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 2018/19

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. LIU Yongshun
Mr. WU Likang

Independent Non-executive Directors

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

QUALIFIED ACCOUNTANT

Mr. KONG Siu Keung, *FCPA, FCCA*

COMPANY SECRETARY

Mr. KONG Siu Keung, *FCPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. WONG Ben Koon
Mr. KONG Siu Keung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK CODE

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PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
China Minsheng Banking Corporation Limited, Hong Kong Branch
O-Bank Co., Ltd.

COMPANY WEBSITE

www.pihl-hk.com

RESULTS AND FINANCIAL OVERVIEW

For the six months ended 30 September 2018 (the "Period under review"), Prosperity International Holdings (H.K.) Limited ("Prosperity" or the "Company") and its subsidiaries (collectively, the "Group") recorded a net profit of approximately HK$25 million, against the net loss of approximately HK$104 million for the six months ended 30 September 2017 ("the same period of the Previous Financial Year").

The profit for the Period under review was mainly attributable to the further reversal of impairment losses on property, plant and equipment and other intangible assets, in aggregate, of approximately HK$95 million, compared with HK$70 million for the same period of the Previous Financial Year, and the fair value gains of approximately HK$85 million on the financial assets at fair value through profit or loss ("FVTPL"), against the fair value loss of approximately HK$6 million for the same period of the Previous Financial Year.

The reversal of impairment loss on property, plant and equipment and other intangible assets, in aggregate, of approximately HK$95 million were made after the Group carried out reviews of the recoverable amounts of Billion Win Capital Limited ("Billion Win"), which is considered as the cash generating unit (the "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 with reference to the valuations conducted by an independent professional valuer in light of the favorable iron ore price movement and the change in the economic condition in which the Company operates.

During the Period under review, the Group continued to suspend its iron ore mining and processing operations since the price of the benchmark 62% grade iron ore had not yet stabilized at a high enough level to make the Group's iron ore mining processing operations profitable. Nevertheless, the iron ore price fluctuated within a much narrower range than it did in the same period of the Previous Financial Year.

The fair value gains on the financial assets at FVTPL was mainly attributable to the reclassification of the Group's investment in a 25% equity stake in PT Conch Cement Indonesia ("Indonesia Conch") as financial assets at FVTPL upon the initial application of the Hong Kong Financial Reporting Standards ("HKFRS") 9 instead of available-for-sales financial assets. The fair value gain of HK$89 million was recorded after the re-measurement of Indonesia Conch according to the applicable accounting standards with reference to the valuation conducted by an independent professional valuer. The fair value gain mainly reflected recent change in market and economic conditions of Republic of Indonesia ("Indonesia").

Turnover for the Period under review decreased by 37% year on year to approximately HK$1,314 million mainly because income from the business of mining and trading in iron ore and other raw materials decreased by HK$821 million year on year. The Group suspended its business of iron ore mining and processing to minimize operating loss and only maintained its iron ore trading operations on a small scale as it was shifting the focus of its business to property investment and development. The process will take time to yield significant results. In addition, as part of the efforts to mitigate the impact of temporary reduction in the Group's iron ore trading activities and to diversify the business risk associated with the recent economic conditions, the Group had also diversified into the trade in other raw materials such as manganese.

As for the Group's property business, revenue increased by HK$51 million or 52% year on year to HK$147 million during the Period under review. The growth was mainly attributable to the delivery of the remaining residential units in the first phase of the Group's 昌興壹城 ("One City") in Binhai county, Yancheng city, Jiangsu province, the People's Republic of China (the "PRC") to the buyers. Most of the residential units in the first phase of the property project had already been delivered to the buyers in the first quarter of 2018. Revenue and profit from sales at some of the Group's property projects are expected to be recognized in 2019 when they are completed for delivery to the buyers. Meanwhile, the Group continued to record steady rental income from its investment properties in Guangzhou city, Guangdong province, the PRC.

Basic loss per share was 0.00 HK cents for the Period under review, compared with the basic loss of 1.05 HK cents per share for the same period of the Previous Financial Year.

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

BUSINESS REVIEW

Real Estate Investment and Development

For the first nine months of 2018, growth in property sales in China decelerated significantly in gross floor area ("GFA") and, to a lesser extent, in value compared with that during the first nine months of 2017. The slowdown shows the effect of the Chinese government's increased efforts to rein in property speculation and to ensure sufficient housing supply.

The year-on-year growth in property sales by GFA decelerated to 2.9% from 10.3% during the first nine months of 2017. From January to September of 2018, about 1.19 billion square metres ("sq.m.") of properties were sold (Source: The National Bureau of Statistics of the PRC ("National Bureau of Statistics")). The year-on-year growth in property sales by value for the first nine months of 2018 also decelerated, albeit to a lesser extent, to 13.3% from 14.6% during the first nine months of 2017. About Renminbi ("RMB") 10.41 trillion worth of properties were sold during the first nine months of 2018.

Among the property market regulation measures are city-specific ones to increase land supply in places where housing prices have been surging and to reduce land supply in places which are plagued by serious housing surpluses. In first- and key second-tier cities, the local governments restricted purchase and sales of properties, imposed price controls and tightened credit. In third- and fourth-tier cities, policies had been adopted to facilitate housing inventory clearance. As a result, in central and western China where there are more third- and fourth-tier cities, growth in GFA of properties sold was much higher than the national average in the first nine months of 2018. On the other hand, in eastern China where there are more first- and key second-tier cities, property sales by GFA decreased by 4.3% year on year (Source: "前三季度房地產銷售放緩樓市分化加劇" — 21st Century Business Herald, dated 22 October 2018; and "2018年1–9月份全國房地產開發投資和銷售情況" — National Bureau of Statistics, dated 19 October 2018).

China's policies on national development hold sway in the country's property market and even exert influence on those of some foreign countries. In addition to its ongoing urbanization programme, the Chinese government has also been pursuing the policy on fostering the development of the Guangdong-Hong Kong-Macao Bay Area (the "Greater Bay Area", "粵港澳大灣區") and the Belt and Road Initiative ("一帶一路") that is aimed at boosting infrastructure development and investment in countries in Europe, Asia and Africa. Such moves can add impetus to the development of property markets.

The Group is well-positioned to take advantage of the government policy on fostering the development of the Greater Bay Area because it has already built a foothold in Guangzhou, the provincial capital of Guangdong province and made a gain from its investment in a property project in Dongguan. The development of the Greater Bay Area is aimed at the integration of the economy of the province and the two special administrative regions, Hong Kong and Macao, by facilitating the cooperation between them. The Group has also been building up its business presence in such cities as Yancheng, Suzhou, Huaian and Suqian in Jiangsu province, which is a prosperous province of China and a part of the Yangtze River Delta (which is one of the engines of the country's economic growth), to capitalize on the country's new type of urbanization ("新型城鎮化").

During the Period under review, the Group continued to take advantage of the healthy development of China's property market which resulted from the country's regulatory measures. It has also tapped an overseas property market in Indonesia to benefit from China's Belt and Road Initiative. 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 four years in the promising markets of economically vibrant cities in the PRC and the capital of Indonesia. During the Period under review, the Group entered the market of Henan province, the PRC, by acquiring a new property development project in Runan county, Zhumadian city, the PRC and owns 13% of the equity interest in the property development project as at the date of this report.

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 which is positioned as an urban complex 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").

One City has a combined GFA of approximately 441,000 sq.m. and will be developed in two phases. The first phase of the project includes residential properties comprising 11 blocks of apartment buildings, and 40 townhouses, as well as a shopping street. As of 30 September 2018, all of the apartment buildings, 93% of the 40 townhouses and 84% of the shopping spaces had been sold. Of all the presold units of apartment buildings, townhouses and shopping spaces, 95%, 65% and 80% were delivered to the home buyers respectively. During the Period under review, revenue of RMB65 million (equivalent to approximately HK$74 million) was recognized.

The second phase of One City will comprise residential properties of 11 blocks of apartment buildings and 32 townhouses as well as a shopping street. Construction of the second phase commenced in the second quarter of 2017. Presale of units in the first 6 blocks of apartment buildings in the second phase began in August 2017. The market showed an enthusiastic response and thus two more blocks of apartment buildings were launched for presale in May 2018. The presold properties were expected to be delivered to buyers by the end of 2019. The Group will develop the remaining, planned residential properties and shop spaces in the second phase of the project and sell them for higher prices to capitalize 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, 銀海大廈 ("Silver Bay Plaza"), and a 55% equity interest in a commercial and residential property called 東方文德廣場 ("Oriental Landmark").

Oriental Landmark had been revamped to suit the families' lifestyle in contemporary Guangzhou. The revamped shopping arcade has become a top shopping spot and continued to generate stable rental income for the Group. It had an occupancy rate of 90%.

Meanwhile, on 12 November 2018, the Company, through an indirect wholly-owned subsidiary, entered into a sales and purchase agreement (the "Silver Bay SPA") with an independent third party (the "Vendor"), pursuant to which the Company agreed to sell certain units in Silver Bay Plaza (the "Disposal Property") for a consideration of RMB92.7 million (equivalent to approximately HK$105.7 million). The disposal of the Disposal Property allows the Group to reduce its gearing and strengthen its financial position; thus improving the Group's resilience to further downturns in the economy. Up to the date to this report, the disposal has not yet been completed.

3. Suqian City, Jiangsu Province

In November 2017, the Group, through an indirect wholly-owned subsidiary, 浙江昌興投資有限公司 (Zhejiang Changxing Investment Co., Ltd.*) ("Zhejiang Changxing"), acquired a 70% equity interest in 宿遷勝達房地產開發有限公司 (Suqian Shengda Real Estate Development Co., Ltd.*) ("Suqian Shengda"), which owns a residential project called 江山一品 ("Imperial Land"), in which it has a land of an aggregate site area of approximately 45,214 sq.m. in Suqian city, Jiangsu province, the PRC, certain residential units, shopping spaces and car parking spaces within the land.

The land had a site area of approximately 26,653 sq.m. for the development of second phase of Imperial Land. The second phase of the project has a planned GFA of approximately 140,000 sq.m., and will include 4 blocks of residential buildings, an apartment building, a commercial building and car parking spaces.

During the Period under review, the Group has commenced the development of the second phase of the project. 1 block of residential buildings was put up for presale in October 2018 and met with an overwhelming response from the market with over 90% of the units presold. To respond the towering reaction of the market, the presale of another block of residential buildings also commenced in late of November 2018.

* For identification purpose only

4. 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*).

The Group is developing a deluxe property project called 復園 ("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 2018, 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 second quarter of 2019. The Group will operate the hotel by itself under its own brand.

5. Dongguan City, Guangdong Province

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*) ("Dongguan Danxin") for a redevelopment project in Fenggang town in Dongguan city, Guangdong province. The joint venture was subsequently formed under the name 東莞市丹興實業有限公司 (Dongguan City Danxing Industrial Company Limited*) ("Dongguan Danxing").

* For identification purpose only

On 13 March 2018, the Company's two indirect wholly-owned subsidiaries and Dongguan Danxin entered into an agreement to sell 52.7% of the effective equity interests in 東莞敬培實業有限公司 (Dongguan Honwill Limited*) ("Dongguan Honwill") and its subsidiary, Dongguan Danxing, which undertake a redevelopment project in Dongguan city, Guangdong province, to two indirect wholly-owned subsidiaries of 萬科企業股份有限公司 (China Vanke Co., Ltd.*) for a consideration of RMB830 million (equivalent to approximately HK$946 million). Up to the date of this report, the transaction was not yet completed and the Group has already received the installments of approximately RMB415 million (equivalent to approximately HK$473 million). The Group expects to receive a maximum amount of RMB830 million (equivalent to approximately HK$946 million), of which RMB581 million (equivalent to approximately HK$662 million) is attributable to the Group in proportion to its equity stake, upon the completion of the transaction.

6. Xuyi County of Huaian City, Jiangsu Province

The Group acquired a 70% equity interest in 盱眙昌盛置業有限公司 (Xuyi Changsheng Property Co., Ltd.*) ("Xuyi Changsheng Property") through Zhejiang Changxing in October 2017. In August 2018, the Group introduced a strategic investor into the project by selling a 20% equity interest in Xuyi Changsheng Property to the latter for a consideration of RMB26.6 million (equivalent to approximately HK$30.3 million). The move can bring in the strategic investor's knowledge about the local market and practices and, at the same time, enable the Group to diversify the risk associated with the property project.

Xuyi Changsheng Property owns 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 planned GFA of up to 206,335 sq.m.

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

* For identification purpose only

7. Runan County of Zhumadian City, Henan Province

On 16 August 2017, the Group, through an indirect wholly-owned subsidiary, entered into a cooperation agreement with 長興民發投資有限公司 (Zhangxing Min Fa Investment Co., Ltd*) ("Zhangxing Min Fa"), to ultimately acquire a 26% equity interest in 汝南中得置業有限公司 (Runan Zhongde Properties Co., Ltd*) ("Runan Zhongde"), for a consideration of up to RMB2.6 million (equivalent to approximately HK$3.0 million) and, as part of the terms of the agreement, to provide the shareholder's loan in the sum of RMB49.4 million (equivalent to approximately HK$56.3 million) for Runan Zhongde.

Runan Zhongde has signed land transfer agreements with the Runan Municipal Bureau of Land and Resources in respect of two parcels of land of an aggregate site area of approximately 140 mu (approximately 93,333 sq.m.) located at (i) Ru Ning Da Jie and Qing Yuan Road; and (ii) Qing Yuan Road and Pei Gong Road, Runan county, Zhumadian city, Henan province of the PRC (the "Runan Lands"). Runan Zhongde already paid approximately RMB161 million (equivalent to approximately HK$184 million) by mid-August 2018 and it has obtained construction land use planning permit (建設用地規劃許可證) in respect of the Runan Lands and intends to develop residential and commercial properties on the lands.

In August 2018, the Group introduced two strategic investors into the project by selling half of its equity interests, in aggregate, in Runan Zhongde for a consideration of RMB1.3 million (equivalent to approximately HK$1.5 million) and the corresponding reduction in the commitment of shareholder's loan by RMB24.7 million (equivalent to approximately HK$28.1 million). This move enables the Group to reduce the risk exposure in a new market.

* For identification purpose only

8. West Jakarta, Indonesia

In October 2015, the Company, through an indirect wholly-owned subsidiary, acquired an effective equity stake of 75% in an Indonesian incorporated company called PT. Tritama Barata Makmur, which owned 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 land parcel is connected to the two toll gates of Jakarta Outer Ring Road. The Group planned 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 the 208 units were presold as at 30 September 2018.

PRC Steel Market

For the first nine months of 2018, growth in fixed asset investment in China decelerated to 5.4% from 7.5% for the same period in 2017 (Source: "2018年1–9月份全國固定資產投資(不含農戶)增長5.4%" — National Bureau of Statistics, dated 19 October 2018). However, the steady growth in investment in the property sector and the major steel-consuming industries stabilized the country's overall demand for steel (Source: "2018年9月國內鋼材市場價格分析及10月鋼材市場預測" — 中商情報網 (www.AskCI.com), dated 25 October 2018). For the first half of 2018, the country's apparent crude steel consumption was 422.40 million tonnes. A breakdown shows a year-on-year decrease of 0.45% in the country's apparent crude steel consumption to 200.48 million tonnes in the first quarter of the year and a year-on-year growth of 1.22% to 221.92 million tonnes in the second quarter (Source: "分化態勢漸顯鋼鐵股後市"喜憂參半"" — China Securities Journal, dated 20 August 2018).

China produced 699.424 million tonnes of crude steel for the first nine months of 2018, up by 6.1% year on year (Source: World Steel Association).

PRC Iron Ore Market

The benchmark 62% grade iron ore price fluctuated within a much narrower range, of US$64.56 to US$77.46 per dry metric tonne, in the first nine months of 2018 compared with that of US$57.48 to US$89.44 in the same period of 2017 (Source: IndexMundi). Specifically, the iron ore price stabilized from March to September of 2018 as the problem of oversupply showed signs of abating. The expectations that the demand for iron ore would remain robust in 2019 while the world's four major iron ore mining companies' production capacity expansion was almost finished also contributed to the stabilization of the commodity's price (Source: "大商所提升期貨價格代表性和穩定性 — 鐵礦石期貨品牌交割制度呼之欲出" — Economic Daily, dated 30 October 2018).

Mining and Trading of Iron Ore and Raw Materials

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 in State of Pahang, Malaysia, and then ships it mainly to the large steel mills in China.

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 2018, 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 19 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 ball milling, magnetic separation and dewatering. The Sri Jaya Plant is designed to have a throughput capacity of 6 Mt per annum, producing 3 Mt of saleable products per annum. During the Period under review, the iron ore mining and processing operations were suspended because the iron ore price had not yet stabilized at a high enough level for the operations to be profitable. However, the iron ore price fluctuated within a much narrower range than it did in the same period of the Previous Financial Year.

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 suspended its operations to minimize operating loss because the iron ore price did not stabilized at a high enough level for the operations to be profitable.

Clinker and Cement Trading Business and Operation

For the first nine months in 2018, the PRC's cement output edged up by 1.0% year on year to about 1.583 billion tonnes (Source: National Bureau of Statistics). China's cement price index ("CEMPI") decreased from 150.94 points on 5 January 2018 to 143.75 points on 28 September 2018 (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 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 opportunities for trading and to strike a balance between its long-term and short-term trading strategies.

In 2017, the Group acquired a 25% equity stake in Indonesia Conch and its subsidiaries (which are collectively referred to as "Indonesia Conch Group") to tap the potential of the market of Indonesia, which is also one of the countries covered by China's Belt and Road Initiative. The policy is also expected to help foster Indonesia's economic development in the long term.

Indonesia Conch is a company incorporated in Indonesia and 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.

Granite Mining Operation

The Company owns the Xiang Lu Shan Granite Mining Site in Guangxi, the PRC (the "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.

Issue of CCB Convertible Bonds and Guaranteed Notes

On 16 March 2016, the Company announced that it had entered into a subscription agreement (the "Subscription Agreement") with Cheer Hope Holdings Limited ("Cheer Hope") which was a subscriber, and Mr. Wong Ben Koon ("Mr. Wong") who was the guarantor, pursuant to which the Company conditionally agreed to issue the United States dollar ("US$") 20 million, 5% per annum convertible bonds (equivalent to approximately HK$156 million) (the "CCB Convertible Bonds") and US$20 million, 5% per annum guaranteed notes (equivalent to approximately HK$156 million) (the "Guaranteed Notes"). Both the CCB Convertible Bonds and the Guaranteed Notes will be due in 2018. Thereafter, on 29 June 2016, the Company, Cheer Hope and Mr. Wong entered into the deed of amendment (the "First Amendment Deed"), to amend certain terms and conditions of the Subscription Agreement, the CCB Convertible Bonds and the Guaranteed Notes (the "First Amendment"), and the First Amendment was completed on 19 July 2016. The conversion price of the CCB Convertible Bonds (the "CCB Conversion Price") has then been adjusted to HK$0.16 per share of the Company (the "CCB Conversion Share") on 31 December 2016 in accordance to the terms of the First Amendment Deed.

On 27 September 2018, the Company, Cheer Hope and Mr. Wong entered into an amendment deed (the "Second Amendment Deed"), whereby the parties agreed, among others, to extend the term of the CCB Convertible Bonds and the Guaranteed Notes for one anniversary from 15 April 2018 and amend certain terms and conditions of the Subscription Agreement, the CCB Convertible Bonds and the Guaranteed Notes (the "Second Amendment"). As at the date of the Second Amendment Deed, the outstanding principal amounts of the CCB Convertible Bonds and the Guaranteed Notes are US$18 million (equivalent to approximately HK$140 million) and US$18 million (equivalent to approximately HK$140 million) respectively.

Taking into account the Second Amendment and assuming the full conversion of the CCB Convertible Bonds at the CCB Conversion Price of HK$0.16 per CCB Conversion Share, a total of approximately 877,500,000 CCB Conversion Shares will be allotted and issued, representing (1) approximately 6.88% of the existing issued share capital of the Company of 12,746,160,027 shares as at the date of this report, and (ii) approximately 6.44% of the issued share capital of the Company of 13,623,660,027 shares as enlarged by 877,500,000 shares to be issued upon full conversion the CCB Convertible Bonds, assuming no further change in the share capital of the Company from the date of this report and up to the date of the allotment and issue of CCB Conversion Shares.

For further details, please refer to the Company's announcements dated 16 March 2016, 18 March 2016, 15 April 2016, 26 April 2016, 28 April 2016, 3 May 2016, 9 May 2016, 29 June 2016 and 19 September 2018.

Issue of Convertible Bonds

On 24 October 2018, the Company entered into a placing agreement (the "Placing Agreement") pursuant to which a placing agent agreed to place convertible bonds with an aggregate principal amount of HK$30 million at the conversion price of HK$0.06 (the "Conversion Price") per share of the Company (the "Conversion Share") (the "Convertible Bonds") on a best effort basis from 24 October 2018 to 8 November 2018. The Convertible Bonds were successfully placed to not less than six independent third parties on 8 November 2018.

Based on the initial Conversion Price of HK$0.06 per Conversion Share and assuming conversion of the Convertible Bonds in full, the Convertible Bonds will be convertible into 500,000,000 new Conversion Share, representing (i) approximately 3.92% of the existing issued share capital of the Company of 12,746,160,027 shares as at the date of this report, and (ii) approximately 3.78% of the issued share capital of the Company of 13,246,160,027 shares as enlarged by the allotment and issue of the Conversion Shares, assuming no further change in the share capital of the Company from the date of this report and up to date of the allotment and issue of the Conversion Shares.

Net proceeds of approximately HK$28.8 million was raised and the proceeds was used for (i) partial repayment of the Group's existing loans; and (ii) the remaining balance was used as general working capital of the Group.

For further details, please refer to the announcements of the Company dated 24 October 2018 and 8 November 2018.

Proposed Share Consolidation and Proposed Change in Board Lot Size

On 30 October 2018, the Company proposed to put forward a proposal to the shareholders of the Company (the "Shareholders") to effect the share consolidation on the basis that every ten issued and unissued shares of the Company of par value of HK$0.01 each (the "Existing Shares") be consolidated into one consolidated share of par value of HK$0.1 each (the "Consolidated Share") (the "Proposed Share Consolidation"). The Proposed Share Consolidation is conditional upon (i) the passing of an ordinary resolution by the Shareholders at the special general meeting (the "Proposed SGM") of the Company to be held on 10 January 2019 to approve, among other things, the Proposed Share Consolidation; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of, and permission to deal in, the Consolidated Shares. Upon the Proposed Share Consolidation becoming effective, the Consolidated Shares shall rank pari passu in all respects with each other.

The Company also proposed to change the board lot size (the "Proposed Change in Board Lot Size") for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Proposed Share Consolidation becoming effective and the passing of an ordinary resolution by the Shareholders at the Proposed SGM to approve, among other things, the Proposed Change in Board Lot Size.

Up to the date to this report, the Proposed Share Consolidation and the Proposed Change in Board Lot Size has not yet become effective. For further details, please refer to the announcement of the Company dated 30 October 2018.

MATERIAL ACQUISITIONS AND OTHER TRANSACTIONS

(a) Disposal of certain units in Silver Bay Plaza

On 12 November 2018, the Company, through an indirect wholly-owned subsidiary, entered into the Silver Bay SPA with the Vendor, pursuant to which the Company agreed to sell the Disposal Property at a consideration of RMB92.7 million (equivalent to approximately HK$105.7 million). The disposal of Disposal Property allows the Group to reduce its gearing and strengthen its financial position. Up to the date to this report, the disposal has not yet completed. For details, please refer to the announcement of the Company dated 12 November 2018.

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

On 30 August 2018, 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 30 August 2018.

* For identification purpose only

(c) Acquisition of 26% equity interests in Runan Zhondge Properties Co., Ltd.

On 7 August 2018, Zhejiang Changxing, an indirect wholly-owned subsidiary of the Company, entered into a co-operation agreement with the Zhangxing Min Fa, to ultimately acquire 26% equity interests in Runan Zhongde, at a consideration up to RMB2.6 million (equivalent to approximately HK$3.0 million) and the provision of the shareholder's loan in the sum of RMB49.4 million (equivalent to approximately HK$56.3 million).

For further detail, please refer to the announcements of the Company dated 7 August 2018 and 13 August 2018.

Runan Zhongde has signed land transfer agreements with the Runan Municipal Bureau of Land and Resources in respect of two parcels of land of an aggregate site area of approximately 140 mu (approximately 93,333 sq.m.) located at (i) Ru Ning Da Jie and Qing Yuan Road; and (ii) Qing Yuan Road and Pei Gong Road, Runan county, Zhumadian city, Henan province of the PRC. Runan Zhongde has obtained construction land use planning permit in respect of the Runan Lands and intends to develop the Runan Lands into residential and commercial properties.

(d) Exercise of Put Option

On 9 April 2015, Rui Sheng Global Holdings Limited ("Rui Sheng") (a wholly-owned subsidiary of the Company) entered into a subscription agreement ("HT Subscription Agreement"), pursuant to which Rui Sheng agreed to subscribe for 100,000,000 new shares and representing 10% of the total issued share capital of Hao Tian Finance Company Limited ("Hao Tian") (the "HT Subscription Shares") for an aggregate consideration of HK$100 million. Hao Tian is an indirect wholly-owned subsidiary of Han Tian Development Group Limited ("Hao Tian Development") and Hao Tian Development is a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange. Pursuant to the HT Subscription Agreement, Hao Tian Development has granted an option to Rui Sheng to require Hao Tian Development to purchase all or part of the HT Subscription Shares at HK$1.15 per HT Subscription Share (i.e. at HK$115 million in total) from Rui Sheng (the "HT Put Option") if the Hao Tian does not list on the Main Board or the GEM of the Stock Exchange within three years.

On 9 April 2018, Rui Sheng exercised the HT Put Option and the total repurchase price of the HT Subscription Shares of HK$115 million was payable by Hao Tian Development partly by way of deduction of the indebtedness owed by the Group to Hao Tian and partly by way of cash.

For further detail, please refer to the announcements of the Company dated 5 April 2015 and 9 April 2018.

(e) Disposal of equity interests in Honwill Limited and its subsidiaries

On 13 March 2018, Greater Sino Limited, Honwill Limited ("Honwill"), both subsidiaries of the Company, and Dongguan Danxin, the joint venture partner of the Company, entered into the co-operation agreement with 東莞市萬科房地產有限公司 (Dongguan Vanke Real Estate Company Limited*) and Hybest (BVI) Company Limited, both subsidiaries of China Vanke Co., Ltd., to sell their interests of the property development project in Dongguan city, Guangdong province, the PRC (the "Redevelopment Project") at a consideration of RMB830 million (equivalent to approximately HK$946 million) (subject to adjustments). The disposal of the Redevelopment Project will be completed by transferring 52.7% of the effective equity interests in Dongguan Honwill and its subsidiary, Dongguan Danxing through disposal of its certain equity interests in Honwill.

For detail, please refer to the announcement of the Company dated 13 March 2018 and the circular of the Company dated 24 May 2018.

* For identification purpose only

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

The total shareholders' equity of the Group as at 30 September 2018 was approximately HK$1,687 million (31 March 2018: approximately HK$1,964 million). As at 30 September 2018, the Group had current assets of approximately HK$4,717 million (31 March 2018: approximately HK$4,537 million) and current liabilities of approximately HK$4,715 million (31 March 2018: approximately HK$4,426 million). The current ratio was 1.00 as at 30 September 2018 compared to 1.03 at 31 March 2018. 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 2018, the Group's total bank and cash balances were approximately HK$203 million (31 March 2018: approximately HK$255 million), whilst the pledged deposits amounted to approximately HK$38 million (31 March 2018: approximately HK$356 million). Total outstanding debts as at 30 September 2018 (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds) were approximately HK$1,941 million (31 March 2018: approximately HK$2,719 million (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds)).

The debt-to-equity ratio of the Group as at 30 September 2018, calculated on the basis of total interest-bearing debts divided by owners' equity, was approximately 1.15 (31 March 2018: approximately 1.38). The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

EXPLORATION, DEVELOPMENT, MINING AND PRODUCTION ACTIVITIES

During the Period under review, no material exploration activity was carried out at the 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	
	2018	2017
	Tonnes	Tonnes
Mining volume		
Malaysia Mine	**–**	–
Brazil Mine	**–**	–
Guilin Granite Mine	**–**	3,529
Production volume		
Malaysia Mine	**–**	–
Brazil Mine	**–**	–
Guilin Granite Mine	**5,097**	2,577

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Major expenditure incurred in respect of mining activities		
Malaysia Mine	**–**	–
Brazil Mine	**–**	–
Guilin Granite Mine	**–**	1,075
Capital expenditure incurred in respect of development activities		
Malaysia Mine	**–**	–
Brazil Mine	**–**	–
Guilin Granite Mine	**–**	145

HUMAN RESOURCES

As at 30 September 2018, the Group had a total of 256 staff members, 204 of them were based in the PRC and 52 based in Hong Kong.

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

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

CHARGE ON GROUP ASSETS

As at 30 September 2018, 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 of the Group;

(e) personal guarantee executed by Mr. Wong and a director of a subsidiary;

(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 Group will continue to focus on its business of property development and investment so as to capitalize on China's policies on national development. This is part of the Group's ongoing move to strengthen its diverse businesses with the aim of broadening its income stream. It is also aimed at minimizing the impact of the adverse iron ore market conditions on the Group's overall business performance.

During the Period under review, the Group pressed on with such business strategy by further expanding its business presence to a new area, Runan county, Zhumadian city, Henan province, the PRC. It also made progress with sales and construction works at its ongoing property projects in PRC, such as Imperial Land in Suqian city, Jiangsu province, and the capital of Indonesia. This has allowed the Group to take advantage of China's rapid urbanization and its policy on fostering the development of the Greater Bay Area as well as its Belt and Road Initiative that covers Indonesia and a number of other countries. Revenue and profits from such property projects are expected to be recognized in 2019 when they are completed. In Guangzhou, the Group's investment properties continued to generate stable rental income during the Period under review.

Meanwhile, the Group stepped up its effort to capitalize on China's Belt and Road Initiative by acquiring a 25% equity stake in an Indonesia-incorporated clinker and cement company, Indonesia Conch, in July 2017. The acquisition has enabled the Group to tap into a boom in the country's infrastructure sector.

Looking ahead, the Group will do its best to explore opportunities arising from China's new type of urbanization and the development of the Greater Bay Area. It will also strengthen its operations in Indonesia to benefit from China's Belt and Road Initiative.

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 2018, together with the comparative figures for the corresponding period of last year, as follows:

		For the six months ended 30 September	
	Note	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue	4	1,313,541	2,099,168
Cost of goods sold		(1,221,402)	(2,011,550)
Gross profit		92,139	87,618
Other income	5	52,224	26,946
Selling and distribution costs		(31,946)	(34,279)
Administrative expenses		(167,138)	(202,485)
Other operating expenses		–	(26,483)
Loss from operations		(54,721)	(148,683)
Finance costs	7	(88,669)	(96,248)
Share of loss of an associate		(1)	–
Fair value gains/(losses) on financial assets at fair value through profit or loss ("FVTPL")		85,033	(5,886)
Fair value (losses)/gains on derivative financial instruments		(72)	46,824
Fair value gains on investment properties		28,212	2,572
Allowance for trade and bills receivables		(1,419)	–
Reversal of allowance for other receivables		6,498	–
Reversal of impairment loss on property, plant and equipment		19,252	14,678
Reversal of impairment loss on other intangible assets		75,610	55,815
Net losses on disposals of financial assets at FVTPL		(376)	(1,933)
Losses on modification of financial liabilities		(4,619)	–
Losses on early redemption of convertible bonds		–	(1,334)

	Note	For the six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Profit/(loss) before tax		**64,728**	(134,195)
Income tax (expense)/credit	8	**(39,471)**	29,841
Profit/(loss) for the period	9	**25,257**	(104,354)
Attributable to:			
Owners of the Company		**(103)**	(118,786)
Non-controlling interests		**25,360**	14,432
		25,257	(104,354)
Loss per share			
— basic (HK cents)	10(a)	**(0.00)**	(1.05)
— diluted (HK cents)	10(b)	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2018 **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000
Profit/(loss) for the period	**25,257**	(104,354)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of financial assets at fair value through other comprehensive income ("FVTOCI"), net of tax	**(124,253)**	–
	(124,253)	–
Items that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(203,882)**	132,154
Fair value changes on available-for-sale financial assets, net of tax	**–**	153,261
Impairment of available-for-sale financial assets, net of tax	**–**	26,483
	(203,882)	311,898
Other comprehensive income for the period, net of tax	**(328,135)**	311,898
Total comprehensive income for the period	**(302,878)**	207,544
Attributable to:		
Owners of the Company	**(262,356)**	143,633
Non-controlling interests	**(40,522)**	63,911
	(302,878)	207,544

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	12	**393,955**	403,951
Investment properties	12	**1,994,211**	2,408,280
Other intangible assets		**1,198,429**	1,122,819
Interests in an associate		**5,137**	–
Available-for-sale financial assets		**–**	356,000
Financial assets at FVTPL		**445,000**	–
Non-current prepayments and loan receivables		**5,779**	318,294
Deferred tax assets		**91,717**	98,893
		4,134,228	4,708,237
Current assets			
Inventories		**3,042,566**	2,783,101
Available-for-sale financial assets		**–**	434,746
Financial assets at FVTPL		**14,130**	92,569
Financial assets at FVTOCI		**271,114**	–
Trade and bills receivables	13	**248,585**	194,003
Prepayments, deposits and other receivables		**899,942**	422,414
Current tax assets		**219**	60
Pledged deposits		**37,718**	355,617
Bank and cash balances		**202,839**	254,711
		4,717,113	4,537,221
Total assets		**8,851,341**	9,245,458
Capital and reserves			
Share capital	14	**127,462**	127,462
Reserves		**1,559,038**	1,836,691
Equity attributable to owners of the Company		**1,686,500**	1,964,153
Non-controlling interests		**1,133,122**	1,173,644
Total equity		**2,819,622**	3,137,797

	Note	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Non-current liabilities			
Bank borrowings	15	38,959	573,948
Finance lease payables		–	14
Other loans and payables		628,886	327,098
Other borrowings		37,907	49,291
Bonds		10,000	126,000
Deferred tax liabilities		600,862	605,749
		1,316,614	1,682,100
Current liabilities			
Trade and bills payables	16	688,850	523,660
Contract liabilities		796,491	–
Other payables and deposits received		871,037	1,350,022
Current portion of bank borrowings	15	1,230,613	1,222,840
Current portion of finance lease payables		239	255
Current portion of bonds		188,000	72,000
Other borrowings		140,967	320,183
Convertible bonds		148,478	176,827
Guaranteed notes		145,642	177,790
Derivative financial instruments		72	–
Current tax liabilities		504,716	581,984
		4,715,105	4,425,561
Total liabilities		6,031,719	6,107,661
Total equity and liabilities		8,851,341	9,245,458
Net current assets		2,008	111,660
Total assets less current liabilities		4,136,236	4,819,897

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	FVTOCI 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 2018	127,462	2,259,775	–	(33,359)	886,979	(12,880)	12,087	294,059	–	2,019	5,272	(1,577,261)	1,964,153	1,173,644	3,137,797
Adjustments on initial application of:															
– HKFRS 9 *(note 2)*	–	–	–	–	–	–	–	(294,059)	292,784	–	–	(14,022)	(15,297)	–	(15,297)
Restated balance at 1 April 2018	127,462	2,259,775	–	(33,359)	886,979	(12,880)	12,087	–	292,784	2,019	5,272	(1,591,283)	1,948,856	1,173,644	3,122,500
Total comprehensive income for the period	–	–	–	(138,000)	–	–	–	–	(124,253)	–	–	(103)	(262,356)	(40,522)	(302,878)
Changes in equity for the period	–	–	–	(138,000)	–	–	–	–	(124,253)	–	–	(103)	(262,356)	(40,522)	(302,878)
At 30 September 2018	127,462	2,259,775	–	(171,359)	886,979	(12,880)	12,087	–	168,531	2,019	5,272	(1,591,386)	1,686,500	1,133,122	2,819,622
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	–	–	(758)	–	–	–	–	–	–	–	–	–	(758)	–	(758)
Cancellation of treasury shares	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from operating activities	**378,538**	42,691
Net cash generated from/(used in) investing activities	**408,266**	(264,085)
Net cash (used in)/generated from financing activities	**(846,942)**	208,268
Net decrease in cash and cash equivalents	**(60,138)**	(13,126)
Effect of foreign exchange rate changes	**8,266**	(10,078)
Cash and cash equivalents at beginning of period	**254,711**	406,563
Cash and cash equivalents at end of period	**202,839**	383,359
Analysis of cash and cash equivalents		
Bank and cash balances	**202,839**	383,359

1. GENERAL INFORMATION

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

Basis of Preparation

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

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2018. 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 2018 except as stated below.

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 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS") and Interpretations.

The Group has initially adopted HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* from 1 April 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated condensed financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. As permitted by the transitional provisions of HKFRS 9, the Group was elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated losses of the current accounting period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI or FVTPL; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) Measurement (Continued)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) Measurement (Continued)

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised and disclosed separately in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(c) Impairment (Continued)

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of all trade and bills receivables. Meanwhile, other receivables (i.e. receivables from third parties and related parties) are adopting general approach.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summaries the impact on the Group's opening accumulated losses as at 1 April 2018 is as follows:

	Note	HK$'000
Reclassification of available-for-sale financial assets to financial assets at FVTPL, net of tax	(b)	1,275
Increase in allowance for:		
— Trade and bills receivables, net of tax	(c)	(654)
— Other receivables, net of tax	(d)	(14,643)
Adjustment to accumulated losses from adoption of HKFRS 9 on 1 April 2018		(14,022)
Attributable to:		
Owners of the Company		(14,022)

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(c) Impairment (Continued)

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

Financial assets	Note	**Classifications under HKAS 39**	**Classifications under HKFRS 9**	**Carrying amounts under HKAS 39**	**Carrying amounts under HKFRS 9**
				HK$'000	HK$'000
Equity investments	(a)	Available-for-sale	FVTOCI	394,897	394,897
Equity investments	(b)	Available-for-sale	FVTPL	395,849	395,849
Equity investments		FVTPL	FVTPL	17,601	17,601
Derivative financial assets		FVTPL	FVTPL	74,968	74,968
Trade and bills receivables	(c)	Loans and receivables	Amortised cost	194,003	193,291
Other receivables	(d)	Loans and receivables	Amortised cost	247,134	232,491

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(c) Impairment (Continued)

The impact of these changes on the Group's equity is as follows:

	Note	Effect on investment reserve HK$'000	Effect on FVTOCI reserve HK$'000	Effect on accumulated losses HK$'000
Opening balance – HKAS 39		294,059	–	(1,577,261)
Reclassify non-trading equity investments from available-for-sale financial assets to financial assets at FVTOCI	(a)	(292,784)	292,784	–
Reclassify non-trading equity investments from available-for-sale financial assets to financial assets at FVTPL	(b)	(1,275)	–	1,275
Increase in allowance for trade and bills receivables, net of tax	(c)	–	–	(654)
Increase in allowance for other receivables, net of tax	(d)	–	–	(14,643)
Total impact		(294,059)	292,784	(14,022)
Opening balance – HKFRS 9		–	292,784	(1,591,283)

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(c) Impairment (Continued)

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 April 2018 results in an additional allowance as follows:

	Note	Trade and bills receivables HK$'000	Other receivables HK$'000
Allowance at 31 March 2018 under HKAS 39		4,957	195,660
Additional allowance recognised at 1 April 2018 on balances as at 31 March 2018	(c), (d)	712	14,643
Allowance at 1 April 2018 under HKFRS 9		5,669	210,303

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(c) Impairment (Continued)

Notes:

(a) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, assets with a fair value of approximately HK$394,897,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and accumulated fair value gains of approximately HK$292,784,000 were reclassified from the investment reserve to the FVTOCI reserve on 1 April 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. Under HKFRS 9, equity investments are generally measured at FVTPL. As a result, assets with a fair value of approximately HK$395,849,000 were reclassified from available-for-sale financial assets to financial assets at FVTPL and fair value gains of HK$1,275,000 were reclassified from the investment reserve to accumulated losses on 1 April 2018.

(c) Trade and bills receivables that were classified as loans and receivables under HKAS 39 are now classified as financial assets at amortised cost. An increase of approximately HK$712,000 in the allowance for these receivables (before deducting the tax effect of HK$58,000) was recognised in opening accumulated losses at 1 April 2018 on transition to HKFRS 9.

(d) Other receivables that were classified as loans and receivables under HKAS 39 are now classified as financial assets at amortised cost. An increase of HK$14,643,000 in the allowance for these receivables was recognised in opening accumulated losses at 1 April 2018 on transition to HKFRS 9.

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for period ended 30 September 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 did not result in any significant changes to Group's accounting policies.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position (extract)	Note	**Previously stated as at 31 March 2018**	**Reclassification under HKFRS 15**	**Restated as at 1 April 2018**
		HK$'000	HK$'000	HK$'000
Other payables and deposit received	(a)	1,350,022	(589,335)	760,687
Contract liabilities	(a)	–	589,335	589,335

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

(a) Adoption of new and revised HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position as at 30 September 2018 (extract)	As reported	Effect of the adoption of HKFRS 15	Amounts without adoption of HKFRS 15
	HK$'000	HK$'000	HK$'000
Other payables and deposits received	871,037	796,491	1,667,528
Contract liabilities	796,491	(796,491)	–

Note:

(a) Reclassifications to contract liabilities for progress billing recognised in relation to property development activities from previous presentation as other payables and deposits received were made as at 1 April 2018 so as to be consistent with the terminology under HKFRS 15.

(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 2018 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. Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating lease.

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

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

HKFRS 16 Leases

The Group is a lessee of certain office premises, staff quarters and lands for properties under development for sales, which are currently accounted for as operating leases under HKAS 17. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group is expected to apply the new standard starting from the financial year beginning on 1 April 2019 and the Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

As disclosed in note 19(a), the Group's future minimum lease payments under non-cancellable operating leases for its office premises, staff quarters and land costs for properties under development for sale, in aggregate, amounted to approximately HK$47,767,000 as at 30 September 2018. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after considering the transition reliefs available in HKFRS 16 and the effects of discounting.

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 2018 using (unaudited):			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
Equity securities listed in Hong Kong	249,295	–	–	249,295
Equity securities listed outside Hong Kong	11,383	–	–	11,383
Unlisted equity securities	–	10,436	–	10,436
Financial assets at FVTPL				
Equity securities listed in Hong Kong	14,130	–	–	14,130
Unlisted equity securities	–	–	445,000	445,000

3. FAIR VALUE MEASUREMENTS (Continued)

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

Description	Fair value measurement as at 31 March 2018 using (audited):			
	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	370,785	–	–	370,785
Equity securities listed outside Hong Kong	14,081	–	–	14,081
Unlisted equity securities	–	10,031	395,849	405,880
Financial assets at FVTPL through profit or loss				
Derivative financial assets	–	–	74,968	74,968
Held for trading	17,601	–	–	17,601

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 financial assets at FVTOCI, which were held for the long term for strategic purpose and financial assets at FVTPL, which were held for short-term trading purpose as at 30 September 2018, and those classified as available-for-sale financial assets and financial assets at FVTPL as at 31 March 2018.

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 2018 (Unaudited) HK$'000	Fair value at 31 March 2018 (Audited) HK$'000
Unlisted equity securities	Fund's net asset value	N/A	**10,436**	10,031

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 30 September 2018 (Unaudited) HK$'000
Financial Assets					
Unlisted equity securities – Indonesia	Income capitalisation	Weighted average cost of capital	18%	Decrease	**445,000**
		Long-term growth rate	3%	Increase	
		Gross profit margin rate	33%–46%	Increase	
		Discount for lack of marketability	15.9%	Decrease	
		Non-controlling interests	20.63%	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 2018 (Audited) HK$'000
Financial Assets					
Unlisted equity securities – Hong Kong	Market comparable approach	Average price book multiple	0.58	Increase	39,849
		Book value	HK$642,891,000	Increase	
		Discount for lack of marketability	25%	Decrease	
Unlisted equity securities – Indonesia	Income capitalisation	Weighted average cost of capital	19%	Decrease	356,000
		Long-term growth rate	3%	Increase	
		Gross profit margin rate	33%–46%	Increase	
		Discount for lack of marketability	15.9%	Decrease	
		Non-controlling interests	22.24%	Decrease	
Derivative financial assets	Black-Scholes Model with Binomial Tree method	Share price	HK$0.40	Decrease	74,968
		Expected volatility	32.37%	Increase	
		Application failure rate	100%	Increase	
		Dividend yield	0%	Increase	

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 2018.

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 2018 HK$'000 *(note (i))*	Unlisted equity securities 2018 HK$'000 *(note (i))*
At 31 March 2018 (Audited) and 1 April 2018 (Unaudited)	74,968	–
Reclassified from available-for-sale financial assets upon initial adoption of HKFRS 9 at 1 April 2018	–	395,849
Derecognised during the period	(74,968)	(39,849)
Total gains recognised:		
— in profit or loss *(note (iii))*	–	89,000
At 30 September 2018 (Unaudited)	–	445,000

Description	Financial assets at fair value through profit or loss	Available-for-sale financial assets
	Derivative financial assets 2017 HK$'000 *(note (ii))*	Unlisted equity securities 2017 HK$'000 *(note (ii))*
At 31 March 2017 (Audited) and 1 April 2017 (Unaudited)	19,360	73,176
Acquisition during the period	–	359,597
Total gains/(losses) recognised:		
— in profit or loss *(note (iii))*	48,169	(26,483)
— other comprehensive income *(note (iv))*	–	43,403
At 30 September 2017 (Unaudited)	67,529	449,693

3. FAIR VALUE MEASUREMENTS (Continued)

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

Notes:

(i) During the six months ended 30 September 2018, the total gains of approximately HK$89,000,000 recognised in profit or loss for financial assets at FVTPL.

(ii) During the six months ended 30 September 2017, the total gains for financial assets at FVTPL and available-for-sale financial assets of approximately HK$48,169,000 and approximately HK$16,920,000, respectively, are recognised for assets held at 30 September 2017.

(iii) The total gains recognises in profit or loss are recognised in the line item "fair value gains/(losses) on the financial assets at FVTPL" for the period ended 30 September 2018, and "fair value (losses)/gains on derivative financial instruments" and "other operating expenses" for the period ended 30 September 2017 on the face of these condensed consolidated statement of profit or loss.

(iv) The total gains recognises in other comprehensive income are recognised in the line item "fair value changes on available-for-sale financial assets" for the period ended 30 September 2017 on the face of these condensed consolidated statement of profit or loss and other comprehensive income.

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

4. REVENUE

The Group was principally engaged in real estate investment and development, mining and trading of iron ore and raw materials, and trading of clinker, cement and other building materials during the six months ended 30 September 2018. The Group's revenue represents the sales of goods to customers, net of discount and returns, and the rental income received from real estate leasing.

In the following table, revenue is disaggregated by timing of revenue recognition.

	For the six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue from contracts with customers		
— *Recognised at a point in time*		
— Trading of iron ore and raw materials	**807,881**	1,629,166
— Trading of clinker, cement and other building materials	**358,417**	361,248
— Sales of properties	**108,195**	72,707
— Others	**–**	12,133
Revenue from other sources: rental income	**39,048**	23,914
	1,313,541	2,099,168

The nature and effect of initially applying HKFRS 15 on the Group's interim condensed consolidated financial statements are disclosed in note 2.

5. OTHER INCOME

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Commission received	**1,354**	726
Despatch income	**1,631**	1,302
Deemed interest income on interest-free long-term advances from third parties	**30,337**	–
Interest income	**5,440**	1,994
Interest income from consideration receivable	**–**	14,464
Dividend income	**1,875**	2,344
Rental income for lease of machineries	**1,277**	690
Others	**10,310**	5,426
	52,224	26,946

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) Real estate investment and development;

(ii) Mining and trading of iron ore and raw materials; and

(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)

	Real estate investment and development HK$'000	Mining and trading of iron ore and raw materials HK$'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 2018 (Unaudited)					
Revenue from external customers	**147,243**	**807,881**	**356,144**	**2,273**	**1,313,541**
Intersegment revenue	**300**	**–**	**–**	**–**	**300**
Segment profit/(loss)	**1,997**	**(32,117)**	**4,161**	**(13,226)**	**(39,185)**
For the six months ended 30 September 2017 (Unaudited)					
Revenue from external customers	96,621	1,629,166	359,873	13,508	2,099,168
Intersegment revenue	300	–	–	–	300
Segment profit/(loss)	4,391	(94,222)	3,114	(24,714)	(111,431)

6. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segments revenue and profit or loss:

	For the six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue		
Total revenue from reportable segments	**1,313,841**	2,099,468
Elimination of intersegment revenue	**(300)**	(300)
	1,313,541	2,099,168
Profit or loss		
Total profit or loss of reportable segments	**(39,185)**	(111,431)
Other profit or loss	**3,654**	18,739
Share of loss of an associate	**(1)**	–
Fair value gains/(losses) on financial assets at FVTPL	**85,033**	(5,886)
Fair value (losses)/gains on derivative financial instruments	**(72)**	46,824
Fair value gains on investment properties	**28,212**	2,572
Allowance for trade and bills receivables	**(1,419)**	–
Reversal of allowance for other receivables	**6,498**	–
Reversal of impairment loss on property, plant and equipment	**19,252**	14,678
Reversal of impairment loss on other intangible assets	**75,610**	55,815
Net losses on disposals of financial assets of FVTPL	**(376)**	(1,933)
Losses on modification of financial liabilities	**(4,619)**	–
Losses on early redemption of convertible bonds	**–**	(1,334)
Impairment loss of available-for-sale financial assets	**–**	(26,483)
Finance costs	**(88,669)**	(96,248)
Unallocated amounts	**(19,190)**	(29,508)
Consolidated profit/(loss) before tax	**64,728**	(134,195)

6. SEGMENT INFORMATION (Continued)

Geographical information:

	Revenue For the six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
The PRC	**964,186**	1,726,775
Others	**349,355**	372,393
	1,313,541	2,099,168

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

	Non-current assets	
	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
The PRC	**2,176,168**	2,640,017
Macau	**10**	312,015
Malaysia	**1,254,004**	1,174,404
Others	**162,192**	126,908
	3,592,374	4,253,344

7. FINANCE COSTS

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Finance lease charges	**21**	21
Interest on bank and other borrowings wholly repayable within 5 years	**71,327**	66,831
Interest on guaranteed notes	**5,242**	9,868
Interest on bonds	**6,453**	4,758
Interest on other loans	**5,354**	–
Effective interest expenses on other loans	**356**	2,720
Effective interest expenses on convertible bonds	**3,268**	14,316
	92,021	98,514
Less: Borrowing costs capitalised into properties under development for sale	**(3,352)**	(2,266)
	88,669	96,248

8. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax	**13,636**	(44,916)
Deferred tax	**25,835**	15,075
	39,471	(29,841)

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

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 September 2017: 16.5%) on the estimated assessable profit for the six months ended 30 September 2018.

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 2017: 25%) during the six months ended 30 September 2018.

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. PROFIT/(LOSS) FOR THE PERIOD

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

	For the six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Depreciation and amortisation	**29,273**	91,904
Impairment loss on available-for-sale financial assets	**–**	26,483
Reversal of allowance for inventories (included in cost of goods sold)	**(8,529)**	(9,909)
Reversal of impairment loss on property, plant and equipment	**(19,252)**	(14,678)
Reversal of impairment loss on other intangible assets	**(75,610)**	(55,815)
Foreign exchange loss/(gain)	**14,616**	(4,572)
Staff costs including directors' emoluments		
Salaries, bonuses, allowances and other costs	**46,911**	51,749
Retirement benefit scheme contributions	**1,340**	1,986

Having regard to the increase in the market consensus on forecast price of 62% grade iron ore to US$66 per tonne as at 30 September 2018 from US$65 per tonne as at 31 March 2018, and the depreciation of the currencies in which the Group's mining businesses operate, the Group carried out impairment reviews of the iron ore mining and trading operations of Billion Win and UGL which are considered as CGUs of the iron ore mining operation in Malaysia and Brazil respectively, including other intangible assets and property, plant and equipment, by comparing carrying amounts with recoverable amounts by reference to valuation reports prepared by Roma Appraisals Limited, an independent professional valuer. As the result, reversal of impairment losses of approximately HK$75,610,000 (six months ended 30 September 2017: HK$55,815,000) and approximately HK$19,252,000 (six months ended 30 September 2017: HK$14,678,000) for other intangible assets and property, plant and equipment, respectively, were recognised in profit or loss for Billion Win and UGL.

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

There are no changes in the valuation method between the valuations as at 31 March 2018 and the above impairment reviews of Billion Win and UGL. The recoverable amount of Billion Win has been determined based on value-in-use calculation being estimated future cash flows of the mining operation in Malaysia, which were prepared with reference to the report prepared by Blackstone Mining Associates Limited as disclosed in the circular of the Company dated 30 August 2014, while the recoverable amount of UGL has been determined based on the fair value less costs of disposal using the market-based approach calculated based on the average price-to-sales ratio of several companies listed on the stock exchange of Brazil.

10. LOSS PER SHARE

(a) Basic loss 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 2018 of approximately HK$103,000 (six months ended 30 September 2017: HK$118,786,000) and the weighted average number of ordinary shares of 12,746,160,027 (30 September 2017: 11,304,323,677) in issue during the six months ended 30 September 2018.

(b) Diluted loss 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 2017 and 2018, no diluted loss per share was presented.

11. DIVIDEND

No interim dividend has been declared by the Board for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

12. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2018, additions to investment properties and property, plant and equipment amounted to approximately HK$Nil and HK$695,000 respectively (six months ended 30 September 2017: approximately HK$Nil and HK$980,000 respectively). Property, plant and equipment amounted to approximately HK$1,328,000 were disposed of during the same period (six months ended 30 September 2017: approximately HK$404,000).

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 2018: 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 ageing analysis of trade and bills receivables, based on the goods delivery date, is as follows:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
0 to 90 days	**153,713**	40,266
91 to 180 days	**565**	65,044
181 to 365 days	**29,486**	54,016
Over 1 year	**71,882**	39,634
	255,646	198,960
Less: Allowance for trade and bills receivables	**(7,061)**	(4,957)
	248,585	194,003

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2018 (Audited), 1 April 2018 (Unaudited) and 30 September 2018 (Unaudited)	20,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2018 (Audited), 1 April 2018 (Unaudited) and at 30 September 2018 (Unaudited)	12,746,160,027	127,462

15. BANK BORROWINGS

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Secured		
Bank loans	**1,028,051**	1,383,198
Trust receipt loans	**241,521**	326,259
Invoice financing	**–**	86,600
Unsecured		
Bank overdraft	**–**	731
	1,269,572	1,796,788

15. BANK BORROWINGS (Continued)

The bank borrowings are repayable as follows:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
On demand or within one year	**1,230,613**	1,147,005
In the second year	**38,959**	616,017
In the third to fifth years, inclusive	**–**	33,766
After five years	**–**	–
	1,269,572	1,796,788
Less: Amount due for settlement within 12 months	**(1,230,613)**	(1,147,005)
Amount due for settlement after one year which contain a repayment on demand clause	**–**	(75,835)
Amount due for settlement after 12 months	**38,959**	573,948

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 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Not yet due	**568,981**	344,928
Due within 3 months or on demand	**63,079**	68,316
Due after 3 months	**56,790**	110,416
	688,850	523,660

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 2018:

	For the six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
(a) Compensation of key management personnel		
Directors' fees	**6,622**	620
Basic salaries, allowances and benefit in kind	**11,651**	7,970
Retirement benefit scheme contributions	**538**	389
	18,811	8,979

17. RELATED PARTY TRANSACTIONS (Continued)

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
(b) Other receivables from related companies *(Note)*	**14,183**	81,499

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 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	**171,358**	341,029

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.

18. CONTINGENT LIABILITIES (Continued)

Financial guarantees issued (Continued)

(a) (Continued)

At 30 September 2018, 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.

(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 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	**886,160**	898,326

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 2018, 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

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 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Within one year	**47,515**	67,366
In the second to fifth years, inclusive	**252**	1,441
	47,767	68,807

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$45,728,000 (31 March 2018: approximately HK$61,675,000) and rentals payables by the Group of the office premises and staff quarters of approximately HK$2,039,000 (31 March 2018: approximately HK$7,132,000). 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 10 (31 March 2018: 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 2018, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Within one year	**43,700**	83,698
In the second to fifth years inclusive	**115,614**	240,415
Over five years	**22,787**	180,612
	182,101	504,725

20. EVENTS AFTER THE REPORTING PERIOD

(1) On 24 October 2018, the Company entered into the Placing Agreement pursuant to which a placing agent agreed to place Convertible Bonds with an aggregate principal amount of HK$30,000,000 at the Conversion Price of HK$0.06 per Conversion Share on a best effort basis from 24 October 2018 to 8 November 2018. The Convertible Bonds were successfully placed to not less than six independent third parties on 8 November 2018.

(2) The Group has entered into the Silver Bay SPA with the Vendor on 12 November 2018, pursuant to which the Company agreed to sell the Silver Bay Plaza at a consideration of RMB92,700,000 (equivalent to approximately HK$105,700,000). Up to the date to this report, the disposal has not yet completed.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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, which was originally incorporated under the laws of the Province of British Columbia, Canada and later it continued its existence from British Columbia to Cayman Islands under the Companies Law (2013 Revision) of the Cayman Islands. Century Global engages in iron ore mining business and food distribution business. 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 and with Mr. Wong as the guarantor, pursuant to which the Company conditionally agreed to issue the CCB Convertible Bonds and the Guaranteed Notes, each in the aggregate principal amount of US$20,000,000 (equivalent to approximately HK$156,000,000), to Cheer Hope.

In relation to the CCB Convertible Bonds and the Guaranteed Notes, Mr. Wong agreed to irrevocably and unconditionally guarantee the punctual performance by the Company of all of its obligation under the transaction documents of the CCB Convertible Bonds and the Guaranteed Notes (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. The maturity date of the CCB Convertible Bonds and the Guaranteed Notes was further extended for one anniversary from 15 April 2018, being 15 April 2019, pursuant to the Second Amendment Deed on 27 September 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 2018, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

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

	Number of Shares and underlying Shares held, capacity and nature of interest					
Name of Director/ chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Interest of Director's spouse**	**Number of underlying Shares held under equity derivatives**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wong	1,905,910,697	6,382,267,801 *(Notes)*	22,640,000	–	8,310,818,498	65.20%
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 1,927,982,316 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 Minerals 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. The put option has been expired on 13 September 2018.

(3) On 26 October 2016, the Company, Full Right Asia Limited ("Full Right") as purchaser, and Prosperity Materials (International) Limited ("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 (the "PMIL Convertible Bonds"); and (b) as to HK$350,000,000 of the consideration shall be satisfied by the Company by way of the allotment and issue of the Shares (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 and on 6 October 2017, the Company redeemed the remaining HK$50,000,000 PMIL Convertible Bonds which carrying rights to convert into 333,333,333 Shares.

(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 2018, 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 2018	Lapsed during the period	Number of share options outstanding as at 30 September 2018	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	22,800,000	–	22,800,000	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
	117,800,000	–	117,800,000				

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 2018, 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	–	4,454,285,485	34.95%
PMGL *(Notes c & e)*	Beneficial owner *(Note d)*	2,115,673,124	–	2,115,673,124	16.60%
Ms. Shing Shing Wai	Interest of spouse *(Note b)*	8,288,178,498	–		
	Beneficial owner	22,640,000	–		
		8,310,818,498	–	8,310,818,498	65.20%
Elite Force *(Notes c & e)*	Beneficial owner	1,927,982,316	–	1,927,982,316	15.13%
PMIL *(Note e)*	Beneficial owner *(Notes f & g)*	2,333,333,333	–	2,333,333,333	18.31%
Keen Phoenix *(Note e)*	Interest in controlled corporations *(Notes f & g)*	2,333,333,333	–	2,333,333,333	18.31%
Super Chine *(Note e)*	Interest in controlled corporation *(Notes f & g)*	2,333,333,333	–	2,333,333,333	18.31%
Capital Growth *(Note e)*	Interest in controlled corporations *(Note c)*	4,048,934,468	–	4,048,934,468	31.77%
Central Huijin Investment Ltd. ("CHI")	Interest in controlled corporations *(Note h)*	156,911,748	877,500,000	1,034,411,748	8.12%
China Construction Bank Corporation ("CCB")	Interest in controlled corporations *(Note h)*	156,911,748	877,500,000	1,034,411,748	8.12%
CCB International Group Holdings Limited	Interest in controlled corporations *(Note h)*	156,911,748	877,500,000	1,034,411,748	8.12%

Name	Capacity and nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share capital
CCB Financial Holdings Limited	Interest in controlled corporations *(Note h)*	156,911,748	877,500,000	1,034,411,748	8.12%
CCB International (Holdings) Limited	Interest in controlled corporations *(Note h)*	156,911,748	877,500,000	1,034,411,748	8.12%
CCBI Investments Limited	Interest in controlled corporations *(Note h)*	156,911,748	877,500,000	1,034,411,748	8.12%
Cheer Hope	Beneficial owner *(Note i)*	156,911,748	877,500,000	1,034,411,748	8.12%

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. 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. The put option has been expired on 13 September 2018.

(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 PMIL Convertible Bonds; 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 and on 6 October 2017, the Company redeemed the remaining HK$50,000,000 PMIL Convertible Bonds which carrying rights to convert into 333,333,333 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. As at 30 September 2018, the outstanding principal amount of the CCB Convertible Bonds is US$18,000,000. Pursuant to the Second Amendment Deed entered on 27 September 2018 and assuming the full conversion of the CCB Convertible Bonds at the CCB Conversion Price of HK$0.16 per CCB Conversion Share, a total of approximately 877,500,000 CCB Conversion Shares will be allotted and issued.

Save as disclosed above, as at 30 September 2018, 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 asset out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee of the Company comprises three independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (chairman of the Audit Committee), Mr. Yung Ho and Mr. Ma Jianwu.

All members possess diversified industry experiences and appropriate professional qualifications as required under the Listing Rules. Major duties and responsibilities of the Audit Committee shall be:

1. to review the Company's financial results and reports, internal controls and corporate governance issues, internal control and risk management systems, financial and accounting policies and practices and made recommendations to the Board;

2. to discuss with the external auditor of the Company (the "External Auditor") on their independence and the nature and scope of the audit and recommended to the Board on the re-appointment of RSM Hong Kong as External Auditor;

3. to discuss with the External Auditor on any material queries raised by the External Auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

4. to discuss with external internal control advisor of the Company (the "IC Advisor") on their independence and the nature and scope of the internal control review and recommended to the Board on the appointment of ZHONGHUI ANDA RISK SERVICES LIMITED as IC Advisor;

5. to discuss with the IC Advisor on any materials internal control findings and management's responses; and

6. to review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems, including the adequacy of the resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

During the Period under Review, the Audit Committee had performed the works as follows:

1. reviewed the reports from the External Auditor, accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 March 2018;

2. reviewed the financial reports for the year ended 31 March 2018 and recommended the same to the Board for approval;

3. concurred with the Board regarding the selection, appointment, resignation or dismissal of the External Auditor;

4. reviewed the Group's internal control based on the information obtained from the IC Advisor and Company's management and Audit Committee was of the opinion that there are adequate internal controls in place in the Group; and

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

The Audit Committee held two meetings 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 2018.

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 27 September 2018 (the "AGM") due to other business engagements. Mr. Kong Siu Keung, being an executive Director, attended the AGM on 27 September 2018 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 2019, 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 2018

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. Li Zhimin
Mr. Wang Jiafu
Mr. Kong Siu Keung

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

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