and UGL.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the six months ended 30 September 2017 of approximately HK$118,786,000 (six months ended 30 September 2016: profit attributable to the owners of the Company of approximately HK$89,144,000) and the weighted average number of ordinary shares of 11,304,323,677 (30 September 2016: 9,832,772,437) in issue during the six months ended 30 September 2017.

(b) Diluted (loss)/earnings per share

As the exercise of the Group's outstanding convertible bonds would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding options during the six months ended 30 September 2016 and 2017, no diluted (loss)/earnings per share was presented.

11. DIVIDEND

No interim dividend has been declared by the Board for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

12. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2017, additions to investment properties and property, plant and equipment amounted to approximately Nil and HK$980,000 respectively (six months ended 30 September 2016: approximately Nil and HK$28,756,000 respectively). Property, plant and equipment amounted to approximately HK$404,000 were disposed of during the same period (six months ended 30 September 2016: approximately HK$9,040,000).

13. TRADE AND BILLS RECEIVABLES

In relation to the trading of clinker, cement and other building materials and iron ore and raw materials, the Group receives from each customer an irrevocable documentary credit issued at sight by a bank undertaking payment to the Group upon the presentation of relevant documents as required by the issuing bank. The Group's credit terms generally range from 0 to 90 (31 March 2017: 0 to 90) days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
0 to 90 days	**310,240**	359,237
91 to 180 days	**85,258**	139,321
181 to 365 days	**3,107**	1,721
Over 1 year	**20,004**	23,235
	418,609	523,514

14. SHARE CAPITAL AND TREASURY SHARES

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2017 (Audited) and 30 September 2017 (Unaudited)	20,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2017 (Audited)	10,195,613,967	101,956
At 30 September 2017 (Unaudited)	12,751,760,027	127,518

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital** HK$'000
At 31 March 2017 (Audited)	10,195,613,967	101,956
Issue of new shares upon share placement	227,272,727	2,273
Issue of new shares for acquisition of available-for-sale financial assets	2,333,333,333	23,333
Cancellation of treasury shares	(4,460,000)	(44)
At 30 September 2017 (Unaudited)	12,751,760,027	127,518

14. SHARE CAPITAL AND TREASURY SHARES (Continued)

Purchase and cancellation of treasury shares

The Company repurchased 8,260,000 shares of the Company on the Stock Exchange (the "Repurchases") during the six months ended 30 September 2017. The total consideration (including transaction costs) of the Repurchases were HK$760,393. 4,460,000 of the repurchased shares were cancelled during the six months ended 30 September 2017 and the remaining 3,800,000 of the repurchased shares were subsequently cancelled on 10 October 2017. Particulars of the Repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest	Lowest	Aggregate consideration
		HK$	HK$	HK$
Aug 2017	4,460,000	0.096	0.091	423,072
Sep 2017	3,800,000	0.091	0.086	337,321
	8,260,000			760,393

As at 30 September 2017, the Company held a total of 3,800,000 treasury shares, which represented approximately 0.03% of its Shares in issue.

The Repurchases was governed by section 257 of the Hong Kong Company Ordinance (Cap.622). The total amount paid on the repurchased Shares of HK$760,393 was paid wholly out of the Company's distributable profits.

15. BANK BORROWINGS

	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Secured		
Bank loans	**1,714,900**	1,166,786
Trust receipt loans	**11,094**	523,670
Invoice financing	**286,336**	116,909
	2,012,330	1,807,365

The bank borrowings are repayable as follows:

	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
On demand or within one year	**1,270,294**	1,067,973
In the second year	**353,221**	265,020
In the third to fifth years, inclusive	**388,815**	474,372
After five years	**–**	–
	2,012,330	1,807,365
Less: Amount due for settlement within 12 months	**(1,270,294)**	(1,067,973)
Amount due for settlement after one year which contain a repayment on demand clause	**(189,325)**	(177,626)
Amount due for settlement after 12 months	**552,711**	561,766

15. BANK BORROWINGS (Continued)

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

16. TRADE AND BILLS PAYABLES

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

	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Not yet due	**642,412**	291,422
Due within 3 months or on demand	**52,956**	316,078
Due after 3 months	**50,214**	104,719
	745,582	712,219

17. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material related party transactions during the Period under review and material related party balances as at 30 September 2017:

		For the six months ended 30 September	
		2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
(a)	Compensation of key management personnel		
	Directors' fees	**620**	620
	Basic salaries, allowances and benefit in kind	**7,970**	4,847
	Retirement benefit scheme contributions	**389**	269
		8,979	5,736

		As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
(b)	Other receivables from related companies *(Note)*	**3,198**	2,436

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

18. CONTINGENT LIABILITIES

Financial guarantees issued

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

	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	**498,296**	486,734

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

At 30 September 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 these condensed consolidated financial statements.

18. CONTINGENT LIABILITIES (Continued)

Financial guarantees issued (Continued)

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

	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	**809,283**	776,849

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

At 30 September 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 these condensed consolidated financial statements.

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

19. COMMITMENTS

As at 30 September 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:

	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Within one year	**95,760**	93,365
In the second to fifth years, inclusive	**1,449**	7,145
	97,209	100,510

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$88,769,000 (31 March 2017: approximately HK$85,238,000) and rentals payables by the Group of the office premises and staff quarters of approximately HK$8,440,000 (31 March 2017: approximately HK$15,272,000). Leases are negotiated for a term of one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

19. COMMITMENTS (Continued)

(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 18 (31 March 2017: 1 to 10) years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 30 September 2017, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Within one year	41,422	43,021
In the second to fifth years inclusive	124,403	138,280
Over five years	41,686	62,684
	207,511	243,985

20. EVENTS AFTER THE REPORTING PERIOD

(a) Subscription of new shares and grant of option to subscribe for shares under general mandate

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 (the "Subscription Shares") and the Subscriber has conditionally agreed to subscribe for the Subscription Shares at a subscription price of HK$0.11 per Subscription 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 1,320,000,000 Shares (the "Option Shares") 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 (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 New Subscription Share pursuant to the terms and conditions of the Amended and Restated Subscription Agreement.

20. EVENTS AFTER THE REPORTING PERIOD (Continued)

(a) Subscription of new shares and grant of option to subscribe for shares under general mandate (Continued)

As of the date of the interim report, the Subscriber has only subscribed and been allotted 227,272,727 New Subscription Shares. The Company has not yet received the consideration for the remaining 1,731,850,066 New Subscription Shares (the "Remaining Subscription Shares") to fully complete the subscription of the New Subscription Shares.

The Company is still in discussion with the Subscriber in respect of the completion of the Remaining Subscription Shares and will further announce the progress as and when appropriate. The Board believes that the delay in the completion of the Remaining Subscription Shares will not have any material adverse effect on the financial position of the Company or the business operation of the Group.

(b) Redemption of the PMIL Convertible Bonds

On 6 October 2017, the Company has fully redeemed the remaining HK$50,000,000 of the PMIL Convertible Bonds.

(c) Completion in the acquisition of 70% equity interests in Xuyi Changsheng Property Co., Ltd.

On 16 August 2017, the Company's indirect wholly-owned subsidiary, Zhejiang Changxing, entered into an equity transfer framework agreement with Changsheng Electric to ultimately acquire a 70% equity interests in Xuyi Changsheng Property for up to RMB133,000,000 (equivalent to approximately HK$154,000,000). The Xuyi Acquisition was completed in October 2017.

20. EVENTS AFTER THE REPORTING PERIOD (Continued)

(d) Provision of financial assistance to a non-controlling shareholder of a subsidiary and its subsidiary

On 27 October 2017, 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 subsidiary.

(e) Acquisition of 70% equity interests in Suqian Shengda Real Estate Development Co., Ltd.

On 27 November 2017, Zhejiang Changxing, an indirect wholly-owned subsidiary of the Company, entered into an acquisition framework agreement with Xin Jie Investment, in respect of the sale and purchase of 70% of the equity interests in Suqian Shengda for the consideration of RMB70,056,000 (equivalent to approximately HK$82,666,000).

The principal assets of Suqian Shengda consist of a land of an aggregate site area of approximately 45,214 sq.m. located at Suqian city, Jiangsu province, the PRC, certain residential units, shopping units and car parking spaces within the land. On the date of the acquisition framework agreement, the land has a site area of approximately 26,460 sq.m. which are yet to be developed, and the expected GFA up to 113,000 sq.m.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company repurchased 8,260,000 Shares of the Company on the Stock Exchange during the Period under review. The total consideration (including transaction costs) of the Repurchases were HK$760,393. 4,460,000 of the repurchased Shares were cancelled during the Period under review and the remaining 3,800,000 of the repurchased Shares were subsequently cancelled on 10 October 2017. The details of movements in the Company's share capital during the Period under review are set out in note 14 to these condensed consolidated financial statements. Particulars of the Repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest HK$	Lowest HK$	Aggregate consideration HK$
Aug 2017	4,460,000	0.096	0.091	423,072
Sep 2017	3,800,000	0.091	0.086	337,321
	8,260,000			760,393

The Board considers that the Repurchases enhanced the earnings per share of the Company and benefited the Company and its shareholders as a whole. Apart from the foregoing, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Period under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Century Global Commodities Corporation ("Century Global")

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

DISCLOSURE UNDER 13.21 OF THE LISTING RULES

On 16 March 2016, the Company entered into the subscription agreement with Cheer Hope 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 (the "Guaranteed Notes"), each in the aggregate principal amount of US$20,000,000 (equivalent to approximately HK$156,000,000), to Cheer Hope.

In relation to the CCB Convertible Bonds and the Guaranteed Notes, Mr. Wong agreed to irrevocably and unconditionally guarantee the punctual performance by the Company of all of its obligation under the transaction documents of the CCB Convertible Bonds and the Guaranteed Notes (the "Transaction Documents"). Pursuant to the terms of the CCB Convertible Bonds instrument (the "CCB CB Instrument") and the Guaranteed Notes instrument (the "Notes Instrument"), the maturity date of the CCB Convertible Bonds and the Guaranteed Notes is the date falling on the second anniversary of the initial closing date, being 26 April 2018. Further, pursuant to the terms of the CCB CB Instrument and the Notes Instrument, specific performance obligations are imposed on

Mr. Wong during the respective terms of the CCB Convertible Bonds and the Guaranteed Notes, occurrence of any of the following events, among others, shall constitute an event of default: (1) Mr. Wong ceases to be the chairman of the Board; (2) Mr. Wong, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and control more than 50% of the shares of the Company; and (3) all or any substantial part of the assets of Mr. Wong is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government.

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

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

As at 30 September 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 (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Number of Shares and underlying Shares held, capacity and nature of interest: Directly beneficially owned	Through controlled corporation	Interest of Director's spouse	Number of underlying Shares held under equity derivatives	Total	Percentage of the Company's issued share capital
Mr. Wong	2,174,232,989	6,512,630,590 *(Notes)*	22,640,000	–	8,709,503,579	68.30%
Dr. Mao Shuzhong	–	–	–	30,000,000	30,000,000	0.24%
Mr. Liu Yongshun	–	–	–	15,000,000	15,000,000	0.12%
Ms. Gloria Wong	–	–	–	10,000,000	10,000,000	0.08%
Mr. Kong Siu Keung	–	–	–	10,000,000	10,000,000	0.08%

Notes:

(1) Mr. Wong is interested in 1,725,011,772 Shares, 2,115,673,124 Shares, 2,639,514 Shares, 2,639,514 Shares through his interest in 100% shareholding in Capital Growth Limited ("Capital Growth"), which in turns owns 100%, 67.2%, 65%, and 65% shareholding in Elite Force (Asia) Limited ("Elite Force"), Prosperity Materials Group Limited ("PMGL"), Max Start Holdings Limited ("Max Start") and Max Will Profits Limited ("Max Will") respectively.

(2) PMGL beneficially holds 2,115,673,124 Shares. 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. 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 (as amended by the supplemental agreement dated 28 April 2017, the second supplemental agreement dated 31 May 2017 and the third supplemental agreement dated 27 June 2017) (the "Amended Sale and Purchase Agreement"), assuming there would be no other issue of new Shares and no repurchase of existing Shares before completion of the Amended Sale and Purchase Agreement, 2,333,333,333 Consideration Shares will be issued and the PMIL Convertible Bonds in a principal amount of HK$100,000,000 carrying rights to convert 666,666,667 Shares will be issued to PMIL.

As at 14 July 2017, the acquisition has been completed and a total of 2,333,333,333 Consideration Shares and the PMIL Convertible Bonds with the principal amount equal to HK$100,000,000 have been allotted and issued in accordance with the terms of the Amended Sale and Purchase Agreement. On 21 August 2017, the Company redeemed a principal amount of HK$50,000,000 the PMIL Convertible Bonds which carrying rights to convert into 333,333,334 Shares of the Company.

(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.

Save as disclosed above, as at 30 September 2017, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options holdings disclosed below, at no time during the Period under review were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any Director, or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

The Company operates a share option scheme which was adopted on 25 September 2009 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries.

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

Name or category of participant	Number of share options outstanding as at 1 April 2017	Lapsed during the period	Number of share options outstanding as at 30 September 2017	Date of grant of share options	Exercisable Period	Exercise price of share options HK$	Closing price of the shares immediately before date of grant of share options HK$
Director							
Dr. Mao Shuzhong	30,000,000	–	30,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Liu Yongshun	15,000,000	–	15,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Ms. Gloria Wong	10,000,000	–	10,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Kong Siu Keung	10,000,000	–	10,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Other							
Other employees	27,800,000	–	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
	122,800,000	–	122,800,000				

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 30 September 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 positions:

Name	Capacity and nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share capital
Madam Hon Ching Fong	Interest in controlled corporations *(Note a)*	4,454,285,485	490,245,081	4,944,530,566	38.78%
PMGL *(Notes c & e)*	Beneficial owner *(Note d)*	2,115,673,124	156,911,748	2,272,584,872	17.82%
Ms. Shing Shing Wai	Interest of spouse *(Note b)*	8,196,618,498	490,245,081		
	Beneficial owner	22,640,000	–		
		8,219,258,498	490,245,081	8,709,503,579	68.30%
Elite Force *(Notes c & e)*	Beneficial owner	1,725,011,772	–	1,725,011,772	13.53%
PMIL (Note e)	Beneficial owner *(Notes f & g)*	2,333,333,333	333,333,333	2,666,666,666	20.91%
Keen Phoenix *(Note e)*	Interest in controlled corporation *(Notes f & g)*	2,333,333,333	333,333,333	2,666,666,666	20.91%
Super Chine *(Note e)*	Interest in controlled corporation *(Notes f & g)*	2,333,333,333	333,333,333	2,666,666,666	20.91%
Capital Growth *(Note e)*	Interest in controlled corporations *(Note c)*	3,845,963,924	156,911,748	4,002,875,672	31.39%
Futec International Holdings Limited	Beneficial owner	1,179,890,378	–	1,179,890,378	9.25%
Central Huijin Investment Ltd. ("CHI")	Interest in controlled corporations *(Note h)*	156,911,748	975,000,000	1,131,911,748	8.88%
China Construction Bank Corporation ("CCB")	Interest in controlled corporations *(Note h)*	156,911,748	975,000,000	1,131,911,748	8.88%

Name	Capacity and nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share capital
CCB International Group Holdings Limited	Interest in controlled corporations *(Note h)*	156,911,748	975,000,000	1,131,911,748	8.88%
CCB Financial Holdings Limited	Interest in controlled corporations *(Note h)*	156,911,748	975,000,000	1,131,911,748	8.88%
CCB International (Holdings) Limited	Interest in controlled corporations *(Note h)*	156,911,748	975,000,000	1,131,911,748	8.88%
CCBI Investments Limited	Interest in controlled corporations *(Note h)*	156,911,748	975,000,000	1,131,911,748	8.88%
Cheer Hope	Beneficial owner *(Note i)*	156,911,748	975,000,000	1,131,911,748	8.88%

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) The issued share capital of PMGL and Elite Force, which are companies incorporated in the British Virgin Islands with limited liability, are beneficially owned by Capital Growth as to 67.2% and 100% respectively. The Capital Growth is wholly and beneficially owned by Mr. Wong.

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

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

(f) 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 Amended Sale and Purchase Agreement, assuming there would be no other issue of new Shares and no repurchase of existing Shares before completion of the Amended Sale and Purchase Agreement, 2,333,333,333 Consideration Shares will be issued and the PMIL Convertible Bonds in a principal amount of HK$100,000,000 carrying rights to convert 666,666,667 Shares will be issued to PMIL.

As at 14 July 2017, the acquisition has been completed and a total of 2,333,333,333 Consideration Shares and the PMIL Convertible Bonds with the principal amount equal to HK$100,000,000 have been allotted and issued in accordance with the terms of the Amended Sale and Purchase Agreement. On 21 August 2017, the Company redeemed a principal amount of HK$50,000,000 the PMIL Convertible Bonds which carrying rights to convert into 333,333,334 Shares.

(g) 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.

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

(i) Cheer Hope owned the CCB Convertible Bonds issued by the Company in an aggregate principal amount of US$20,000,000 carrying rights to convert into 975,000,000 Shares at the conversion price of HK$0.16 per ordinary share, subject to adjustment pursuant to the deed of amendment of the CCB Convertible Bonds dated 29 June 2016. For details of the CCB Convertible Bonds, please refer to the Company's announcements dated on 16 March 2016 and 29 June 2016.

Short positions:

Name	*Note*	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's issued share capital
CHI	*(a)*	Interest in controlled corporations	156,911,748	1.23%
CCB	*(a)*	Interest in controlled corporations	156,911,748	1.23%
CCB International Group Holdings Limited	*(a)*	Interest in controlled corporations	156,911,748	1.23%
CCB Financial Holdings Limited	*(a)*	Interest in controlled corporations	156,911,748	1.23%
CCB International (Holdings) Limited	*(a)*	Interest in controlled corporations	156,911,748	1.23%
CCBI Investments Limited	*(a)*	Interest in controlled corporations	156,911,748	1.23%
Cheer Hope	*(b)*	Beneficial owner	156,911,748	1.23%

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 of the Company held by Cheer Hope.

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

Save as disclosed above, as at 30 September 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.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the code provisions as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee of the Company comprises three independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (chairman of the Audit Committee), Mr. Yung Ho and Mr. Ma Jianwu.

The main duties of the Audit Committee are to review the half-yearly and annual financial information of the Group and oversee the Group's financial reporting system and internal control procedures. The Company has also adopted the latest requirement of Appendix 14 to the Listing Rules, adding into the responsibilities of the Audit Committee relating to the duty of risk management and internal control, improving the Group's systems of risk management and internal control. During the Period under review, the Audit Committee has begun to implement the above responsibilities, reviewing the Company's risk relating to strategy, operation and finance on a timely basis, enhancing the Group's capacity to cope with all kinds of risk.

During the Period under review, the Audit Committee held one meeting and met with the external auditor to discuss on financial reporting matters and has reviewed the Group's unaudited interim information for the six months ended 30 September 2017.

CORPORATE GOVERNANCE

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

Communications with shareholders

Under Code E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and arrange for the chairman of each of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Whilst the Board endeavours to maintain an on-going dialogue with its shareholders, the chairman of the Board may not always be able to attend general meetings due to other important business engagements. Mr. Wong, the chairman of the Board did not attend the annual general meeting on 12 September 2017 (the "AGM") due to other business engagements. Mr. Kong Siu Keung, being an executive Director, attended the AGM on 12 September 2017 and was delegated to make himself available to answer questions if raised at the meeting. The absence of the chairman of the Board in the AGM constituted a deviation from the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

APPRECIATION

On behalf of the Company, I would like to express my sincere gratitude to our shareholders and business partners for their confidence and loyal support to the Group. In addition, I would like to take this opportunity to thank the management and all staff members for their dedication and valuable contribution. As we enter into the second half of the financial year 2018, we look forward to achieving continued growth for the Group.

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

Hong Kong, 30 November 2017

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

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

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