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

MAKING HEADWAY

INTERIM REPORT 2019/20

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Ms. Gloria WONG
Mr. XIE Qiangming, *Chief Executive Officer*
Mr. NIE Qiaoming
Mr. MA Xin

Independent Non-executive Directors

Mr. ZHAO Gen
Mr. GUAN Guisen
Mr. YAN Xiaotian
(appointed on 28 October 2019)
Mr. CHAN Kai Nang
(retired on 26 September 2019)

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. ZHAO Gen, *Chairman*
Mr. GUAN Guisen
Mr. YAN Xiaotian
(appointed on 28 October 2019)
Mr. CHAN Kai Nang
(retired on 26 September 2019)

REMUNERATION COMMITTEE

Mr. GUAN Guisen, *Chairman*
Mr. XIE Qiangming
Mr. ZHAO Gen

NOMINATION COMMITTEE

Mr. ZHAO Gen, *Chairman*
Mr. XIE Qiangming
Mr. GUAN Guisen

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RESULTS AND FINANCIAL OVERVIEW

For the six months ended 30 September 2019 (the "Period under review"), Prosperity International Holdings (H.K.) Limited ("Prosperity" or the "Company") and its subsidiaries (collectively, the "Group") recorded a net loss of HK$85 million, against a net profit of approximately HK$25 million for the six months ended 30 September 2018 ("the same period of the Previous Financial Year").

The loss for the Period under review was attributable to the fair value loss on the financial assets at fair value through profit or loss ("FVTPL").

For the Period under review, the Group recorded no impairment losses on property, plant and equipment and other intangible assets, against the reversal of impairment losses of approximately HK$95 million, in aggregate, on property, plant and equipment and other intangible assets for the same period of the Previous Financial Year. A fair value loss of approximately HK$35.5 million on the financial assets at FVTPL was recorded against the fair value gains of approximately HK$85 million on the financial assets at FVTPL for the same period of the Previous Financial Year.

During the Period under review, the Group continued to suspend 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. Meanwhile, the Group already signed an agreement to sell its entire equity stake in an iron ore mining and processing business in Brazil for US$4.5 million in April 2019. Revenue of the Group decreased by 6.7% year on year to approximately HK$1,226 million, mainly resulting from the decrease in revenue of approximately HK$360 million from the business of mining and trading of iron ore and other raw materials due to the change to its strategy for development.

For the Period under review, the Group's property business recorded revenue of approximately HK$542 million, which was mainly derived from the delivery of the residential units in the second phase of the Group's 昌興壹城 ("One City") in Binhai county, Yancheng city, Jiangsu province, the People's Republic of China ("PRC" or "China") to the buyers. As part of its ongoing efforts to repay short-term debts and increase liquidity, the Group has also disposed of its equity stakes in some properties or property development projects. For instance, the Group signed an agreement on 3 September 2019 to sell its 55% equity interest in a commercial and residential property called 東方文德廣場 ("Oriental Landmark") in Guangzhou, Guangdong province for RMB800 million to its business partner who also holds an equity stake in the building. This followed the Group's disposal of certain units in an investment property, 銀海大廈 ("Silver Bay Plaza"), in Guangzhou for a consideration of approximately RMB92.7 million in November 2018. The Group has also sold entire or partial equity stakes in some property projects in Jiangsu, Guangdong, Henan and Yunnan provinces, the PRC.

Meanwhile, it has also been trying to recover prepayments made and loans granted to other companies and to decrease the operating costs.

As at 30 September 2019, the Group's total borrowings amounted to approximately HK$2,055 million and its current liabilities exceeded its current assets by approximately HK$1,623 million. Among the indebtedness of approximately HK$2,122 million, including principals and interest overdue, the Group has unfulfilled obligation of approximately HK$1,636 million as at 30 September 2019.

Although no remedies have been agreed on with the lenders, the Group has actively negotiated with them for renewal and extension of the loans (including principals and interest) that remain overdue. The board (the "Board") of directors of the Company (the "Directors") wish to point out that the Group is carrying on its businesses as usual and that the Directors consider that the current financial position of the Group does not prevent the Group from operating its normal and usual course of business.

The Group has been exploring other means of increasing liquidity to meet its financial obligations. For instance, it is seeking prospective investors who may help it conduct shareholding restructuring and recapitalization of the Group.

Basic loss per share was 7.07 HK cents for the Period under review, compared with the basic loss of 0.00 HK cent per share for the same period of the Previous Financial Year.

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

BUSINESS REVIEW

China's Property Market

For the first nine months of 2019, the Chinese government, while adhering to the principle that "housing is for living in, not for speculation", pressed ahead with its city-specific policies and situation-specific policies on loosening or tightening restrictions on home purchase according to the supply and demand and the need to recruit talent.

Sales of commodity properties in the PRC by gross floor area ("GFA") decreased by 7.2% year on year to about 493.46 million square metres (sq.m.) during the first nine months of 2019, in contrast to the year-on-year growth of 2.9% during the same period of 2018 and the year-on-year growth of 10.3% during the same period of 2017, according to the National Bureau of Statistics of the PRC ("National Bureau of Statistics").

The year-on-year growth in commodity property sales by value decelerated to 7.1% for the first nine months of 2019 from 13.3% during the first nine months of 2018. About Renminbi ("RMB") 11.15 trillion worth of properties were sold during the first nine months of 2019.

Real Estate Investment and Development

To honour its financial obligations, the Group continued sales efforts at its property projects and disposed of two investment properties and equity stakes in some property projects.

Sales of residential units at property projects in Yancheng and Suzhou, Jiangsu province, the PRC and in Jakarta, Indonesia

1. *Binhai County of Yancheng City, Jiangsu Province*

   In Binhai county of Yancheng City, Jiangsu Province of the PRC, the Group is now developing residential and commercial properties in a project called One City which is positioned as an urban complex in Binhai county's central business district ("CBD").

One City is developed in two phases. As of 30 September 2019, most of the 11 blocks of apartment buildings, townhouses and the shopping spaces in the first phase of the project had been sold. All presold units of apartment buildings, townhouses and shopping spaces in phase one were delivered to the buyers.

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. Residential units in the first 8 blocks of apartment buildings in the second phase were presold and part of them were delivered to buyers during the Period under review. The remaining 3 blocks of apartment buildings were put up for presale in the third quarter of 2019.

2. *Suzhou City, Jiangsu Province*

In Xishan Island, Wuzhong District, Suzhou City, Jiangsu Province of the PRC, the Group, 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*), is developing a deluxe property project called 復園 ("Fu Yuan") in two phases, which comprises 51 villas and a deluxe hotel.

As of 30 September 2019, several villas in the first phase of the project had been sold and delivered to the buyers. The second phase of the project is completed and the deluxe hotel is currently under construction.

3. *West Jakarta, Indonesia*

The Company, through an indirect wholly-owned subsidiary, holds an effective equity stake of 75% in an Indonesian incorporated company called PT. Tritama Barata Makmur, which owns a piece of land in the heart of the CBD of West Jakarta, Indonesia. The Group is building a condominium for residential and commercial uses on the site. Approximately 20% of the 208 residential units at the project were presold as at 30 September 2019.

* For identification purpose only

Disposal of two investment properties in Guangzhou

4. *Guangzhou City, Guangdong Province, the PRC*

The Group had been holding a 55% equity interest in Oriental Landmark in Guangzhou, Guangdong Province through its indirect wholly-owned subsidiary, Bliss Hero Investment Limited, but signed an agreement on 3 September 2019 to sell that equity interest in the building for RMB800 million to its business partner who also holds an equity stake in the building. The move was in line with the Group's goal of increasing its liquidity to repay due and maturing debts. For details, please refer to the announcement of the Company dated 3 September 2019 and the circular of the Company dated 25 October 2019.

In November 2018, the Group disposed of certain units in its another investment property, Silver Bay Plaza in Guangzhou, Guangdong province for a consideration of approximately RMB92.7 million (equivalent to approximately HK$108 million). The transaction allowed the Group to reduce its gearing and strengthen its financial position. The disposal was completed in April 2019. For details, please refer to the announcement of the Company dated 12 November 2018.

Disposal of equity stakes in some property projects in Jiangsu, Guangdong, Henan and Yunnan provinces, the PRC

5. *Suqian City, Jiangsu Province*

On 10 May 2019, the Group through its indirect wholly-owned subsidiary 浙江昌興投資有限公司 (Zhejiang Changxing Investment Co., Ltd.*, "Zhejiang Changxing") sold a 21.72% equity stake in 宿遷勝達房地產開發有限公司 (Suqian Shengda Real Estate Development Co., Ltd.*, "Suqian Shengda") to a creditor 浙江坤元經貿有限公司 (Zhejiang Kunyuan Economics Trading Co., Ltd.*, "Zhejiang Kunyuan"), thus decreasing its own equity stake in Suqian Shengda to 48.28%.

Suqian Shengda 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.

* For identification purpose only

The land has 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 financial year ended 31 March 2019, the Group commenced the development of the second phase of the project. Two blocks of residential buildings were put up for presale in the fourth quarter of 2018 and another two blocks were put up for presale during the Period under review, approximately 90% of the units were presold.

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

In August 2018, the Group sold a 20% equity stake in 盱眙昌興置業有限公司 (Xuyi Changxing Property Co., Ltd.*, "Xuyi Changxing Property") to a strategic investor, thus decreasing its own equity stake in the company to 50% from 70%.

Xuyi Changxing Property owns two land lots in Xuyi County, Huaian City, Jiangsu Province, and plans to develop residential and commercial properties on them with a plot ratio of up to 2.5 and planned GFA of up to 250,000 sq.m. The project is called 盱眙昌興一城, which will be comprised of 10 residential buildings.

During the Period under review, the Group commenced the presale of two such residential buildings, and 55% of the flats in that two residential buildings were presold.

7. *Runan County of Zhumadian City, Henan Province*

On 7 August 2019, the Group disposed of its remaining, effective 13% equity stake in 汝南中得置業有限公司 (Runan Zhongde Properties Co., Ltd*, "Runan Zhongde") for a consideration of RMB1.495 million (equivalent to approximately HK$1.64 million) and thus no longer has any equity interest in that company. Earlier in August 2018, the Group introduced two strategic investors into Runan Zhongde, thus decreasing its effective equity stake in Runan Zhongde to 13% from 26%. Runan Zhongde plans to develop residential and commercial properties on two parcels of land of an aggregate site area of approximately 140 mu (equivalent to approximately 93,333 sq.m.) in Runan County, Zhumadian City, Henan Province of the PRC.

* For identification purpose only

8. *Dali City, Yunnan Province*

On 31 October 2019, the Group sold its remaining 30% equity stake in 大理港興置業有限公司 (Dali Gangxing Property Company Ltd.*, "Dali Gangxing") to an individual for a consideration of RMB45.3 million (equivalent to approximately HK$49.8 million). Dali Gangxing engages in property development and owns a residential site of 31,208.34 sq.m. in Heqing County, Dali City, Yunnan Province, the PRC. Upon the completion of the deal, the Group no longer holds any equity interest in Dali Gangxing.

9. *Dongguan City, Guangdong Province*

On 13 March 2018, the Company sold its equity interests in a redevelopment project in Dongguan City, Guangdong Province to 東莞市萬科房地產有限公司 (Dongguan Vanke Real Estate Company Limited*, "Dongguan Vanke") and Hybest (BVI) Company Limited for a consideration of approximately RMB830 million (equivalent to approximately HK$946 million). Up to the date of this report, the transaction has not been completed but the Group has already received the installments of approximately RMB415 million (equivalent to approximately HK$497 million). Out of the consideration of RMB830 million (equivalent to approximately HK$946 million), 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.

Mining and Trading of Iron Ore and Raw Materials

The Group sources iron ore mainly from third parties, and is also used to produce the commodity at its wholly-owned mine in Sri Jaya, State of Pahang, Malaysia (the "Malaysia Mine"), which has a total mining area of approximately 420 acres and total probable reserve of 94.5 megatonnes ("Mt") and mainly at an ore processing plant (the "Sri Jaya Plant"), which is adjacent to the Malaysia Mine. In view of the recent financial distress of the Group, the large operating cash requirements and the unstable price of iron ore, the planned resumption of the Group's iron ore mining operations in Malaysia was further deferred until 2020. Meanwhile, the operational mining scheme of the ore mine expired during the financial year ended 31 March 2019 without being renewed as the Directors considered the ore mine in concern was no longer feasible due to unresolved disputes with a mine owner. Moreover, the operating costs in Malaysia continued to increase due to local inflation and continued depreciation of the local currency. The Group reassessed the recoverable amounts of the iron ore mining operations in Malaysia in accordance with the applicable accounting standard, and impairment losses on the said operation was recorded.

* For identification purpose only

In April 2019, the Group disposed of its entire equity stake in its 85%-held mine in Ceará, Brazil ("Brazil Mine") for approximately US$4.5 million (equivalent to approximately HK$35.1 million) because of the persistently low and unstable price of iron ore, the increasingly challenging business environment and the uncertainties of the prospect of the mining business in Brazil.

The revenue of the Group's iron ore trading business decreased by 6.7% year on year to HK$1,226 million during the Period under review.

Clinker and Cement Trading Business and Operation

The Group is a leading trading organization in Asia specializing in clinker, cement, granulated blast furnace slag. The Group sourced its materials predominantly from the Far East and South East Asia and supplied such materials to its customers in North America and Asia Pacific region during the Period under review.

The Group is well positioned to match its customers' requirement for reliable supply of high-quality materials and, at the same time, to fulfil the suppliers' need to reach out to strategic markets for their products. The Group strives to bring together a wide network of its customers and has established relationships with suppliers to create the best outcome or solution for both its customers and suppliers. The Group's customer base covers cement plants, cement grinding mill operators, cement terminal operators and construction material trading agents.

In 2017, the Group acquired a 25% equity stake in PT Conch Cement Indonesia ("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 one of the countries covered by China's Belt and Road Initiative, a policy 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.

During the Period under review, in view of consistently increasing operating costs as a result of the local inflation in Indonesia, the depreciation of the local currency and the decrease in expected growth of the operation, which reflected the latest market expectations, the Group reassessed the value of its investment in Indonesia Conch. As a result, an unrealized fair value loss on the said investment was recognized according to the applicable accounting standard.

MATERIAL ACQUISITIONS, DISPOSAL AND OTHER TRANSACTIONS

(a) Disposal of equity interests in Globest Participações Ltda

On 3 April 2019, United Goalink Limited ("UGL") and Globest Resources Limited ("GRL") (each an indirect non-wholly owned subsidiary of the Company) and Goldcoltan Minerais Ltda ("GML") and Light Engenharia E Comercio Eireli ("LEECE") (both companies incorporated in Brazil) entered into an equity transfer agreement (the "GPL Equity Transfer Agreement") pursuant to which UGL and GRL agreed to dispose of and GML and LEECE agreed to purchase 75.56% and 24.44% equity interests in Globest Participações Ltda, a company incorporated in Brazil with limited liability, respectively for the consideration in the aggregate sum of approximately US$4.5 million (equivalent to approximately HK$35.1 million), subject to and upon the terms of the GPL Equity Transfer Agreement. For more information about this transaction, please refer to the announcement of the Company dated 3 April 2019.

(b) Disposal of 20% equity interests in Dali Gangxing

On 25 April 2019, Zhejiang Changxing, entered into a sale and purchase agreement with 長興天悅企業管理有限公司 (Changxing Tianyue Corporate Management Co., Ltd*, "Changxing Tianyue"), pursuant to which Zhejiang Changxing agreed to dispose of and Changxing Tianyue agreed to purchase 20% equity interests of a joint venture company, Dali Gangxing, at a consideration of approximately RMB24 million (equivalent to approximately HK$27.36 million). The disposal of the 20% equity interests was completed in May 2019. For more information of this transaction, please refer to the announcement of the Company dated 24 June 2019.

* For identification purpose only

(c) Disposal of 21.72% equity interests in Suqian Shengda Real Estate Development Co., Ltd.

On 10 May 2019, Zhejiang Changxing entered into a sale and purchase agreement with Zhejiang Kunyuan, pursuant to which Zhejiang Changxing agreed to dispose of and Zhejiang Kunyun agreed to purchase 21.72% equity interests of a subsidiary, Suqian Shengda, at a consideration of approximately RMB25 million (equivalent to approximately HK$28.5 million). The disposal of the 21.72% equity interests was completed in May 2019. For more information of this transaction, please refer to the announcement of the Company dated 24 June 2019.

(d) Disposal of 50% equity interests in Hangzhou Prosperity Enterprise Management Limited

On 7 August 2019, Zhejiang Changxing entered into an equity transfer agreement with an individual person, Mr. He Yueming, pursuant to which Zhejiang Changxing agreed to dispose of and Mr. He Yueming agreed to purchase 50% equity interests of an associate, 杭州昌興企業管理有限公司 (Hangzhou Prosperity Enterprise Management Limited*, "HPEM"), at a consideration of RMB1.495 million (equivalent to approximately HK$1.64 million). The major asset of HPEM is the 26% equity interests in Runan Zhongde. Runan Zhongde owns two pieces of land of an aggregate site area of approximately 140 mu (approximately 93,333 sq.m.) in Runan county, Zhumadian city, Henan province of the PRC. The disposal of 50% equity interests in HPEM was completed in August 2019.

* For identification purpose only

(e) Disposal of 55% equity interests in Guangzhou Fuchun Dongfang Real Estate Investment Company Limited

On 3 September 2019, 廣州義德房地產開發有限公司 (Guangzhou Bliss Hero Real Estate Development Limited*, "Guangzhou Bliss Hero"), an indirect wholly-owned subsidiary of the Company, as a seller, entered into an equity transfer agreement with 廣東富春投資有限公司 (Guangdong Fuchun Investment Company Limited*, "Fuchun Investment") as a purchaser, pursuant to the equity transfer agreement, Guangzhou Bliss Hero conditionally agreed to sell, and Fuchun Investment conditionally agreed to acquire, the 55% equity interests in 廣州富春東方房地產有限公司 (Guangzhou Fuchun Dongfang Real Estate Investment Company Limited*, "Fuchun Dongfang"), at a consideration of RMB547 million (equivalent to approximately HK$607 million). Up to the date of this report, the transaction is not completed. For more information of this transaction, please refer to the announcements of the Company dated 3 September 2019 and 12 November 2019 and the circular of the Company dated 25 October 2019.

(f) Disposal of 60% issued shares of WM Aalbrightt Investment Holdings (Hong Kong) Limited

On 30 September 2019, Sharp Advance International Limited ("Sharp Advance"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with WM Aalbrightt Investment Holdings Limited ("WM Aalbrightt"), pursuant to which Sharp Advance agreed to sell and WM Aalbright agreed to purchase 60% issued shares of WM Aalbrightt Investment Holdings (Hong Kong) Limited at HK$1 and by releasing and discharging the inter-company loans within the Group and a loan owed by Sharp Advance to WM Aalbrightt as at the completion date of 4 November 2019. WM Aalbrightt Investment Holdings (Hong Kong) Limited indirectly held a granite mining permit at Xiang Lu Shan, Guangxi, the PRC. The mining permit expired before this disposal.

* For identification purpose only

(g) Disposal of 30% equity interest in Dali Gangxing

On 31 October 2019, Zhejiang Changxing entered into a sale and purchase agreement with an individual person, Mr. He Yueming, pursuant to which Zhejiang Changxing agreed to dispose and Mr. He Yueming, agreed to purchase 30% equity interests in Dali Gangxing at a consideration of approximately RMB45.3 million (equivalent to approximately HK$49.8 million). The disposal of the 30% equity interests was not completed up to the date of this report. For more information of this transaction, please refer to the announcement of the Company dated 31 October 2019 and 6 November 2019.

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

On 6 August 2019, Fuchun Dongfang 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 announcements of the Company dated 22 October 2019 and the circular of the Company dated 25 October 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

The total shareholders' deficit of the Group as at 30 September 2019 was approximately HK$345 million (31 March 2019: approximately HK$113 million). As at 30 September 2019, the Group had current assets of approximately HK$3,464 million (31 March 2019: approximately HK$4,382 million) and current liabilities of approximately HK$5,086 million (31 March 2019: approximately HK$5,773 million). The current ratio was 0.68 as at 30 September 2019 compared to 0.76 at 31 March 2019. 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 2019, the Group's total bank and cash balances were approximately HK$198 million (31 March 2019: approximately HK$220 million), whilst the pledged deposits amounted to approximately HK$1,000 (31 March 2019: approximately HK$48 million). Total outstanding debts as at 30 September 2019 (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds) were approximately HK$2,055 million (31 March 2019: approximately HK$2,234 million (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds)).

The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the Group's outstanding debt less bank and cash balances, while the total capital is calculated as total equity plus net debt. The gearing ratio of the Group increased from 69% as at 31 March 2019 to 76% as at 30 September 2019.

EXPLORATION, DEVELOPMENT, MINING AND PRODUCTION ACTIVITIES

During the Period under review, no material exploration activity was carried out at the Malaysia Mine and the Xiang Lu Shan Granite Mining Site in Guangxi, the PRC (the "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	
	2019	2018
	Tonnes	Tonnes
Mining volume		
Malaysia Mine	**–**	–
Guilin Granite Mine	**–**	–
Production volume		
Malaysia Mine	**–**	–
Guilin Granite Mine	**–**	5,097

	For the six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
Major expenditure incurred in respect of mining activities		
Malaysia Mine	**–**	–
Guilin Granite Mine	**–**	–
Capital expenditure incurred in respect of development activities		
Malaysia Mine	**–**	–
Guilin Granite Mine	**–**	–

Since the Group has disposed the Brazil Mine in April 2019, no information to be included in the above tables.

HUMAN RESOURCES

As at 30 September 2019, the Group had a total of 243 staff members.

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 contributions 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 2019, 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, financial assets at fair value through other comprehensive income, 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 Ben Koon ("Mr. Wong"), Ms. Gloria 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 has been endeavouring to repay an enormous amount of short-term debts. To raise the required capital for that purpose, it has disposed of its equity stakes in some businesses, some properties or property development projects, and continued with its sales efforts at some of such ongoing projects.

For instance, the Group signed an agreement on 3 September 2019 to sell its 55% equity interest in Oriental Landmark in Guangzhou, Guangdong province for RMB800 million to its business partner who also holds an equity stake in the building. This followed the Group's disposal of certain units in an investment property, Silver Bay Plaza, in Guangzhou for a consideration of approximately RMB92.7 million in November 2018. The Group has also sold entire or partial equity stakes in some property projects in Jiangsu, Guangdong, Henan and Yunnan provinces, the PRC.

It also continued its sales efforts at the property projects in Yancheng and Suzhou, Jiangsu provinces, the PRC.

As to its iron ore mining and processing business, the Group already signed an agreement to sell its entire equity stake in an iron ore mining and processing business in Brazil for US$4.5 million in April 2019. In Malaysia, it continued to suspend its iron ore mining and processing operations because iron ore price has not yet been stabilized at a high enough level for them to be profitable.

Meanwhile, it is also trying to recover prepayments made and loans granted to other companies and to decrease the operating costs.

The Group is also exploring other means of increasing liquidity to meet its financial obligations. It is seeking prospective investors who may help it conduct shareholding restructuring and recapitalization of the Group.

All these are aimed at reinvigorating the Group.

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 2019, together with the comparative figures for the corresponding period of last year, as follows:

	Note	For the six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
Revenue	4	**1,225,853**	1,313,541
Cost of goods sold		**(1,054,390)**	(1,221,402)
Gross profit		**171,463**	92,139
Other income	5	**11,761**	52,224
Selling and distribution costs		**(20,803)**	(31,946)
Administrative expenses		**(103,485)**	(167,138)
Profit/(loss) from operations		**58,936**	(54,721)
Finance costs	7	**(111,663)**	(88,669)
Share of losses of associates		**(3,086)**	(1)
Share of loss of a joint venture		**(972)**	–
Fair value (losses)/gains on financial assets at fair value through profit or loss		**(35,518)**	85,033
Fair value losses on derivative financial instruments		**–**	(72)
Fair value gains on investment properties		**7,146**	28,212
Allowance for trade and bills receivables		**–**	(1,419)
Loss on disposal of a subsidiary	17	**(830)**	–
Gain on disposal of an associate		**1,059**	–
Gain on partial disposal of a joint venture		**423**	–
Reversal of allowance for other receivables		**452**	6,498
Reversal of impairment loss on property, plant and equipment		**–**	19,252
Reversal of impairment loss on other intangible assets		**–**	75,610
Net losses on disposals of financial assets at fair value through profit or loss		**(10,898)**	(376)
Net gain on disposals of financial assets at fair value through other comprehensive income		**1,143**	–
Losses on modification of financial liabilities		**–**	(4,619)

	Note	For the six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
(Loss)/profit before tax		**(93,808)**	64,728
Income tax credit/(expense)	8	**8,848**	(39,471)
(Loss)/profit for the period	9	**(84,960)**	25,257
Attributable to:			
Owners of the Company		**(93,419)**	(103)
Non-controlling interests		**8,459**	25,360
		(84,960)	25,257
Loss per share			
— basic (HK cents)	10(a)	**(7.07)**	(0.00)
— 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit for the period	**(84,960)**	25,257
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, net of tax	**(58,009)**	(124,253)
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(186,182)**	(203,882)
Other comprehensive income for the period, net of tax	**(244,191)**	(328,135)
Total comprehensive income for the period	**(329,151)**	(302,878)
Attributable to:		
Owners of the Company	**(239,326)**	(262,356)
Non-controlling interests	**(89,825)**	(40,522)
	(329,151)	(302,878)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	12	**240,151**	260,681
Investment properties	12	**1,901,055**	2,023,712
Right-of-use assets		**11,855**	–
Other intangible assets		**558,678**	558,678
Investments in associates		**43,565**	19,915
Investment in a joint venture		**38,575**	69,799
Financial assets at fair value through profit or loss		**106,500**	142,000
Deferred tax assets		**111,998**	98,045
		3,012,377	3,172,830
Current assets			
Inventories		**2,691,411**	3,125,451
Financial assets at fair value through profit or loss		**19**	10,904
Financial assets at fair value through other comprehensive income		**136,598**	199,594
Trade and bills receivables	13	**20,759**	164,973
Prepayments, deposits and other receivables		**416,465**	504,760
Current tax assets		**37**	49
Pledged deposits		**1**	48,374
Bank and cash balances		**198,213**	219,613
		3,463,503	4,273,718
Assets classified as held for sale		**–**	108,018
		3,463,503	4,381,736
TOTAL ASSETS		**6,475,880**	7,554,566

	Note	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Capital and reserves			
Share capital	14	134,365	127,431
Reserves		(479,102)	(240,349)
Equity attributable to owners of the Company		(344,737)	(112,918)
Non-controlling interests		920,031	1,009,856
Total equity		575,294	896,938
Non-current liabilities			
Bank borrowings	15	43,600	89,025
Other loans and payables		344,123	338,761
Other borrowings		17,876	30,063
Lease liabilities		6,178	–
Deferred tax liabilities		402,336	427,218
		814,113	885,067
Current liabilities			
Trade and bills payables	16	701,959	816,196
Other payables and deposits received		2,163,015	2,581,305
Current portion of lease liabilities		6,007	–
Current portion of bank borrowings	15	915,470	1,030,760
Other borrowings		266,785	299,792
Convertible bonds		181,344	174,424
Guaranteed notes		152,272	145,954
Current portion of bonds		194,000	185,500
Finance lease payables		–	13
Current tax liabilities		505,621	538,617
		5,086,473	5,772,561
Total liabilities		5,900,586	6,657,628
TOTAL EQUITY AND LIABILITIES		6,475,880	7,554,566
Net current liabilities		(1,622,970)	(1,390,825)
Total assets less current liabilities		1,389,407	1,782,005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company													
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Foreign currency translation reserve (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Merger reserve (Unaudited) HK$'000	Share-based payment reserve (Unaudited) HK$'000	FVTOCI reserve (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Convertible bonds 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 2019	127,431	2,259,688	(79,943)	886,979	(12,880)	9,009	110,717	2,019	2,633	5,272	(3,423,843)	(112,918)	1,009,856	896,938
Total comprehensive income for the period	–	–	(87,898)	–	–	–	(59,516)	–	–	–	(93,418)	(240,832)	(63,375)	(304,207)
Issue of shares upon rights issues	6,934	2,079	–	–	–	–	–	–	–	–	–	9,013	–	9,013
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(26,450)	(26,450)
Changes in equity for the period	6,934	2,079	(87,898)	–	–	–	(59,516)	–	–	–	(93,418)	(231,819)	(89,825)	(321,644)
At 30 September 2019	134,365	2,261,767	(167,841)	886,979	(12,880)	9,009	51,201	2,019	2,633	5,272	(3,517,261)	(344,737)	920,031	575,294
At 1 April 2018	127,462	2,259,775	(33,359)	886,979	(12,880)	12,087	292,784	2,019	–	5,272	(1,607,093)	1,933,046	1,155,024	3,088,070
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	(1,607,196)	1,670,690	1,114,502	2,785,192

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from operating activities	**86,054**	378,538
Net cash generated from investing activities	**112,017**	408,266
Net cash used in financing activities	**(210,667)**	(846,942)
Net decrease in cash and cash equivalents	**(12,596)**	(60,138)
Effect of foreign exchange rate changes	**(8,804)**	8,266
Cash and cash equivalents at beginning of period	**219,613**	254,711
Cash and cash equivalents at end of period	**198,213**	202,839
Analysis of cash and cash equivalents		
Bank and cash balances	**198,213**	202,839

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 2019. 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 2019 except as stated below.

Going Concern Basis

The Group incurred a net loss of approximately HK$85 million during the six months ended 30 September 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,623 million. As at the same date, the Group's total borrowings amounted to approximately HK$2,055 million, of which current borrowings amounted to approximately HK$1,710 million, while its cash and cash equivalents amounted to approximately HK$198 million only.

1. GENERAL INFORMATION (Continued)

Going Concern Basis (Continued)

During the year ended 31 March 2019, the Group did not make bond principal repayments of approximately HK$16 million according to the scheduled repayment dates. As a result of these non-repayments, certain bonds with a carrying amount of approximately HK$142 million as at 31 March 2019 became immediately repayable. The non-repayment of the said bonds have become events of defaults under the borrowing agreements about certain borrowings (the "Cross-defaults") with carrying amount of approximately HK$1,308 million as at 30 September 2019 (the "Cross-default Borrowings").

Included in the Cross-default Borrowings are certain borrowings with carrying amount of approximately HK$975 million where the Group did not meet certain financial covenants as set out in the concerned borrowing agreements. Waivers of the breach of the financial covenants have yet to be obtained from the lenders.

As at 30 September 2019, the Group continues to have unfulfilled obligations to repay its loans due, in aggregate of principal amounts, of approximately HK$1,544 million. Among all unfulfilled repayment obligations, the Company has, as at 30 September 2019, received demand letters from various creditors for repayment of loans due of, in aggregate, approximately HK$471 million.

Although no remedies have been agreed on with the lenders, the Group has actively negotiated with them for renewal and extension of the loans (including principals and interest) that remain overdue. The Directors wish to point out that the Group is carrying on its businesses as usual and that the Directors consider that the current financial position of the Group does not prevent the Group from operating its normal and usual course of business.

These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

1. GENERAL INFORMATION (Continued)

Going Concern Basis (Continued)

In view of such circumstances, the Directors have, during the six months ended 30 September 2019 and up to the date of this report, taken the following measures to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations:

(a) negotiating with the institutions and/or persons providing finance to extend the maturity dates of the Group's financial obligations;

(b) the Company raised additional capital of approximately HK$6.3 million through a rights issue;

(c) accelerating the pre-sales and sales of properties under development and completed properties;

(d) implementing measures to speed up the collection of outstanding sales proceeds;

(e) disposal of investment properties for a consideration of approximately HK$108 million; of which the whole proceeds were used for settlement of bank borrowings of approximately HK$104 million; and

(f) the Directors have been taking various cost control measures to tighten the costs of operations.

1. GENERAL INFORMATION (Continued)

Going Concern Basis (Continued)

Notwithstanding the above, the Directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Whether the Group will be able to continue as a going concern depends upon the Group's ability to generate adequate financing and operating cash flows through the following:

(a) the successful negotiations with the lenders for the renewal of or extension for repayment for those borrowings that are scheduled for repayment (either based on the original agreements or the existing arrangements) within the next twelve months from the date of this report, including those principals and interests that are already overdue;

(b) the successful obtaining of additional new sources of financing as and when needed;

(c) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and deferring capital expenditure for the Group's projects held on hand so as to generate adequate net cash inflows; and

(d) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's property development projects such that no further actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in these condensed consolidated financial statements.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 April 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's condensed consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

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

HKFRS 16 Leases (Continued)

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases many assets, mainly properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

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

HKFRS 16 Leases (Continued)

(b) As a lessee (Continued)

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the properties.

	Balance as at	
	30 September 2019 (Unaudited) HK$'000	1 April 2019 (Unaudited) HK$'000
Properties	**11,855**	14,889

Significant accounting policies

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

HKFRS 16 Leases (Continued)

(b) As a lessee (Continued)

Significant accounting policies (Continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include office premises and staff quarters. The leases typically run for a period of one to five years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

— their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application — the Group applied this approach to its largest property lease; or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments — the Group applied this approach to all other leases.

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

HKFRS 16 Leases (Continued)

(b) As a lessee (Continued)

Transition (continued)

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

— Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date.

(c) As a lessor

The Group leases out its investment properties, including right-of-use assets. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor. However, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

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

HKFRS 16 Leases (Continued)

(d) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 April 2019 is summarised below.

	1 April 2019 HK$'000 (Unaudited)
Assets	
Right-of-use assets	14,889
Total assets	14,889
Liabilities	
Finance lease payables	(13)
Lease liabilities	14,902
Total liabilities	14,889

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 6%.

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

HKFRS 16 Leases (Continued)

(d) Impacts of financial statements (Continued)

Impact on transition (Continued)

	1 April 2019 HK$'000 (Unaudited)
Operating lease commitments at 31 March 2019 as disclosed in the Group's consolidated financial statements	26,491
Discounted using the incremental borrowing rate at 1 April 2019	24,646
Add: Finance lease payables recognised as at 31 March 2019	13
Less: Recognition exemption for leases with less than 12 months of lease term at transition	(237)
Less: Adjustment as a result of a different treatment of extension or termination options	(9,520)
Lease liabilities recognised as at 1 April 2019	14,902
Of which are:	
Current lease liabilities	6,246
Non-current lease liabilities	8,656
	14,902

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

HKFRS 16 Leases (Continued)

(d) Impacts of financial statements (Continued)

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK$11,855,000 of right-of-use assets and HK$12,185,000 of lease liabilities as at 30 September 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 September 2019, the Group recognised HK$3,147,000 of depreciation charges and HK$445,000 of finance costs from these leases.

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.

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.

3. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements as at 30 September 2019 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 FVTPL				
Equity securities listed in Hong Kong	19	–	–	19
Unlisted equity securities	–	–	106,500	106,500
Financial assets at fair value through other comprehensive income ("FVTOCI")				
Equity securities listed in Hong Kong	128,406	–	–	128,406
Equity securities listed outside Hong Kong	8,192	–	–	8,192

3. FAIR VALUE MEASUREMENTS (Continued)

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

	Fair value measurement as at 31 March 2019 using (audited):			
Description	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	10,904	–	–	10,904
Unlisted equity securities	–	–	142,000	142,000
Financial assets at FVTOCI				
Equity securities listed in Hong Kong	194,522	–	–	194,522
Equity securities listed outside Hong Kong	5,072	–	–	5,072

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 2019.

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 team is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The finance team reports directly to the senior management for these fair value measurements. Discussions of valuation processes and results are held between the valuer and the management 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 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 30 September 2019 (Unaudited) HK$'000
Financial Assets					
Unlisted equity securities – Indonesia	Income capitalisation	Weighted average cost of capital	16%	Decrease	106,500
		Long-term growth rate	2.98%	Increase	
		Gross profit margin rate	19%–40%	Increase	
		Discount for lack of marketability	15.8%	Decrease	
		Non-controlling interests	22.36%	Decrease	

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 31 March 2019 (Audited) HK$'000
Financial Assets					
Unlisted equity securities – Indonesia	Income capitalisation	Weighted average cost of capital	18%	Decrease	142,000
		Long-term growth rate	3%	Increase	
		Gross profit margin rate	19%–40%	Increase	
		Discount for lack of marketability	15.8%	Decrease	
		Non-controlling interests	22.36%	Decrease	

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 2019.

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 Unlisted equity securities 2019 HK$'000
At 1 April 2019 (Unaudited)	**142,000**
Total losses recognised in profit or loss	**(35,500)**
At 30 September 2019 (Unaudited)	**106,500**

Description	Financial assets at fair value through profit or loss	
	Derivative financial assets 2018 HK$'000	Unlisted equity securities 2018 HK$'000
At 1 April 2018 (Unaudited)	74,968	395,849
Settlement during the period	(74,968)	(39,849)
Total gains recognised in profit or loss	–	89,000
At 30 September 2018 (Unaudited)	–	445,000

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 2019. 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from contracts with customers		
— *Recognised at a point in time*		
— Trading of iron ore and raw materials	**448,319**	807,881
— Trading of clinker, cement and other building materials	**225,324**	358,417
— Sales of properties	**499,177**	108,195
— Others	**10,039**	–
Revenue from other sources: rental income	**42,994**	39,048
	1,225,853	1,313,541

5. OTHER INCOME

	For the six months ended 30 September	
	2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Commission received	**399**	1,354
Despatch income	**37**	1,631
Deemed interest income on interest-free long-term advances from third parties	**–**	30,337
Interest income	**4,239**	5,440
Dividend income	**–**	1,875
Rental income for lease of machineries	**58**	1,277
Others	**7,028**	10,310
	11,761	52,224

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".

6. SEGMENT INFORMATION (Continued)

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.

	Real estate investment and development	Mining and trading of iron ore and raw materials	Trading of clinker, cement and other building materials	All other segments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30 September 2019 (Unaudited)					
Revenue from external customers	**542,171**	**448,319**	**225,324**	**10,039**	**1,225,853**
Intersegment revenue	**300**	**–**	**–**	**–**	**300**
Segment profit/(loss)	**116,649**	**(18,325)**	**1,468**	**(12,095)**	**87,697**
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)

6. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segments revenue and profit or loss:

	For the six months ended 30 September	
	2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Revenue		
Total revenue from reportable segments	**1,226,153**	1,313,841
Elimination of intersegment revenue	**(300)**	(300)
	1,225,853	1,313,541
Profit or loss		
Total profit or loss of reportable segments	**87,697**	(39,185)
Other profit or loss	**381**	3,654
Share of losses of associates	**(3,086)**	(1)
Share of loss of a joint venture	**(972)**	–
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(35,518)**	85,033
Fair value losses on derivative financial instruments	**–**	(72)
Fair value gains on investment properties	**7,146**	28,212
Allowance for trade and bills receivables	**–**	(1,419)
Loss on disposal of a subsidiary	**(830)**	–
Gain on disposal of an associate	**1,059**	–
Gain on partial disposal of a joint venture	**423**	–
Reversal of allowance for other receivables	**452**	6,498
Reversal of impairment loss on property, plant and equipment	**–**	19,252
Reversal of impairment loss on other intangible assets	**–**	75,610
Net losses on disposals of financial assets of fair value through profit or loss	**(10,898)**	(376)
Net gain on disposals of financial assets at fair value through other comprehensive income	**1,143**	–
Losses on modification of financial liabilities	**–**	(4,619)
Finance costs	**(111,663)**	(88,669)
Unallocated amounts	**(29,142)**	(19,190)
Consolidated (loss)/profit before tax	**(93,808)**	64,728

6. SEGMENT INFORMATION (Continued)

Geographical information:

	Revenue For the six months ended 30 September 2019 (Unaudited) HK$'000	Revenue For the six months ended 30 September 2018 (Unaudited) HK$'000
The PRC	**991,166**	964,186
Others	**234,687**	349,355
	1,225,853	1,313,541

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

	Non-current assets As at 30 September 2019 (Unaudited) HK$'000	Non-current assets As at 31 March 2019 (Audited) HK$'000
The PRC	**2,033,514**	2,113,034
Malaysia	**568,896**	626,001
Others	**97,474**	104,036
	2,699,884	2,843,071

7. FINANCE COSTS

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Finance lease charges	**2**	21
Interest on bank and other borrowings wholly repayable within 5 years	**89,443**	71,327
Interest on guaranteed notes	**6,318**	5,242
Interest on bonds	**6,780**	6,453
Interest on lease liabilities	**445**	–
Effective interest expenses on a loan from a related party	**5,360**	5,710
Effective interest expenses on convertible bonds	**7,525**	3,268
	115,873	92,021
Less: Borrowing costs capitalised into properties under development for sale	**(4,210)**	(3,352)
	111,663	88,669

8. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax	**14,939**	13,636
Deferred tax	**(23,787)**	25,835
	(8,848)	39,471

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profit for the six months ended 30 September 2019.

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 2018: 25%) during the six months ended 30 September 2019.

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.

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

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

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

9. (LOSS)/PROFIT FOR THE PERIOD

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

	For the six months ended 30 September	
	2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Depreciation and amortisation	**16,321**	29,273
Reversal of allowance for inventories (included in cost of goods sold)	**–**	(8,529)
Reversal of impairment loss on property, plant and equipment	**–**	(19,252)
Reversal of impairment loss on other intangible assets	**–**	(75,610)
Foreign exchange loss	**573**	14,616
Loss on disposal of property, plant and equipment	**3,282**	–
Staff costs including directors' emoluments		
Salaries, bonuses, allowances and other costs	**37,620**	46,911
Retirement benefit scheme contributions	**1,149**	1,340

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 2019 of approximately HK$93,419,000 (six months ended 30 September 2018: HK$103,000) and the weighted average number of ordinary shares of 1,321,672,175 (30 September 2018: 12,746,160,027) in issue during the six months ended 30 September 2019.

(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 2018 and 2019, 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 2019 (six months ended 30 September 2018: Nil).

12. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2019, additions to investment properties and property, plant and equipment amounted to approximately HK$Nil and HK$99,000 respectively (six months ended 30 September 2018: approximately HK$Nil and HK$695,000 respectively). Property, plant and equipment amounted to approximately HK$1,463,000 were disposed of during the same period (six months ended 30 September 2018: approximately HK$1,328,000).

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 2019: 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, and net of allowance, is as follows:

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
0 to 90 days	**16,941**	161,682
91 to 180 days	**–**	1,280
181 to 365 days	**3,818**	2,011
	20,759	164,973

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 31 March 2019 (Audited), 1 April 2019 (Unaudited) and 30 September 2019 (Unaudited)	**2,000,000,000**	**200,000**
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 31 March 2019 (Audited) and 1 April 2019 (Unaudited)	**1,274,308,002**	**127,431**
Issue of new shares upon rights issue	**69,341,149**	**6,934**
At 30 September 2019 (Unaudited)	**1,343,649,151**	**134,365**

15. BANK BORROWINGS

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Secured		
Bank loans	**771,003**	927,852
Trust receipt loans	**150,527**	150,527
Unsecured		
Bank overdraft	**37,540**	41,406
	959,070	1,119,785

15. BANK BORROWINGS (Continued)

The bank borrowings are repayable as follows:

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
On demand or within one year	**915,470**	1,030,760
In the second year	**24,525**	30,893
In the third to fifth years, inclusive	**19,075**	58,132
	959,070	1,119,785
Less: Amount due for settlement within 12 months	**(915,470)**	(914,949)
Amount due for settlement after one year which contain a repayment on demand clause	**–**	(115,811)
Amount due for settlement after 12 months	**43,600**	89,025

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 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Not yet due	**11,269**	348,238
Due within 3 months or on demand	**413,351**	190,619
Due after 3 months	**277,339**	277,339
	701,959	816,196

17. DISPOSAL OF A SUBSIDIARY

Pursuant to a sale and purchase agreement dated 10 May 2019 entered into between an indirect wholly-owned subsidiary of the Company, Zhejiang Changxing, and the creditor, Zhejiang Kunyuan, Zhejiang Changxing disposed of 21.72% equity interests of a non-wholly owned subsidiary, Suqian Shengda to Zhejiang Kunyuan for a total cash consideration of approximately RMB25 million resulting in a loss on disposal of a subsidiary of approximately HK$0.83 million.

Suqian Shengda was engaged in property development during the period. The disposal was completed in May 2019 and immediately after the disposal, Suqian Shengda became an associate of the Group.

18. 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 2019:

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(a) Compensation of key management personnel		
Directors' fees	**587**	6,622
Basic salaries, allowances and benefit in kind	**4,259**	11,651
Retirement benefit scheme contributions	**130**	538
	4,976	18,811

	As at 30 September 2019	As at 31 March 2019
	(Unaudited)	(Audited)
	HK$'000	HK$'000
(b) Other receivables from related companies *(Note)*	**9,810**	41,486

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

19. 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 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	**668,184**	277,719

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

At 30 September 2019, 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.

19. CONTINGENT LIABILITIES (Continued)

Financial guarantees issued (Continued)

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

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	**1,013,603**	907,717

Pursuant to the terms of the security, 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 2019, the Directors do not consider it probable that a claim will be made against the Group under the above security.

The fair value of the security 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.

20. 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 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Within one year	–	16,607
In the second to fifth years, inclusive	–	9,884
	–	26,491

As at 31 March 2019, operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$9.52 million and rentals payables by the Group of the office premises and staff quarters of approximately HK$17 million. 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.

The Group is the lessee in respect of a number of offices held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases except short-term leases (see note 2). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the condensed consolidated statement of financial position in accordance with the policies set out in note 2.

20. 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 2019: 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 2019, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Within one year	**61,481**	70,263
In the second to fifth years inclusive	**150,921**	182,033
Over five years	**107,738**	151,186
	320,140	403,482

21. EVENTS AFTER THE REPORTING PERIOD

1. On 31 October 2019, Zhejiang Changxing, an indirect wholly-owned subsidiary, entered into a sale and purchase agreement with in individual person, Mr. He Yueming, pursuant to which Zhejiang Changxing agreed to dispose and Mr. He Yueming agreed to purchase 30% equity interests in Dali Gangxing at a consideration of approximately RMB45.3 million (equivalent to approximately HK$49.8 million). The disposal of the 30% equity interests was not completed up to the date of this report. For more information of this transaction, please refer to the announcement of the Company dated 31 October 2019 and 6 November 2019.

2. On 12 November 2019, a special general meeting was held and approved the disposal of 55% equity interests in Fuchun Dongfang. Up to the date of this report, the transaction is not completed.

3. The disposal of 60% issued share capital of WM Aalbrightt Investment Holdings (Hong Kong) Limited was completed in November 2019, the expected loss on disposal is approximately HK$18.8 million.

* For identification purpose only

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 business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Unfulfilled Payment Obligations, Breach of Financial Covenants and Cross-defaults

Reference is made to the Company's annual report for the financial year ended 31 March 2019. During the financial year ended 31 March 2019, the Group did not make bond principal repayments of approximately HK$16 million according to the scheduled repayment dates. As a result of these non-repayments, certain bonds with a carrying amount of approximately HK$142 million as at 31 March 2019 became immediately repayable. The non-repayment of the said bonds have become events of defaults under the borrowing agreements about certain borrowings (the "Cross-defaults") with carrying amount of approximately HK$1,387 million as at the date of this report (the "Cross-default Borrowings").

Included in the Cross-default Borrowings are certain borrowings with carrying amount of approximately HK$1,016 million where the Group did not meet certain financial covenants as set out in the concerned borrowing agreements. Waivers of the breach of the financial covenants have yet to be obtained from the lenders.

Reference is made to the Company's annual report for the financial year ended 31 March 2019. On 16 March 2016, the Company entered into a subscription agreement with Cheer Hope Holdings Limited ("Cheer Hope") and with Mr. Wong as the guarantor, pursuant to which the Company conditionally agreed to issue the 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"), each in the aggregate principal amount of US$20 million (equivalent to approximately HK$156 million), to Cheer Hope.

Further, pursuant to the terms of the CCB Convertible Bonds instrument ("CCB CB Instrument") and the terms of the Guaranteed Notes instrument ("Notes Instrument"), specific performance obligations are imposed on Mr. Wong during the respective terms of the CCB Convertible Bonds and the Guaranteed Notes, such that 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 terms of the CCB CB Instrument and 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 pursuant to the terms of the CCB CB Instrument and Notes Instrument.

The CCB Convertible Bonds are subject to the fulfilment of covenants set out in the deed poll entered into by the Group with the bondholders. If the covenants are breached, the CCB Convertible Bonds will become payable on demand. As a consequence of the Cross-defaults, CCB Convertible Bonds became immediately repayable. During the Period under review, the Group breached certain covenant clauses in deed poll in relation to the maintenance of net asset value and total asset value-to-total equity ratio of the Group. As a result, CCB Convertible Bonds with carrying amount of approximately HK$146,666,000, which were already cross-defaulted, are subject to an early repayment option by the bondholders. On 15 April 2019, the Group failed to repay the principal and interest of CCB Convertible Bonds on its maturity date. On 12 June 2019, Mr. Wong, in his personal capacity or through any entity controlled by him, ceased to, in aggregate own and control more than 50% of the shares of the Company. No waivers in respect of the breach of the financial covenants of CCB Convertible Bonds have been obtained from bondholders up to the date of this report.

Reference is made to the Company's announcement on 29 November 2019. On 8 November 2018, the Company executed a deed creating the HK$30,000,000, 8% per annum convertible bonds (the "Convertible Bonds"). The maturity date of the Convertible Bonds was extended from 8 November 2019 to 8 July 2020 pursuant to a supplemental deed poll dated 29 November 2019.

Furthermore, reference is made to the Company's announcement on 20 June 2019. As at the date of this report, the Group continues to have unfulfilled obligations to repay its loans due, in aggregate of principal amounts, of approximately HK$1,515 million. Among all unfulfilled repayment obligations, the Company has, as at the date of this report, received demand letters from various creditors for repayment of loans due of, in aggregate, approximately HK$1,607 million.

Legal Proceedings

In addition, on 22 November 2019, O-Bank Co., Ltd ("O-Bank") has commended two actions in Hong Kong claiming a sum of US$15,255,579.95 and US$2,145,560 against, inter alia, the Company, being the outstanding principal and interests due and owing by Prosperity Materials Macao Commercial Offshore Limited ("Prosperity Macao") and Success Top Enterprises Limited ("Success Top"), both indirect wholly-owned subsidiaries of the Company, under respective bank facilities extended by O-Bank to Prosperity Macao and Success Top. For further details, please refer to the announcement of the Company dated 29 November 2019.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, the interests and short positions of the Directors 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	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	139,982,491	167,518,515 *(Note)*	2,264,000	–	309,765,006	23.05%
Mr. Xie Qiangming	208,597,022	–	–	–	208,597,022	15.52%
Ms. Gloria Wong	–	–	–	1,000,000	1,000,000	0.08%

Note: Mr. Wong is deemed to be interested in 167,518,515 shares which comprise of 192,382 shares, 263,951 shares, 263,951 shares and 166,798,231 shares through his interest in 100% shareholding in Capital Growth Limited ("Capital Growth"), which in turn owns 67.2%, 65%, 65% and 100% shareholding in Prosperity Minerals Group Limited, Max Will Limited, Max Start Limited and Elite Force (Asia) Limited ("Elite Force") respectively.

Save as disclosed above, as at 30 September 2019, so far as is known to any Directors of the Company, none of the Directors 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 2019	Reclassification during the period	Number of share options outstanding as at 30 September 2019	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 *(Note)*	3,000,000	(3,000,000)	–	6 April 2011	6 April 2012 to 5 April 2021	4.1	0.41
Mr. Liu Yongshun *(Note)*	1,500,000	(1,500,000)	–	6 April 2011	6 April 2012 to 5 April 2021	4.1	0.41
Ms. Gloria Wong	1,000,000	–	1,000,000	6 April 2011	6 April 2012 to 5 April 2021	4.1	0.41
Mr. Kong Siu Keung *(Note)*	1,000,000	(1,000,000)	–	6 April 2011	6 April 2012 to 5 April 2021	4.1	0.41
Other							
Other employees	2,280,000	1,000,000	3,280,000	6 April 2011	6 April 2012 to 5 April 2021	4.1	0.41
Third parties	–	4,500,000	4,500,000	6 April 2011	6 April 2012 to 5 April 2021	4.1	0.41
	8,780,000	–	8,780,000				

Note: Dr. Mao Shuzhong, Mr. Liu Yongshun and Mr. Kong Siu Keung resigned as a director of the Company on 8 July 2019.

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 2019, 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	Total	Percentage of the Company's issued share capital
Ms. Shing Shing Wai	Interest of spouse *(Note 1)*	307,501,006		
	Beneficial owner	2,264,000		
		309,765,006	309,765,006	23.05%
Mr. Wang Yuhua	Beneficial owner	171,122,378	171,122,378	12.74%
Capital Growth *(Note 2)*	Interest in controlled corporation *(Note 3)*	167,518,515	167,518,515	12.67%
Elite Force *(Note 2)*	Beneficial owner *(Note 3)*	166,798,231	166,798,231	12.41%

Notes:

1. 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.

2. Mr. Wong is a director of each of Capital Growth and Elite Force.

3. The issued share capital of Elite Force, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned by Capital Growth as to 100%. Capital Growth is wholly and beneficially owned by Mr. Wong.

Save as disclosed above, as at 30 September 2019, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) of interests or short positions in the Shares or underlying Shares of the Company held by them which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the code provisions as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. During the Period under review, the Audit Committee of the Company comprises three independent non-executive Directors, namely, Mr. Zhao Gen (chairman of the Audit Committee), Mr. Guan Guisen and Mr. Chan Kai Nang (who retired on 26 September 2019). With effective from 28 October 2019, Mr. Yan Xiaotian has been appointed as a member of the Audit Committee.

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 material 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 2019;

2. reviewed the financial reports for the year ended 31 March 2019 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 2019.

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 26 September 2019 (the "AGM") due to other business engagements. Ms. Gloria Wong, being an executive Director, attended the AGM on 26 September 2019 and was delegated to make herself 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/she 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.

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

Hong Kong, 29 November 2019

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

Executive Directors
Mr. Wong Ben Koon *(Chairman)*
Ms. Gloria Wong
Mr. Xie Qiangming *(Chief Executive Officer)*
Mr. Nie Qiaoming
Mr. Ma Xin

Independent non-executive Directors
Mr. Zhao Gen
Mr. Guan Guisen
Mr. Yan Xiaotian