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

(Incorporated in Bermuda with limited liability)
(Provisional Liquidators Appointed)
(For Restructuring Purposes)

Stock Code: 803

AIMING FOR REVIVAL

2020
ANNUAL
REPORT

CONTENTS

This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Mr. XIE Qiangming, *Chief Executive Officer (appointed on 4 July 2019)*
Mr. NIE Qiaoming *(appointed on 5 July 2019)*
Mr. MA Xin *(appointed on 8 July 2019)*

Independent Non-executive Directors

Mr. ZHAO Gen *(appointed on 5 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. YAN Xiaotian *(appointed on 28 October 2019)*

Qualified Accountant

Mr. JONG Cheong Luk, *FCCA*

Company Secretary

Ms. SUN Shui

Authorised Representatives

Mr. XIE Qiangming
Mr. WONG Ben Koon

Audit Committee

Mr. ZHAO Gen, *Chairman (appointed on 8 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. YAN Xiaotian *(appointed on 28 October 2019)*

Remuneration Committee

Mr. GUAN Guisen, *Chairman (appointed on 8 July 2019)*
Mr. XIE Qiangming *(appointed on 8 July 2019)*
Mr. ZHAO Gen *(appointed on 8 July 2019)*

Nomination Committee

Mr. ZHAO Gen, *Chairman (appointed on 8 July 2019)*
Mr. XIE Qiangming *(appointed on 8 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*

Head Office and Principal Place of Business

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Wan Chai
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Registered Office

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2 Church Street
Hamilton HM 11
Bermuda

Bermuda Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

803

Auditor

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

Solicitor

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United Centre
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Hong Kong

Company Website

www.pihl-hk.com

CHAIRMAN'S STATEMENT

The difficulties encountered by Prosperity International Holdings (H.K.) Limited (the "Company", which together with its subsidiaries, is collectively referred to as the "Group") in the previous financial year ended 31 March 2019 (the "Previous Financial Year") continued for the financial year ended 31 March 2020 (the "Year"). The Group continued its effort to repay an enormous amount of overdue debts while trying to continue its business as normal. The difficult operating environment which was marked by the Sino-United States trade war in 2018 and 2019 was exacerbated by the COVID-19 outbreak at the end of 2019. As a result, China's economic slowdown in 2019 deteriorated into contraction in the first quarter of 2020. Economic activities were hampered or even suspended in many countries. For instance, construction at the Group's property projects was delayed and its property sales were affected by the epidemic. It was against this backdrop of economic depression and pandemic that the Group was trying to restore its financial health.

Efforts that it took included the disposal of some investment properties and equity stakes in some property development projects and other businesses. At its ongoing property projects, it stepped up sales efforts in order to improve its liquidity.

Although it had already shifted the focus of its business to property investment and development in recent years in order to mitigate the adverse effect of the cyclical nature of the iron ore mining industry and the consolidation of that industry, it took time for that business strategy to yield effect. Meanwhile, the Group was still suffering impairment losses in its iron ore mining and processing business which has been suspended since 2015. It halted the iron ore mining and processing operations to minimise the operating loss because the iron ore price had not yet stabilised at a high enough level for them to be profitable.

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

WONG Ben Koon
Chairman

Hong Kong, 17 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Financial Overview

For the financial year ended 31 March 2020 (the "Year"), Prosperity International Holdings (H.K.) Limited ("Prosperity International" or the "Company", which together with its subsidiaries, is collectively referred to as the "Group") recorded a net loss of HK$556 million, compared with a net loss of approximately HK$1,935 million for the year ended 31 March 2019 (the "Previous Financial Year").

The loss for the Year was mainly attributable to the finance cost incurred including overdue interests and other charges of approximately HK$527 million. The decrease in loss for the Year was mainly attributable to the net decrease in impairment losses for prepayments, trade and bills receivables and loan and other receivables from approximately HK$477 million in the Previous Financial Year to approximately HK$59 million for the Year. Other factors that also contributed to the decrease in loss were the decrease in impairment losses of property, plant and equipment and other intangible assets of approximately HK$671 million for the Previous Financial Year to approximately HK$125 million for the Year.

Revenue of the Group decreased by 16.3% to approximately HK$1,950 million, mainly resulting from the decrease in revenue of approximately HK$913 million from the mining and trading of iron ore and raw materials segment.

As at 31 March 2020, the Group's total borrowings including bank borrowings, other borrowings, other loans and payables, convertible bonds, guaranteed notes, bonds and lease liabilities, amounted to approximately HK$2,004 million and its current liabilities exceeded its current assets by approximately HK$2,226 million.

On 28 November 2019, a winding up petition together with the JPL Application (as defined below) on a light touch approach for restructuring purposes was presented and filed with the Bermuda Court (as defined below) by the Company's Bermuda counsel at the request of the Company. The purpose of the JPL Application is to enable the Company to continue its orderly financial restructuring with the assistance of the Bermuda Court.

The Group has been actively negotiating with its creditors for renewal and extension of the debts (including principals and interests) that remain overdue.

The Group has been developing the restructuring proposal and 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 recapitalisation of the Group.

Basic loss per share was 36.17 HK cents for the Year, compared with the basic loss of 139.57 HK cents per share for the Previous Financial Year.

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

BUSINESS REVIEW

Real Estate Investment and Development

In its property business, the Group continued its sales efforts at the property projects that it had undertaken in China and Indonesia. It also disposed of entire or partial equity stakes in some investment properties and property development projects in mainland China because it tried to raise funds to meet the enormous amounts of its overdue financial obligations.

For the Year, the Group's property business recorded revenue of approximately HK$881 million, which was mainly derived from the delivery of the residential units to the buyers in the second phase of the Group's property development project, 昌興壹城 ("One City") in Binhai County, Yancheng City, Jiangsu Province, the PRC.

As part of its ongoing efforts to repay short-term debts and improve liquidity, the Group entered into an agreement on 3 September 2019 to sell its 55% equity interests in its indirect non-wholly owned subsidiary, 富春東方地產投資有限公司 (Fuchun Dongfang Real Estate Investment Company Limited*, "Fuchun Dongfang"), which holds a commercial and residential property called 東方文德廣場 ("Oriental Landmark") in Guangzhou City, Guangdong province, the PRC, for approximately RMB547 million to its non-controlling shareholder. Up to the date of this report, the disposal of Oriental Landmark has yet to complete. In November 2019, the Group further disposed certain units in an investment property, 銀海大廈 ("Silver Bay Plaza"), in Guangzhou City, the PRC, for a consideration of approximately RMB92.7 million, and this disposal was completed in April 2019. During the Year, the Group also sold its entire or partial equity stakes in some property projects in Jiangsu, Guangdong, Henan and Yunnan Provinces, the PRC.

China's Property Market

Although the Year was a challenging year for the China's property market, clouded with the PRC-U.S. trade frictions and the global economic slowdown, the GDP of China still recorded a growth of 6.1% year-on-year in 2019. As revealed in the statistics of the National Bureau of Statistics, during the calendar year 2019, the sales amount of commodity housing was RMB15,972.5 billion, representing a year-on-year growth of 6.5%. Under the general principle of "housing is for living in, not speculation" and "stabilising land prices, housing prices, and market expectations", the China government has made a great efforts to maintain the growth of the real estate market and sustainable urban development steadily. However, the outbreak of COVID-19 slowed down the growth of property demand and deferred the purchase power of real estates.

In the short term, property sales would be under pressure because of the epidemic. Nevertheless, with the government policies supporting continuous development of the real estate industry, the property sales are believed to rebound and stabilise progressively. In the medium and long term, it is believed that the foundation for a stable and healthy growth of property market remains solid in China. Furthermore, as the China government uplifted the limit on household registration for cities with permanent resident population, the growth of population in those major third- and fourth-tier cities is believed to be strong. Given its growth potential, the property market in China is expected to become a strong growth driver of the Chinese economy in the future.

* For identification purpose only

Business Review

Real Estate Investment and Development

In order to raise funds for repayment of overdue debts, the Group continued sales efforts at its property projects and disposed of its 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 31 March 2020, 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. All the residential units in the apartment buildings, townhouses and retail spaces in the shopping street in the second phase had been presold. Specifically, the first eight blocks of apartment buildings and the townhouses were delivered to buyers during the Year. Of the residential units in the remaining three blocks of apartment buildings, approximately 80% were already presold. Of the retail spaces in the shopping street, 20% were presold.

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 31 March 2020, 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. The deluxe hotel is currently under construction and the interior decoration is being done.

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 31 March 2020.

* For identification purpose only

Disposal of two investment properties in Guangzhou

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 RMB547 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. The transaction has yet to be completed. For details, please refer to the announcement of the Company dated 3 September 2019 and the circular of the Company dated 25 October 2019. Up to the date of this annual report, the disposal of Oriental Landmark has yet to complete.

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

1. **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 the Group's equity stake in the company from 70% to 50%.

   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 Year, the Group commenced the presale of two such residential buildings, and approximately 60% of the flats in that two residential buildings were presold.

2. **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 the Group's equity stake in Suqian Shengda from 70% 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.

   The land has a site area of approximately 26,653 sq.m. for the development of the 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.

   The Group commenced the development of the second phase of the project in the Previous Financial Year. 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 Year. Approximately 90% of the residential units in the four blocks of residential buildings were presold.

* For identification purpose only

3. Dali City, Yunnan Province

On 25 April 2019, the Group sold its 20% equity stake in 大理港興置業有限公司 (Dali Gangxing Property Company Ltd.*, "Dali Gangxing") for a consideration of RMB24 million (equivalent to approximately HK$27.9 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. For details, please refer to the announcement of the Company dated 24 June 2019.

On 31 October 2019, the Group sold its remaining 30% equity stake in Dali Gangxing for a consideration of approximately RMB45.3 million (equivalent to approximately HK$49.4 million). Upon the completion of the deal, the Group no longer held any equity interests in Dali Gangxing. For details, please refer to the announcement of the Company dated 31 October 2019.

4. 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 through disposals of its entire equity interests of the subsidiaries, Honwill Limited ("Honwill") and 東莞市敬培實業有限公司 (Donggguan Honwill Limited*, "Dongguan Honwill") for a consideration of approximately RMB830 million (equivalent to approximately HK$946 million). Up to the date of this annual 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), in which RMB581 million (equivalent to approximately HK$662 million) is attributable to the Group in proportion to its equity stake upon the completion of the transaction. For details, please refer to the announcement of the Company dated 13 March 2018 and the circular of the Company dated 24 May 2018.

On 24 March 2020, the Company, through its indirect wholly-owned subsidiary, entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to sell the entire interest of issued share capital of a target subsidiary, Greater Sino Investments Limited ("GSI", the holding company of Honwill and Dongguan Honwill), at consideration of approximately HK$335 million. The transaction has not been completed. For details, please refer to the announcement of the Company dated 24 March 2020.

5. Hangzhou City, Zhejiang Province

On 23 March 2020, the Company, through its indirect wholly-owned subsidiary entered into a sale and purchase agreement to dispose of certain properties in Hangzhou City, at a consideration in the aggregate sum of approximately RMB17 million (equivalent to approximately HK$18.9 million). The transaction was completed on 10 April 2020. The net proceeds was utilised for the repayment of an outstanding loan, thereby reducing the Group's liabilities and interest expenses. For details, please refer to the announcement of the Company dated 23 March 2020.

* For identification purpose only

Mining and Trading of Iron Ore and Raw Materials

The Group used to source iron ore mainly from third parties and 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. The Group had suspended the iron ore mining and processing operation since 2015 because of the drastic decline and then wild fluctuations in the iron ore price. The suspension of the operation continued as the iron ore price did not stabilize at a high enough level to make the operation profitable. This, coupled with the recent financial distress of the Group and the large operating cash requirements for resuming the iron ore mining and processing business, compelled the Group to continue the suspension of such operations. 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. The Group reassessed the recoverable amounts of the iron ore mining operations in Malaysia in accordance with the applicable accounting standard, and recorded an impairment loss of approximately HK$31 million on the said operation in Malaysia during the Year.

In April 2019, the Group agreed to dispose 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. Up to the date of this annual report, the disposal of the Brazil Mine is yet to complete. For details, please refer to the announcement of the Company dated 3 April 2019.

The revenue of the Group's mining and trading of Iron Ore and raw materials business decreased by 59% to HK$626 million during the Year because it ceased such business in the second half of the Year.

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 Southeast Asia and supplied such materials to its customers in Asia Pacific during the Year.

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 is comprised of operators of cement plants, cement grinding mills, or cement terminals and construction material trading agents.

The Group own's a 25% equity stake in PT Conch Cement Indonesia ("Indonesia Conch") and its subsidiaries (which are collectively referred to as "Indonesia Conch Group"). 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 have a total capacity of 50,000 tonnes in deadweight tonnage.

During the Year under review, in view of the 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 unrealised fair value loss of approximately HK$56 million on the said investment was recognised according to the applicable accounting standard.

Issue of CCB Convertible Bonds and Guaranteed Notes

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

On 19 September 2018, the Company, Cheer Hope and Mr. Wong entered into an amendment deed (the "Second Amendment Deed"), whereby the parties agreed, among others, to extend the term of the CCB Convertible Bonds and the Guaranteed Notes for one anniversary from 15 April 2018 and amend certain terms and conditions of the Subscription Agreement, the CCB Convertible Bonds and the Guaranteed Notes (the "Second Amendment"). As at the date of entering into the Second Amendment Deed, the outstanding principal amounts of the CCB Convertible Bonds and the Guaranteed Notes were US$18 million (equivalent to approximately HK$140 million) and US$18 million (equivalent to approximately HK$140 million) respectively. Taking into account the Second Amendment and assuming the full conversion of the CCB Convertible Bonds at the CCB Conversion Price of HK$0.16 per CCB Conversion Share, a total of approximately 877,500,000 CCB Conversion Shares would be allotted and issued.

As a result of the Share Consolidation (defined in the section headed "Share Consolidation and Change of Board Lot Size" below) became effective on 25 February 2019, the CCB Conversion Price of the outstanding CCB Convertible Bonds, being initially at HK$0.16 per Pre-consolidated Share (defined in the section headed "Share Consolidation and Change of Board Lot Size" below) (subject to adjustment), was adjusted in accordance with the terms and conditions of the CCB Convertible Bonds to HK$1.6 per Consolidated Share (defined in the section headed "Share Consolidation and Change of Board Lot Size" below). Accordingly, the number of Consolidated Shares which may fall to be issued upon full conversion at the adjusted conversion price of HK$1.6 per Consolidated Share of the CCB Convertible Bonds immediately after the Share Consolidation became effective was 87,750,000 Consolidated Shares. The conversion rights of CCB Convertible Bonds owned by Cheer Hope lapsed on 15 April 2019.

For further details, please refer to the Company's announcements dated 16 March 2016, 18 March 2016, 15 April 2016, 26 April 2016, 28 April 2016, 3 May 2016, 9 May 2016, 29 June 2016, 19 September 2018, 22 February 2019 and 29 May 2019.

Issue of Convertible Bonds

On 24 October 2018, the Company entered into a placing agreement (the "Placing Agreement") pursuant to which a placing agent agreed to place convertible bonds (the "Convertible Bonds") with an aggregate principal amount of HK$30 million at the conversion price of HK$0.06 (the "Conversion Price") per share of the Company (the "Conversion Share") on a best effort basis from 24 October 2018 to 8 November 2018. The Convertible Bonds were successfully placed to not less than six independent third parties on 8 November 2018. Based on the initial Conversion Price of HK$0.06 per Conversion Share and assuming conversion of the Convertible Bonds in full, the Convertible Bonds will be convertible into 500,000,000 new Conversion Share.

As a result of the Share Consolidation (defined in the section headed "Share Consolidation and Change of Board Lot Size" below) becoming effective on 25 February 2019, the Conversion Price of the outstanding Convertible Bonds, being initially at HK$0.06 per Pre-consolidated Share (defined in the section headed "Share Consolidation and Change of Board Lot Size" below) (subject to adjustment), was adjusted in accordance with the terms and conditions of the Convertible Bonds to HK$0.6 per Consolidated Share (defined in the section headed "Share Consolidation and Change of Board Lot Size" below). Accordingly, the number of Consolidated Shares upon full conversion at the adjusted conversion price of HK$0.6 per Consolidated Share of the Convertible Bonds immediately after the Share Consolidation becoming effective was 50,000,000 Consolidated Shares.

As a result of the completion of the Rights Issue (defined in the section headed "Rights Issue" below), the conversion price of the outstanding Convertible Bonds was further adjusted in accordance with the terms and conditions of the Convertible Bonds from HK$0.6 per Share to HK$0.58 per Share (defined in the section headed "Share Consolidation and Change of Board Lot Size"). Accordingly, the number of Shares which may fall to be issued upon full conversion at the adjusted conversion price of HK$0.58 per Share of the Convertible Bonds immediately after the completion of the Rights Issue was 51,724,137 Shares.

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

On 29 November 2019, the holders of Convertible Bonds resolved and approved that the maturity date of the Convertible Bonds shall be extended to 8 July 2020. Upon the release of this annual report, the Convertible Bonds have expired and Company have yet to repay the Convertible Bonds.

For further details, please refer to the announcements of the Company dated 24 October 2018, 8 November 2018, 22 February 2019, 29 May 2019 and 29 November 2019.

Statement on Portfolio of Mineral Resources and Ore Reserves

In April 2019, due to the increasing challenging business and the uncertainties of the mining business in Brazil, the Group has agreed to dispose of the Brazil Mine and the disposal has yet to complete as at the date of this annual report. The Group also disposed of its granite mining operations in Guilin, the PRC (the "Guilin Granite Mine"). As at the date of this annual report, the Group owns Brazil mine, Malaysia Mine and Sri Jaya Plant in Malaysia. Details about the operation of Malaysia Mine can be found in the section of "Mining and Trading of Iron Ore and Raw Materials" above under "Business Review" section of this report.

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

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

Iron Ore

Although no material exploration activity was carried out during the Year, changes to resources and reserves were made due to ongoing production and revision of mining plans. The tables below reflect those changes and detail the mineral resources and ore reserves with a cut-off grade of 30% as at 31 March 2020.

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

Malaysia Mine	Classification	Quantity (Mt)	Fe Grade (%)
Mineral Resources	Indicated	107.4	43.8
	Inferred	70.7	42.0
	Total	178.1	43.1
Ore Reserves	Proved	–	–
	Probable	94.5	41.7
	Total	94.5	41.7

* *Assumed average cut-off grades for both Malaysia Mine are 30%.*

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

Since the Group is about to dispose of the Brazil Mine in April 2019, no minerals resources statement in relation to Brazil Mine are prepared in this regard.

During both the Year and the Previous Financial Year, no material exploration activity was carried out at Malaysia Mine and Brazil Mine.

Both Malaysia Mine and Brazil Mine neither mined nor produced any iron ore during both the Year and the Previous Financial Year. Both mines also did not incur any material expenditure in respect of mining activities and any capital expenditure in respect of development activities during both the Year and the Previous Financial Year.

Financial Review

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

Results of Operations

For the Year, revenue decreased to approximately HK$1,950 million from approximately HK$2,331 million for the Previous Financial Year. The Group's gross profit increased by 9.7 times to approximately HK$438.7 million for the Year from approximately HK$45.1 million for the Previous Financial Year. The decrease in revenue was mainly due to the decrease in sales volume in mining and trading of iron ore and raw material segment during the Year. Increase in gross profit was mainly due to the increase in the sales in real estate investment and development segment from approximately HK$175 million for the Previous Financial Year to approximately HK$881 million for the Year that contributed to the increase in gross profit.

The Group's selling and distribution costs (excluding depreciation) were approximately HK$38 million for the Year as compared to approximately HK$74 million for the Previous Financial Year. It represented about 1.9% of the revenue for the Year, compared to 3.2% for the Previous Financial Year. The decrease in the amount was in line with the change in scale of the business of the Group during the Year.

The administrative expenses (excluding depreciation), which mainly represented staff costs, including directors' emoluments, legal and professional fees and other administrative expenses, were approximately HK$167 million, representing a 31.6% decreased from that of the Previous Financial Year of HK$244 million. The decrease in the amount was in line with the change in scale of the business of the Group during the Year.

Further details of the methodology, key assumptions and parameters adopted in the valuation of the CGUs of the respective mining operations for the Year and the Previous Financial Year have been disclosed in note 23 to the consolidated financial statements in the report.

The Group recorded an impairment losses of approximately HK$125 million mainly for its below hotel property under construction and its other intangible assets for its iron ore mining business after the review of its recoverable amount while company to that of the Previous Financial Year of HK$671 million on other intangible assets and property, plant and equipment for its iron ore and granite mining operations.

The Group also recorded net impairment losses of approximately HK$59 million mainly for its expected credit loss on its prepayments, trade and bills receivables and loan and other receivables while comparing to that of the Previous Financial Year of HK$477 million. Details of the impairment losses for Previous Financial Year were also disclosed in note 10 to the consolidated financial statements in the report.

The finance costs were approximately HK$527 million for the Year, which increased from approximately HK$243 million for the Previous Financial Year.

The fair value losses on the financial assets at FVTPL was mainly attributable to the Group's investment in 25% equity stake in Indonesia Conch. The fair value losses of approximately HK$56 million (the Previous Financial Year: HK$214 million) was recorded after the remeasurement of Indonesia Conch according to the applicable accounting standards with reference to the preliminary valuation conducted by an independent professional valuer. The fair value loss mainly reflected recent changes in market and economic conditions of the Indonesia.

During the Year, the Group also recorded gain on disposal of certain subsidiaries, associate and joint venture of approximately HK$50 million, HK$4 million and HK$3 million respectively as the Group is striving to raise fund to repay its debts by disposing certain Group assets and projects.

Loss attributable to the owners of the Company for the Year was approximately HK$482 million, compared with a net loss of approximately HK$1,829 million for the Previous Financial Year. The decrease in loss was mainly due to the following reasons:

1. Increase in revenue of HK$716 million generated from the sale of properties;

2. Decrease in impairment losses of approximately HK$546 million on other intangible assets and property, plant and equipment for its iron ore and granite mining operations during the Year;

3. Decrease of impairments losses to approximately HK$59 million on its prepayments, trade and bills receivables, and loan and other receivables (the Previous Financial Year: impairment losses of approximately HK$477 million aggregately);

4. Decrease in unrealised fair value losses on financial assets at FVTPL of HK$56 million (the Previous Financial Year: HK$216 million); and

5. The recognition of the gain on disposal of certain subsidiaries, associate and joint venture of approximately HK$50 million, HK$4 million and HK$3 million respectively (the Previously Financial Year: Nil).

The basic loss per share for the Year was 36.17 HK cents, compared with the basic loss per share of 139.57 HK cents for the Previous Financial Year.

Material Acquisition, Disposal and Other Transactions

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

A sale and purchase agreement dated 25 April 2019 entered into between Zhejiang Changxing as vendor and 長興天悅企業管理有限公司 (Changxing Tianyue Corporate Management Co., Ltd.*) as purchaser, pursuant to which the vendor agreed to sell to the purchaser and the purchaser agreed to purchase from vendor 20% equity interests in Dali Gangxing at the consideration in the aggregate sum of approximately RMB24 million (equivalent to approximately HK$27.9 million);

(ii) Disposal of equity interest in Suqian Shengda

A sale and purchase agreement dated 10 May 2019 entered into between Zhejiang Changxing as vendor and Zhejiang Kunyuan as creditor, pursuant to which the vendor agreed to sell to the creditor and the creditor agreed to purchase from the vendor 21.72% equity interests in Suqian Shengda at the consideration in the aggregate sum of approximately RMB25 million (equivalent to approximately HK$29.1 million) to be settled by releasing and discharging the outstanding debts in the amount of approximately RMB25 million owing by the vendor to the creditor in full;

(iii) Granting of property mortgage a retail outlet in the Oriental Landmark

The property mortgage agreement dated 6 August 2019 entered into by Fuchun Dongfang as security provider and Su Siqi as mortgagee in relation to the property mortgage granted by Fuchun Dongfang over a retail outlet of Oriental Landmark located in Yuexiu District, Guangzhou City, Guangdong Province, the PRC in favour of Su Siqi. As at 21 October 2019, the aforesaid property was released from the mortgage agreement;

(iv) Disposal of equity interests in Fuchun Dongfang

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, Guangzhou Fuchun Investment Company Limited* ("Fuchun Investment") and Fuchun Dongfang entered into an equity transfer agreement, pursuant to which Guangzhou Bliss Hero conditionally agreed to sell, and Fuchun Investment conditionally agreed to acquire, the 55% equity interests in Fuchun Dongfang at the consideration of approximately RMB547 million (equivalent to approximately HK$610 million). Further, on 21 January 2020, Guangzhou Bliss Hero, Fuchun Investment and Fuchun Dongfang entered into a supplemental agreement to postpone the payment of the second payment, the third payment and the fourth payment of the consideration. For details, please refer to the announcement of the Company dated 3 September 2019 and the circular dated 25 October 2019;

(v) Disposal of equity interests in WM Aalbrightt Investment Holdings (Hong Kong) Limited ("WM Aalbrightt Hong Kong")

A sale and purchase agreement dated 30 September 2019 entered into between Sharp Advance International Limited ("Sharp Advance") and WM Aalbrightt Investment Holdings Limited ("WM Aalbrightt"), pursuant to which Sharp Advance agreed to sell and WM Aalbrightt agreed to purchase 60% of the issued shares of WM Aalbrightt Hong Kong at nil consideration and by releasing and discharging the inter-company loans within the Group and a loan owed by Sharp Advance to WM Aalbrightt. The disposal was completed on 4 November 2019.

* For identification purposes only

(vi) Disposal of equity interests in Dali Gangxing

A sale and purchase agreement dated 31 October 2019 entered into between Zhejiang Changxing as vendor and an independent third party of the Company as purchaser, pursuant to which the vendor agreed to sell to the purchaser and the purchaser agreed to purchase from the vendor the 30% equity interests held by the vendor in Dali Gangxing at a consideration of approximately RMB45.3 million (equivalent to approximately HK$49.4 million) of which approximately RMB35.3 million (equivalent to approximately HK$38.4 million) was settled by releasing and discharging same amount of debts owing by Zhejiang Changxing to the Dali Ganxing Purchaser in full, and the remaining balance of approximately RMB10 million (equivalent to approximately HK$11 million) was settled by cash. The Group no longer held any equity interests in Dali Gangxing after the disposal. For details, please refer to the announcement of the Company dated 31 October 2019;

(vii) Fuchun Dongfang as corporate guarantor for the Acquisition Loan Facility Agreement

An acquisition loan facility agreement dated 28 December 2019 entered into by 廣東富春投資有限公司 (Guangdong Fuchun Investment Company Limited*) ("Fuchun Investment") as borrower and 平安銀行股份有限公司廣州分行 (PingAn Bank Co., Ltd. Guangzhou Branch*) ("PingAn Bank GZ") as lender in relation to the provision of the five-year credit facility granted by PingAn Bank GZ to Fuchun Investment in the principal amount of approximately RMB480 million (equivalent to approximately HK$535.5 million) (the "Acquisition Loan Facility Agreement") for funding the payment of consideration of disposal of Fuchun Dongfang;

An acquisition loan guarantee dated 23 December 2019 entered into by PingAn Bank GZ as creditor and Fuchun Dongfang as corporate guarantor pursuant to which Fuchun Dongfang agreed to guarantee in favour of PingAn Bank GZ all amounts due from Fuchun Investment to PingAn Bank GZ under the Acquisition Loan Facility Agreement dated 28 December 2019 between Fuchun Investment and PingAn Bank GZ;

(viii) An acquisition loan commercial properties mortgage agreement

An acquisition loan commercial properties mortgage agreement dated 6 January 2020 entered into by Fuchun Dongfang and PingAn Bank GZ in relation to the commercial property mortgage granted by Fuchun Dongfang over the acquisition loan mortgaged commercial properties of 129 retail outlets of an aggregate GFA of not less than 14,277.52 sq. metres located in Guangdong Province, the PRC;

(ix) An acquisition loan car parks mortgage agreement

An acquisition loan car parks mortgage agreement dated 6 January 2020 entered into by Fuchun Dongfang and PingAn Bank GZ in relation to the car park mortgage granted by Fuchun Dongfang over 146 car parking spaces of an aggregate of GFA of not less than 1,815.45 s.q. metres located in Guangdong Province, the PRC;

(x) Disposal of properties in Hangzhou City

A sale and purchase agreement dated 23 March 2020 entered into between 杭州雋興投資管理有限公司 (Hangzhou Juanxing Investment Co., Ltd.*) ("Hangzhou Juanxing") as vendor, an indirect wholly-owned subsidiary of the Company and Mr. Huang Dehong as purchaser in relation to the sale of properties of four units and six carparks in Xiacheng District, Hangzhou, PRC at a consideration of approximately RMB17 million (equivalent to approximately HK$18.9 million). The disposal was completed in April 2020. For details, please refer to the announcement of the Company dated 23 March 2020; and

(xi) Disposal of entire interests of GSI

On 24 March 2020, the Company, through its indirect wholly-owned subsidiary, has entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell the entire interests of issued share capital of GSI, at the consideration of approximately HK$335 million. The transaction has not been completed. For details, please refer to the announcement of the Company dated 24 March 2020.

* For identification purposes only

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded a shareholders' deficit of approximately of HK$714 million as at 31 March 2020 (2019: HK$113 million). As at 31 March 2020, the Group had current assets of approximately HK$3,491 million (2019: HK$4,382 million) and current liabilities of approximately HK$5,717 million (2019: HK$5,773 million). The current ratio was 0.61 as at 31 March 2020 as compared to 0.76 as at 31 March 2019. The Group generally finances its operations with internally generated cash flows, credit facilities provided by its principal bankers in Hong Kong and the PRC and proceeds from the placing of new shares, as well as the proceeds from the issuance of bonds, convertible bonds and guaranteed notes.

As at 31 March 2020, the Group had outstanding debts (including bank and other loans and borrowings, lease liabilities, convertible bonds, guaranteed notes and bonds) of approximately HK$2,004 million (2019: HK$2,294 million, including bank and other borrowings, other loan and payables, finance lease payables, convertible bonds, guaranteed notes and bonds). As at 31 March 2020, the Group maintained bank and cash balances of approximately HK$223 million (2019: HK$220 million of bank and cash balances and HK$48 million of pledged deposits).

The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the Group's outstanding debts 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 91% as at 31 March 2020.

During the Year, as set out in the section headed "Going Concern Basis" in note 2 to the consolidated financial statements in this report, the Group experienced financial difficulties. In order to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations, the Directors have, during the Year and up to the date of this annual report, taken the following measures:

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

(b) raising of additional capital from the public market. During the year ended 31 March 2020, the Company raised additional capital of approximately HK$6,336,000 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 Fuchun Dongfang for a cash consideration of approximately RMB547 million (equivalent to approximately HK$610 million); of which the whole proceeds would be used for settlement of bank borrowings upon the completion of disposal;

(f) disposal of Greater Sino for a consideration of approximately HK$335 million that would be settled by setting off with equivalent debt amount assigned to the purchaser prior to the completion of disposal; and

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

Furthermore, to resolve the pressure from the maturing indebtedness, the Company is in the progress of negotiating with the relevant creditors with a view to execute a possible financial restructuring plan, part of which includes seeking potential investors who interested in investing in the Group. It is currently in discussion with an independent third party (the "Investor") with that regard. No legally binding letter of intent ("LOI") have been entered between the Company and the Investor.

The Directors will continue to make their best endeavors to restore the financial health of the Company by increasing liquidity to meet its financial obligations while improving the operations of its existing businesses.

CAPITAL STRUCTURE

Rights Issue

On 2 April 2019, the Company announced that it proposed to conduct a rights issue ("Rights Issue") to raise up to approximately HK$66.3 million by issuing up to 509,723,000 rights shares ("Rights Shares") at the subscription price of HK$0.13 per Rights Share on the basis of two (2) Rights Shares for every five (5) Shares.

69,341,149 Rights Shares, representing approximately 13.60% of the total number of 509,723,200 Rights Shares offered under the Rights Issue, were accepted, applied for or placed at last. The net proceeds (after deducing professional fees and other expenses in connection with the Rights Issue from the gross proceeds) raised from the Rights Issue amounted to approximately HK$6.3 million were intended to be used for general working capital and had been utilised as at the date of this annual report.

For further details, please refer to the announcements of the Company dated 2 April 2019, 25 April 2019, 10 May 2019, 17 May 2019 and 29 May 2019 and the prospectus of the Company dated 26 April 2019.

FOREIGN EXCHANGE EXPOSURE

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

CHARGE ON GROUP ASSETS

As at 31 March 2020, the Group's banking facilities were secured by:

(a) the charge over certain property, plant and equipment, investment properties, financial assets at FVTPL, 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, Ms. Gloria Wong and directors of subsidiaries of the Company;

(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 of the Company;

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

(i) charge over the bank deposit under the name of a Company's then Director, namely, Ms. Gloria Wong.

COMMITMENTS

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 9 years (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 31 March 2020, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2020	2019
	HK$'000	HK$'000
Within one year	**61,094**	70,263
In the second to fifth years, inclusive	**148,344**	182,033
After five years	**108,063**	151,186
	317,501	403,482

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 178 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

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

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

ADDITIONAL INFORMATION ON AUDITOR'S MODIFIED OPINIONS

The Board wishes to draw the attention of the Shareholders to the section headed "Basis for Disclaimer of Opinion" as contained in the Independent Auditor's Report dated 17 August 2020 issued by the Company's auditor, RSM Hong Kong, now contained in pages 54 to 56 of this report. On the basis set out therein, our auditor does not express an opinion on the consolidated financial statements of the Group for the Year.

As explained in the "Basis for Disclaimer of Opinion", the auditor's disclaimer of opinion was principally caused by the multiple uncertainties relating to going concern. As set out in the subsection headed "Liquidity, Financial Resources and Capital Structure" on pages 18 and 19 of this report, the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position.

The Board and audit committee of the Company agreed with the views of the auditor regarding the uncertainty of going concern. There is no disagreement by the Board, the management nor the audit committee with the position taken by the Company's auditor regarding the disclaimer of opinion. The Directors will continue to use their best efforts to protect and uphold the Company's best interest, including ongoing negotiation with various lenders over the debt restructuring arrangements. The Directors will proactively explore more means to improve the Group's financial position and resolve matters relating to the disclaimer of opinion.

OUTLOOK

The outlook for business is clouded by the COVID-19 and the possible escalation of the Sino-United States trade war. Such situation can lead to economic slowdown or even contraction and thus dampen the domestic demand in China. Therefore, the Group's property sales efforts can be frustrated and the possibility of resuming its iron ore mining and processing business can be decreased.

Although the Group has adopted the strategy of shifting the focus of its business to property investment and development in recent years, it may take even longer than originally expected for the Group's strategy to yield significant results because of the worsening external environment.

Nevertheless, the Group will continue to try its best to restore its financial health. To raise capital to repay the overdue debts, it will press ahead with the construction of its ongoing property projects and the property sales there. Raising capital to repay an enormous amount of short-term debts will remain the Group's first priority. The Group has already disposed of its equity stakes in some businesses, some properties or property development projects, and will continue with its sales efforts at some of such ongoing projects.

In its property business, the Group will step up its sales efforts at the property projects in Yancheng and Suzhou, Jiangsu provinces, the PRC.

As to its iron ore mining and processing business in Malaysia, the Group will continue to suspend it and will consider resuming the business only market price of iron ore keep increasing and only when the Group has restored its financial health.

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

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. WONG Ben Koon, aged 67, is one of the co-founders of the Group and the chairman of the Board. Mr. Wong is responsible for deriving the corporate culture and long term strategic plan of the Group. Mr. Wong has extensive experience in building materials and mineral resources industries in the PRC and global markets.

Mr. XIE Qiangming, aged 28, was appointed as an executive Director and chief executive officer of the Company on 4 July 2019. Mr. Xie was also appointed as a member of the remuneration committee and nomination committee of the Company on 8 July 2019. Mr. Xie is a substantial shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) of the Company, holds a master degree of Finance from the PBC School of Finance at Tsinghua University. Mr. Xie has extensive experience in corporate strategy formulation and execution, capital markets and investor relations. He worked for several well-known financial institutions such as ICBC International Holdings Limited and was responsible for providing professional services to its clients such as corporate strategy formulation and execution, merger and acquisition projects management, in charge of private placements and fundraising projects. He is currently working at a famous Hong Kong independent financial services group as a vice president and is responsible for assisting the president in operating the company's capital market business, private equity investment business, developing and expanding the company's investor relations and public relations platform in order to support the company's strategies. Mr. Xie is an executive director of China Billion Resources Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 274).

Mr. NIE Qiaoming aged 38, was appointed as an executive Director on 5 July 2019. Mr. Nie holds a bachelor degree in financial management and a master degree in accounting from the Southwestern University of Finance and Economics in the PRC. Mr. Nie has over ten years of experience in accounting and finance. He served as a financial director in Tong Chuang Jiu Ding Investment Management Group Co., Ltd. from 2013 to 2017.

Mr. MA Xin, aged 38, was appointed as an executive Director on 8 July 2019. Mr. Ma holds bachelor degrees in both Commerce and Economics from the Laurentian University in Canada. He has extensive experience in financing and trust management. He served as the deputy general manager of investment banking department of Chang'an International Trust Company Limited from 2008 to 2018 and was responsible for loan financing, merger and acquisition and private equity investment. Mr. Ma is currently the executive director and general manager of Oriental Patron Tenghua Financing Leasing (Shenzhen) Co., Limited which engages in providing financial services including financial leasing, equity investment, industrial funds and management consulting.

Independent non-executive Directors

Mr. ZHAO Gen, aged 39, was appointed as independent non-executive Director on 5 July 2019. Also, Mr. Zhao was appointed as the chairman of each of the audit committee of the Company and the nomination committee of the Company, and a member of the remuneration committee of the Company on 5 July 2019. Mr. Zhao holds a doctoral degree in financial management from the Southwestern University of Finance and Economics in the PRC. Mr. Zhao has over 9 years of experience in accounting and finance. Mr. Zhao worked in Chengdu Rural Commercial Bank with his last position as the assistant to general manager from 2010 to 2015. He also served as an assistant to general manager in JZ Securities Company Limited from 2015 to 2018. Mr. Zhao is currently the deputy general manager and financial director of Tong Chuang Jiu Ding Investment Management Group Co., Ltd.

Mr. GUAN Guisen, aged 56, was appointed as an independent non-executive Director on 8 July 2019. Also, Mr. Guan was appointed as the chairman of the remuneration committee of the Company and a member of each of the audit committee of the Company and the nomination committee of the Company on 8 July 2019. Mr. Guan obtained his bachelor degree from China Central University of Finance and Economics (中央財經大學) in 1984 and a master degree from Graduate School of the PBOC (中國人民銀行研究部) in 1987. Mr. Guan has over twenty years of senior management experience in finance, property development and investment in the PRC. He was a deputy president of Hainan Technology and Industry Group (海南科工集團) from 1990 to 1994. He served as a deputy president of Taihe Holdings Co., Ltd. (太合控股有限公司) from 2001 to 2003, a director of China Union Pay Data Services Co., Ltd. (銀聯數據有限公司) from 2002 to 2005 and a general manager of Taihe Real Estate Co., Ltd. (太合地產有限公司) from 2003 to 2007. He was also a director of China Union Loyalty Co., Ltd. (上海銀商資訊有限公司) from August 2008 to October 2014. Mr. Guan was the chairman of Beijing Shangyin Investment Consultancy Co., Ltd. (商銀融通(北京)投資 諮詢有限公司) from April 2010 to March 2011. Mr. Guan acts as the chairman of Beijing Dongsen Jinbi Investment Consultancy Co., Ltd. (北京東森金碧投資諮詢有限公司) since August 2008. Mr. Guan is currently the chairman and executive director of China Youzan Limited, a company listed on the GEM Board of the Stock Exchange (Stock Code: 8083).

Mr. YAN Xiaotian, aged 60, has obtained a master degree in economics from Graduate School of the Financial Research Institute of the People's Bank of China in the PRC in 1986 (which was then merged with Tsinghua University and known as PBC School of Finance, Tsinghua University since 2012) and is a senior economist. Mr. Yan has over 30 years of extensive experience in economic, financing and management. Mr. Yan served as the president of the head office of Bank of China Limited, the vice president of CITIC Bank Corporation Limited (formerly known as CITIC Industrial Bank Limited), Guangzhou branch, PRC, the general manager of CITIC Securities Co., Ltd. (Guangzhou), and a director and an executive president of South China International Leasing Co., Ltd. Mr. Yan is currently an executive director of China Youzan Limited (formerly known as China Innovationpay Group Limited), a company listed on GEM of the Stock Exchange (stock code: 8083) and an independent non-executive director of China Billion Resources Limited, a company listed on the Main Board of the Stock Exchange (stock code: 274).

Senior Management

Mr. CHEN Hao, aged 61, is the group general manager of the Group's real estate investment and development business. He has nearly 24 years experience in property investment and development in the PRC. He was a general manager of Jiaye Real Estate Development Ltd. ("Jiaye") from the time the company was founded in 1999. In 2005, he obtained a masters degree in Quality Management from Hong Kong Polytechnic University. In 2009, Jiaye and two other property development companies merged and formed China Calxon Group Co., Limited (the "Calxon"), which was successfully listed on the Shenzhen Stock Exchange (Stock Code: 918). Before joining the Group in April 2013, he was an executive director and standing vice president of Calxon.

Mr. HONG Chengzhang, aged 59, is a deputy general manager of the Group's real estate investment and development business. He is responsible for the implementation of corporate strategy and overseeing operational activities. He started his career at the Industrial and Commercial Bank of China ("ICBC") in 1978 as a loan officer and was promoted to vice president and president of ICBC Guangzhou Fangcun Branch in 1984 and 1995 respectively. In 1998, he joined Guangzhou Bliss Hero Real Estate Development Limited, which was subsequently acquired by the Group in August 2010, as a managing director and is responsible for overseeing the development and management of Silver Bay Plaza as well as the management of Oriental Landmark.

Mr. TOK Beng Tiong, aged 49, is an executive in charge of the clinker and cement business. Mr. Tok obtained his bachelor's degree in Commerce from the University of New South Wales in Australia. Mr. Tok has over 19 years' experience in building material industry and relevant logistics management in the PRC and global markets. He had been an employee of the Group from December 2001 to February 2003 and re-joined the Group in January 2005.

Mr. JONG Cheong Luk, aged 40, was appointed as Chief Financial Officer of the Company on 1 April 2020. Mr. Jong holds a master's degree in management with business finance from the University of York and is a fellow member of the Association of Chartered Certificated Accountants. Mr. Jong joined the Group in February 2009 and has over 18 years' experience in commercial and international accounting firm.

CORPORATE GOVERNANCE REPORT

Introduction

Prosperity International Holdings (H.K.) Limited (the "Company") is committed to maintaining a high standard of corporate governance, emphasising transparency, independence and accountability, in order to promote the interests of all shareholders and enhance shareholders' value.

The Company's corporate governance practices are based on principles and code provisions as prescribed in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The board (the "Board") of directors (the "Director(s)") of the Company reviews its corporate governance practices during the year ended 31 March 2020 (the "Year") and from time to time with reference to the latest development of corporate governance in order to meet expectations from all interested parties and comply with requirements from relevant regulatory authorities.

In the opinion of the Directors, the Company has complied with all code provisions set out in the CG Code during the Year, except for the following deviations.

Under paragraph E.1.2 of the CG Code, the chairman of the Board shall attend the annual general meeting and arrange for the respective chairman 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 his duly appointed delegate, to be available to answer questions at any general meeting. The chairman of the independent board committee (if any) shall 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 Company endeavours to maintain an on-going dialogues with its shareholders, Mr. Wong, the chairman of the Company was not able to attend annual general meeting held on 26 September 2019 (the "AGM") due to other important business engagements. Ms. Gloria Wong was an executive director of the Company on the date of AGM, attended the AGM and was appointed as the chairlady of the meeting and was delegated to make herself available to answer questions if raised at the meetings. The absence of the chairman of the Company in the AGM constituted a deviation from the CG Code. The Company believes such practice meets the same objective and no less exacting than those prescribed under the CG Code. On 12 November 2019, Mr. Wong attended the special general meeting, where the Company abided by the CG Code.

During the period from 25 May 2019 to 5 July 2019, the Company had only two independent non-executive Directors, therefore, the number of the independent non-executive Directors and the Audit Committee fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules, and without at least one independent non-executive Director had appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules. Following the appointment of Mr. Zhao Gen as an independent non-executive Directors on 5 July 2019, the Company was in compliance with the requirements of the Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

During the period from 26 September 2019 to 28 October 2019, the Company had only two independent non-executive Directors, therefore, the number of the independent non-executive Directors and the Audit Committee fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. Following the appointment of Mr. Yan Xiaotian as an independent non-executive Director on 28 October 2019, the Company was in compliance with the requirements of the Rules 3.10 and 3.21 of the Listing Rules.

In this corporate governance report (the "CG Report") and the Board considered that the deviations are immaterial given the size, nature and circumstances to the Company and its subsidiaries (collectively the "Group").

The Board

As at 31 March 2020, the Board comprised eleven Directors including five executive Directors and three independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The composition of the Board as at 31 March 2020 and up to the date of this report is set out below:

Executive Directors:

Mr. WONG Ben Koon, *Chairman*
Ms. Gloria WONG *(resigned on 5 August 2020)*
Mr. XIE Qiangming, *Chief Executive Officer*
(appointed on 4 July 2019)
Mr. NIE Qiaoming *(appointed on 5 July 2019)*
Mr. MA Xin *(appointed on 8 July 2019)*
Dr. MAO Shuzhong *(resigned as both executive Director and Chief Executive Officer on 8 July 2019)*
Mr. WANG Jiafu *(resigned on 8 July 2019)*
Mr. KONG Siu Keung *(resigned on 8 July 2019)*

Non-executive Directors:

Mr. LIU Yongshun *(resigned on 8 July 2019)*
Mr. WU Likang *(resigned on 8 July 2019)*

Independent non-executive Directors:

Mr. CHAN Kai Nang *(retired on 26 September 2019)*
Mr. ZHAO Gen *(appointed on 5 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. YUEN Kim Hung, Michael *(resigned on 25 May 2019)*
Mr. YUNG Ho *(resigned on 8 July 2019)*
Mr. MA Jianwu *(resigned on 8 July 2019)*
Mr. YAN Xiaotian *(appointed on 28 October 2019)*

The biographical details of the Directors are set out on pages 22 to 24 to this report.

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

34 Board meetings were held during the Year and the details of attendance of Board meetings and the general meetings are set out below:

Name of Directors	**Attendance/ Number of Board Meetings**	**Attendance/ Number of General Meetings**
Mr. Wong	9/34	1/2
Mr. Xie Qiangming *(appointed on 4 July 2019)*	8/18	0/2
Mr. Nie Qiaoming *(appointed on 5 July 2019)*	3/18	0/2
Mr. Ma Xin *(appointed on 8 July 2019)*	14/17	0/2
Dr. Mao Shuzhong *(resigned on 8 July 2019)*	11/17	0/0
Ms. Gloria Wong *(resigned on 5 August 2020)*	25/34	2/2
Mr. Wang Jiafu *(resigned on 8 July 2019)*	12/17	0/0
Mr. Kong Siu Keung *(resigned on 8 July 2019)*	17/17	2/2
Mr. Liu Yongshun *(resigned on 8 July 2019)*	10/17	0/0
Mr. Wu Likang *(resigned on 8 July 2019)*	5/17	0/0
Mr. Zhao Gen *(appointed on 5 July 2019)*	6/18	0/2
Mr. Guan Guisen *(appointed on 8 July 2019)*	7/17	0/2
Mr. Yan Xiaotian *(appointed on 28 October 2019)*	1/7	0/1
Mr. Yuen Kim Hung, Michael *(resigned on 25 May 2019)*	4/4	0/0
Mr. Yung Ho *(resigned on 8 July 2019)*	13/17	0/0
Mr. Chan Kai Nang *(retired on 26 September 2019)*	19/24	1/1
Mr. Ma Jianwu *(resigned on 8 July 2019)*	16/17	0/0

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

During the Year, Mr. Wong and Mr. Xie Qiangming ("Mr. Xie") were the substantial shareholders of the Company. Their respective interests of the Company as at the end of the Year are disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" in the "Report of the Directors". Mr. Wong has beneficial interests in certain companies outside the Group. Transactions between these companies and the Group (if any) during the Year are disclosed in note 50 to the consolidated financial statements.

Save as disclosed above and in note 50 to the consolidated financial statements, there is no financial, business, family or other material or relevant relationship among the Directors or between the chairman and the chief executive officer, except that Ms. Gloria Wong, the former executive Director, is the daughter of Mr. Wong, the chairman of the Board.

During the Year, all the non-executive Directors were appointed for a term of 3 years while all the independent non-executive Directors were appointed for a specific term. All independent non-executive Directors will be subject to retirement by rotation and re-election at the annual general meetings of the Company. The Company has received an annual written confirmation from each of the independent non-executive Directors, during the Year and up to the date of the report, of his independence. The Board considers that all the independent non-executive Directors are independent in accordance with the guidelines set out under Rule 3.13 of the Listing Rules.

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

Chairman and Chief Executive Officer

The chairman of the Company (the "Chairman") is responsible for deriving the corporate culture and long term strategic plan of the Group, while the chief executive officer of the Company (the "CEO") is responsible for the overall management of the Group, including strategic planning, business developments and operations. During the Year and up to the date of this report, Mr. Wong was the Chairman. Dr. Mao Shuzhong was the CEO during the Year and resigned on 8 July 2019, and Mr. Xie Qiangming was then appointed as CEO on 8 July 2019.

Audit Committee

During the Year, 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. As at the date of this report, the Audit Committee consists of three members, namely, Mr. Zhao Gen (chairman of the Audit Committee), Mr. Guan Guisen and Mr. Yan Xiaotian.

All members possessed diversified industry experiences and appropriate professional qualifications as required under the Listing Rules. Major duties of the Audit Committee and responsibilities 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 the 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; and

4. 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.

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

Name of Directors	**Attendance/ Number of Audit Committee Meetings**
Mr. Zhao Gen (chairman of the Audit Committee, appointed on 8 July 2019)	2/2
Mr. Guan Guisen (appointed on 8 July 2019)	2/2
Mr. Yan Xiaotian (appointed on 28 October 2019)	0/1
Mr. Yuen (chairman of the Audit Committee, resigned on 25 May 2019)	0/0
Mr. Chan Kai Nang (appointed on 8 July 2019 and ceased to be a member of Audit Committee on 26 September 2019)	1/1
Mr. Ma Jianwu (resigned on 8 July 2019)	0/0
Mr. Yung Ho (resigned on 8 July 2019)	0/0

During the Year, 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 for the six months ended 30 September 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 External Auditor and internal control department of the Company 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).

As at the date of this report, the Audit Committee consists of three members, Mr. Zhao Gen (chairman of the Audit Committee), Mr. Guan Guisen, and Mr. Yan Xiaotian all of whom are independent non-executive Directors. The Audit Committee has reviewed with the management and the External Auditor, the audited consolidated financial statements of the Group for the Year. The Audit Committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

The details of the Group's ability to continue as a going concern is set out in the section headed "Liquidity, Financial Resources and Capital Structure" under the "Management Discussion and Analysis" on pages 18 and 19 of this report. The Audit Committee agreed and shared the same view with the Board on the Group's ability to continue as a going concern and accepted the External Auditor's opinion which is set out in "Independent Auditor's Report" on pages 54 to 56 of this report.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was set up in March 2005 and during the Year, its term of reference was in full compliance with the provisions set out in CG Code. As at the date of this report, the Remuneration Committee consists of three members, namely, Mr. Guan Guisen (chairman of the Remuneration Committee), Mr. Xie Qiangming and Mr. Zhao Gen.

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

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

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

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

Name of Directors	**Attendance/ Number of Remuneration Committee Meetings**
Mr. Guan Guisen (appointed on 8 July 2019) (chairman of the Remuneration Committee)	1/1
Mr. Xie Qiangming (appointed on 8 July 2019)	1/1
Mr. Zhao Gen (appointed on 8 July 2019)	1/1
Mr. Yuen (chairman of the Remuneration Committee, resigned on 25 May 2019)	0/0
Mr. Chan Kai Nang (ceased to be a member of the Remuneration Committee on 8 July 2019)	1/1
Mr. Yung Ho (resigned on 8 July 2019)	1/1

Upon the resignation of Mr. Yuen as an independent non-executive Director on 25 May 2019, the Company had been in deviation from Rule 3.25 of the Listing Rules as the Company fails to meet the requirement that the Remuneration Committee shall be chaired by an independent non-executive Director. Following the change of composition of the Remuneration Committee on 8 July 2019, the Company has re-complied with Rule 3.25 of the Listing Rules.

On 8 July 2019, Mr. Yung Ho resigned as an independent non-executive Director and as a member of Remuneration Committee while Mr. Chan Kai Nang ceased to be a member of the Remuneration Committee. On 8 July 2019, Mr. Guan Guisen was appointed as the chairman of Remuneration Committee and Mr. Xie Qiangming and Mr. Zhao Gen were appointed as members of Remuneration Committee.

As at the date of this report, the Remuneration Committee consists of three members, namely Mr. Guan Guisen (chairman of the Remuneration Committee), Mr. Xie Qiangming and Mr. Zhao Gen.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was set up on 30 March 2012 and during the Year, its terms of reference was in full compliance with provisions set out in the CG Code. As at the date of this report, the Nomination Committee consists of three members, namely, Mr. Zhao Gen (chairman of the Nomination Committee), Mr. Xie Qiangming and Mr. Guan Guisen.

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

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

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

3. to assess the independence of independent non-executive Directors, having regarded to the requirements under the Listing Rules;

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

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

The key nomination criteria and principles of the Company which is in place for the nomination of directors constitute the nomination policy of the Company ("Nomination Policy"). The purpose of the Nomination Policy is to identify candidates who are suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The core criteria for selection include:

(i) character and integrity;

(ii) qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy (elaborated below) that are relevant to the Company's business and corporate strategy;

(iii) requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(iv) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(v) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

(vi) such other perspectives appropriate to the Company's business.

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

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

Name of Directors	**Attendance/ Number of Nomination Committee Meetings**
Mr. Zhao Gen (chairman of the Nomination Committee) (appointed on 8 July 2019)	1/1
Mr. Guan Guisen (appointed on 8 July 2019)	1/1
Mr. Xie Qiangming (appointed on 8 July 2019)	1/1
Mr. Chan Kai Nang (ceased to be the chairman of the Nomination Committee on 8 July 2019)	0/1
Mr. Kong Siu Keung (resigned on 8 July 2019)	1/1
Mr. Ma Jianwu (resigned on 8 July 2019)	1/1

Directors' Securities Transactions

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

Having made specific enquiry with all Directors, each of them confirmed that the Model Code has been complied in full throughout the Year.

Securities Transactions by Relevant Employees

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

Directors' Responsibilities for the Financial Statements

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

On 28 November 2019, a winding up petition together with the JPLs Application on a light touch approach for restructuring purposes was presented and filed with the Bermuda Court by the Company's Bermuda counsel at the request of the Company. The purpose of the JPL Application is to enable the Company to continue its orderly financial restructuring with the assistance of the Bermuda Court.

The Group has been actively negotiating with its creditors for renewal and extension of the debts (including principals and interests) that remain overdue.

During the Year, as set out in the section headed "Going Concern Basis" in note 2 to the consolidated financial statements in the report, the Group experienced financial difficulties. In order to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations, the Directors have, during the Year and up to the date of this annual report, taken the following measures:

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

(b) raising of additional capital from the public market. During the year ended 31 March 2020, the Company raised additional capital of approximately HK$6,336,000 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 Fuchun Dongfang for a cash consideration of approximately RMB547 million (equivalent to approximately HK$610 million); of which the whole proceeds would be used for settlement of bank borrowings upon the completion of disposal;

(f) disposal of Greater Sino for a consideration of approximately HK$335 million that would be settled by setting off with equivalent debt amount assigned to the purchaser prior to the completion of disposal; and

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

Furthermore, to resolve the pressure from the maturing indebtedness, the Company is in the progress of negotiating with the relevant creditors with a view to execute a possible financial restructuring plan, part of which includes seeking potential investors who interested in investing in the Group. It is currently in discussion with an independent third party (the "Investor") with that regard. No legally binding letter of intent ("LOI") have been entered between the Company and the Investor.

The Directors will continue to make their best endeavors to restore the financial health of the Company by increasing liquidity to meet its financial obligations while improving the operations of its existing businesses.

The statement of the External Auditor about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 57 of this report.

Communications with Shareholders

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

General Meeting

During the Year, Mr. Wong, the chairman of the Company was not able to attend annual general meeting held on 26 September 2019 (the "AGM") due to other important business engagements. Ms. Gloria Wong was an executive director of the Company on the date of AGM, attended the AGM and was appointed as the chairperson of the meeting and was delegated to make herself available to answer questions if raised at the meetings. The absence of the chairman of the Company in the AGM constituted a deviation from the CG Code. The Company believes such practice meets the same objective and no less exacting than those prescribed under the CG Code. On 12 November 2019, Mr. Wong attended the special general meeting, where the Company abided by the CG Code.

Directors' Continuous Training and Development

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

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

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

Name of Directors	Attending training courses, seminars or conference	Reading materials or updates
Executive Directors:		
Mr. Wong		✓
Dr. Mao Shuzhong (resigned on 8 July 2019)		✓
Ms. Gloria Wong (resigned on 5 August 2020)		✓
Mr. Wang Jiafu (resigned on 8 July 2019)		✓
Mr. Kong Siu Keung (resigned on 8 July 2019)	✓	✓
Mr. Xie Qiangming (appointed on 4 July 2019)		✓
Mr. NIE Qiaoming (appointed on 5 July 2019)		✓
Mr. Ma Xin (appointed on 8 July 2019)		✓
Non-executive Directors:		
Mr. Liu Yongshun (resigned on 8 July 2019)		✓
Mr. Wu Likang (resigned on 8 July 2019)		✓
Independent non-executive Directors:		
Mr. Yuen (resigned on 25 May 2019)	✓	✓
Mr. Yung Ho (resigned on 8 July 2019)		✓
Mr. Chan Kai Nang (retired on 26 September 2019)	✓	✓
Mr. Ma Jianwu (resigned on 8 July 2019)		✓
Mr. Zhao Gen (appointed on 5 July 2019)		✓
Mr. Guan Guisen (appointed on 8 July 2019)		✓
Mr. Yan Xiaotian (appointed on 28 October 2019)		✓

Company Secretary

On 31 July 2020, Mr. Kong Siu Keung resigned as the Company Secretary and Ms. Sun Shui has been appointed by the board as the Company Secretary on 31 July 2020. The Company Secretaries fulfilled the hours of training required under Rule 3.29 of the Listing Rules to perform the duties required.

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

Board Diversity Policy

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

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

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

Dividend Policy

The dividend policy which is in place reflects the Board's current view on the financial and cash flow positions of the Company and its subsidiaries. The Board will review the dividend policy from time to time, but the Company does not guarantee any payment of dividends in any specific amount at any designated period. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others:

(i) the Group's actual and expected financial performance;

(ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(iii) retained profits and distributable reserves of the Company and each of the members of the Group;

(iv) the Group's liquidity positions;

(v) interest of shareholders;

(vi) taxation consideration;

(vii) potential effect on creditworthiness;

(viii) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(ix) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of Bermuda, the Listing Rules, the laws of Hong Kong and bye-laws of the Company and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Internal Control and Risk Management

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control and risk management. During the Year, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including financial, operational and compliance controls.

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

1. Risk identification: Identify major and significant risks that could affect the achievement of goals of the Group;

2. Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

3. Risk mitigation: Develop effective control activities to mitigate the risks; and

4. Monitoring: Monitor and review the effectiveness of such measures.

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

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

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

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

Shareholders' Rights

(i) Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting to be called by the Board. The written requisition (i) must state the purposes of the special general meeting; and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists.

Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the special general meeting will not be convened as requested.

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

(ii) Putting Forward Proposals at General Meetings

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

(iii) Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at Units 1405–1407, Dominion Centre, 43–59 Queen's Road East, Wanchai, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Tricor Tengis Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

Relationships with Stakeholders

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

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

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

Auditor's Remuneration

RSM Hong Kong was appointed as the External Auditor of the Company. The External Auditor is primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the Year, the total remuneration in respect of services provided by RSM Hong Kong amounted to approximately HK$4,996,000, of which approximately HK$3,000,000 was incurred for statutory audit and approximately HK$1,996,000 was incurred for non-audit services which mainly included tax compliance services and other professional services.

Constitutional Documents

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

Conclusion

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

REPORT OF THE DIRECTORS

The board of directors (the "Directors" or the "Board") of Prosperity International Holdings (H.K.) Limited (the "Company") is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2020 (the "Year").

Company Information

Prosperity International Holdings (H.K.) Limited (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 Units 1405–1407, Dominion Centre, 43–59 Queen's Road East, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 51 to the consolidated financial statements. The core business of the Group is the (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.

An analysis of the Group's performance for the Year by operating segments is set out in note 11 to the consolidated financial statements.

Results and Reserves

The Group's loss for the Year set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 58 and 59 and the state of affairs of the Group as at 31 March 2020 are set out in the consolidated statement of financial position on pages 60 and 61.

Final Dividend

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 62.

At 31 March 2020, the Company's reserves (comprised the contributed surplus, accumulated losses and share premium which can be transferred to the contributed surplus in accordance to the Bermuda Companies Act 1981) were not available for distribution to shareholders (2019: HK$456 million).

The Board does not recommend the payment of a final dividend for the Year (2019: nil).

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five years is set out on page 184.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Year are set out in note 19 to the consolidated financial statements.

Principal Properties

Details of the movements in the investment properties of the Group during the Year are set out in note 20 to the consolidated financial statements. A summary of the properties held for investment and under development for sales are set out on page 182 and page 183 respectively. The summary of the properties held for investment and under development for sale do not form part of the audited consolidated financial statements.

Principal Subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2020 are set out in note 51 to the consolidated financial statements.

Convertible Bonds

Details of the convertible bonds are set out in note 42 to the consolidated financial statements and pages 11 to 12 of this annual report.

Debenture

The Company had issued an aggregate outstanding principal amount of approximately US$18 million (equivalent to approximately HK$140 million) guaranteed note ("CCB Notes") to Cheer Hope Holdings Limited ("Cheer Hope"), details of which is disclosed in note 44 to the consolidated financial statements and the section headed "Disclosure under Rule 13.21 of the Listing Rules" below on page 42 to this report.

Share Capital

As at 31 March 2020, the authorised share capital of the Company was HK$200 million, divided into 2,000 million Shares of HK$0. 1 each, of which 1,343,649,151 Shares were issued and fully paid up or credited as fully paid up in the amount of HK$134,364,915. Details of movement in the share capital of the Company during the Year are set out in note 33 to the audited consolidated financial statements of this annual report.

On 30 October 2018, the Company put forward the share consolidation and change in board lot size proposals. Upon the passing of the ordinary resolutions by the shareholders on 22 February 2019, every ten issued and unissued shares of the Company of par value of HK$0.01 each were consolidated into one consolidated share of par value of HK$0.1 each. The board lot size for trading on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") was also changed from 20,000 pre-consolidated shares to 10,000 consolidated shares.

Details of movements in the Company's share capital during the Year, together with the reasons therefor, are set out in note 33 to the consolidated financial statements.

Pre-Emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Tax Relief

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

Bank Borrowings

Details of the bank borrowings of the Group are set out in note 36 to the consolidated financial statements.

Under the Bermuda Companies Act 1981, the Company's contributed surplus of approximately HK$872 million (2019: HK$872 million) may be distributed under certain circumstances. In addition, the Company's share premium account of approximately HK$2,259 million (2019: HK$2,260 million) as at 31 March 2020 may be distributed in the form of fully paid bonus shares. Details of the share premium account and reserves of the Company are set out in note 35(b) to the consolidated financial statements.

Major Customers and Suppliers

During the Year, sales to the Group's five largest customers accounted for approximately 31.1% of total sales, and sales to the largest customer included therein accounted for approximately 15.7% of total sales. The Group's five largest suppliers accounted for approximately 47.3% of total purchases for the Year, and purchases from the largest supplier included therein accounted for approximately 24.7% of total purchases.

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

Donations

Group made no donation during the Year (2019: HK$331,000).

Disclosure under Rule 13.21 of the Listing Rules

On 16 March 2016, the Company entered into the subscription agreement with Cheer Hope, and with Mr. Wong Ben Koon ("Mr. Wong") as the guarantor, pursuant to which the Company conditionally agreed to issue the 5% guaranteed convertible bonds due 2018 (the "CCB Convertible Bonds") and CCB Notes, each in the aggregate principal amount of US$20 million (equivalent to approximately HK$156 million), to Cheer Hope.

In relation to the CCB Convertible Bonds and the CCB Notes, Mr. Wong agreed to irrevocably and unconditionally guarantee the punctual performance by the Company of all of its obligation under the transaction documents of the CCB Convertible Bonds and the CCB Notes ("Transaction Documents"). Pursuant to the terms of the CCB Convertible Bonds instrument (the "CCB CB Instrument"), the CCB Notes instrument (the "Notes Instrument") and the Second Amendment, the maturity date of the CCB Convertible Bonds and the CCB Notes extended for one anniversary from 15 April 2018. Further, pursuant to the terms of the CCB CB Instrument and the Notes Instrument, specific performance obligations are imposed on Mr. Wong during the respective terms of the CCB Convertible Bonds and the CCB Notes, occurrence of any of the following events, among others, shall constitute an event of default: (1) Mr. Wong ceases to be the chairman of the Board; (2) Mr. Wong, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and control more than 50% of the shares of the Company; and (3) all or any substantial part of the assets of Mr. Wong is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government.

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

The CCB Convertible Bonds are subject to the fulfillment 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 year ended 31 March 2019, 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$146,667,000, 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.

Directors

The Directors during the Year and up to the date of this report were:

Executive Directors:

Mr. WONG Ben Koon, *Chairman*
Ms. Gloria WONG *(resigned on 5 August 2020)*
Mr. XIE Qiangming, *Chief Executive Officer (appointed on 4 July 2019)*
Mr. NIE Qiaoming *(appointed on 5 July 2019)*
Mr. MA Xin *(appointed on 8 July 2019)*
Mr. LI Zhimin *(resigned on 31 December 2018)*
Dr. MAO Shuzhong *(resigned on 8 July 2019)*
Mr. WANG Jiafu *(resigned on 8 July 2019)*
Mr. KONG Siu Keung *(resigned on 8 July 2019)*

Non-executive Directors:

Mr. LIU Yongshun *(resigned on 8 July 2019)*
Mr. WU Likang *(resigned on 8 July 2019)*

Independent Non-executive Directors:

Mr. CHAN Kai Nang *(retired on 26 September 2019)*
Mr. ZHAO Gen *(appointed on 5 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. YAN Xiaotian *(appointed on 8 October 2019)*
Mr. YUEN Kim Hung, Michael *(resigned on 25 May 2019)*
Mr. YUNG Ho *(resigned on 8 July 2019)*
Mr. MA Jianwu *(resigned on 8 July 2019)*

In accordance with bye-law 86(2) of the Company's bye-laws, Mr. Yan Xiaotian who was appointed to fill casual vacancy of the Board shall retire from office at the first general meeting of the Company and, being eligible, will offer himself for re-election.

Also, in accordance with bye-law 87 of the Company's bye-laws, Mr. Xie Qiangming, Mr. Nie Qiaoming and Mr. Zhao Gen, being the Directors shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 22 to 24 to this report.

Confirmation of Independence of Independent Non-Executive Directors

Each of the current Independent non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent non-executive Directors to be independent in accordance with the Listing Rules.

Changes in Directors' Information

Save as disclosed below or otherwise in this annual report, pursuant to Rule 13.51B(1) of the Listing Rules, there is no change to the directorship and no updated information during the Year.

Name of Directors	Details of Changes
Mr. Mao Shuzhong	Resigned from all positions with the Company on 8 July 2019
Mr. Wang Jiafu	Resigned from all positions with the Company on 8 July 2019
Mr. Kong Siu Keung	Resigned as an executive Director and ceased to be a member of the Nomination Committee on 8 July 2019. Resigned as the chief financial officer of the Company on 22 March 2020 and resigned as the Company Secretary and authorized representative of the Company on 31 July 2020
Mr. Liu Yongshun	Resigned from all positions with the Company on 8 July 2019
Mr. Wu Likang	Resigned from all positions with the Company on 8 July 2019
Mr. Yuen Kim Hung, Michael	Resigned from all positions with the Company on 25 May 2019
Mr. Yung Ho	Resigned from all positions with the Company on 8 July 2019
Mr. Ma Jianwu	Resigned from all positions with the Company on 8 July 2019

Name of Directors	Details of Changes
Mr. Chan Kai Nang	Re-designated as a member of Audit Committee and ceased to be the Chairman of the Nomination Committee and a member of Remuneration Committee on 8 July 2019. Retired as an independent non-executive Director and ceased as a member of Audit Committee on 26 September 2019
Mr. Xie Qiangming	Appointed as an executive Director on 4 July 2019 and appointed as the chief executive officer of the Company, a member of the Remuneration Committee and the Nomination Committee on 8 July 2019
Mr. Nie Qiaoming	Appointed as an executive Director on 5 July 2019
Mr. Ma Xin	Appointed as an executive Director on 8 July 2019
Mr. Zhao Gen	Appointed as an independent non-executive Director on 5 July 2019, appointed as the chairman of the Audit Committee, the chairman of the Nomination Committee and a member of the Remuneration Committee on 8 July 2019
Mr. Guan Guisen	Appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee on 8 July 2019
Mr. Yan Xiaotian	Appointed as an independent non-executive Director and a member of the Audit Committee on 28 October 2019

Directors' Service Contracts

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

The service contracts entered into between the Company and Mr. Wong and Mr. Kong Siu Keung (who resigned as an executive Director on 8 July 2019) have no expiry date, but can be terminated by giving of three months' prior notice, and is exempted from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

Permitted Indemnity Provision

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

Retirement Benefit Scheme and Five Highest Paid Individuals

Details of the retirement benefit schemes and five highest paid individuals are set out in note 15 to the consolidated financial statements of this annual report.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of Directors' emoluments are set out in the note 16 to the consolidated financial statements.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in note 50 to the consolidated financial statements, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party, and which subsisted at the end of the Year or at any time during the Year.

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

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Long position in the shares and underlying shares

	Number of shares and underlying shares held, capacity and nature of interest					
Name of Director/chief executive	**Directly and beneficially owned**	**Through controlled corporation**	**Through Director's spouse**	**Number of underlying shares held under equity derivatives**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wong Ben Koon	139,982,491	167,518,515 (Note a)	2,264,000	–	309,765,006	23.05%
Mr. Xie Qiangming	208,597,022	–	–	–	208,597,022	15.52%
Ms. Gloria Wong (Note b)	–	–	–	1,180,900 (Note b)	1,180,900	0.09%

Notes:

a. Mr. Wong is interested in 167,518,515 Shares 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 Profits Limited, Max Start Holdings Limited and Elite Force (Asia) Limited ("Elite Force") respectively.

b. Ms. Gloria Wong resigned as an executive Director on 5 August 2020. As at 31 March 2020, Ms. Gloria Wong was entitled for 1,180,900 share options of the Company.

Share Option Scheme

The details of the Company's share option scheme, including the movement of, and any outstanding share options during the Year are disclosed in note 45 to the consolidated financial statements. The share option scheme adopted by the Company following the approval of the shareholders of the Company in accordance with the Listing Rules at the annual general meeting held on 25 September 2009.

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

Directors' Interests in Competing Business

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

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

(i) Century Global Commodities Corporation ("Century Global")

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 People's Republic of China ("PRC"), where the Group has iron ore trading business, is not insignificant when compared with the iron ore trading business of the Group in the PRC, it is likely that these Excluded Businesses may compete with the iron ore trading business of the Group in the PRC.

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

Save as aforesaid, during the Year, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and proposed directors of the Company and their respective close associates was considered to have any interests in businesses which competed or were likely, either directly or indirectly, with the businesses of the Group.

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

So far as is known to any Director or chief executive of the Company, as at 31 March 2020, persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares and underlying Shares

	Number of shares and underlying shares held, capacity and nature of interest				
Name	**Capacity/nature of interest**	**Number of shares**	**Number of underlying shares**	**Total**	**Percentage of the Company's issued shares capital**
Ms. Shing Shing Wai	Interest of spouse (Note a)	307,501,006	–		
	Beneficial owner	2,264,000	–		
		309,765,006	–	309,765,006	23.05%
Elite Force (Note c)	Beneficial owner (Note b)	166,798,231	–	166,798,231	12.41%
Mr. Wang Yuhua	Beneficial owner	171,122,378	–	171,122,378	12.74%
Capital Growth (Note c)	Interest in controlled corporations (Note d)	167,518,515	–	167,518,515	12.47%

Notes:

(a) 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.

(b) Elite Force is wholly and beneficially owned by Capital Growth. Capital Growth is wholly and beneficially owned by Mr. Wong.

(c) Mr. Wong is a director of each of Elite Force and Capital Growth.

(d) Capital Growth owns 67.2%, 65%, 65% and 100% in Prosperity Minerals Group Limited, Max Will Profits Limited, Max Start Holdings Limited and Elite Force respectively, and which in return owns 192,382 Shares, 263,951 Shares, 263,951 Shares and 166,798,231 Shares respectively.

Management Contract

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

Connected Transactions

Certain related party transactions as disclosed in note 50 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transaction is the connected transaction between the connected persons (as defined in Rule 14A.06(7) of the Listing Rules) and the Company during the Year. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the following transactions:

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

On 6 August 2019, Fuchun Dongfang pledged certain units of Oriental Landmark, for the benefit of 廣東森島集團有限公司 (Guangdong Sendao Group Limited*), a non-controlling shareholder of Fuchun Dongfang, as security for the loans taken by the non-controlling shareholder of Fuchun Dongfang and its subsidiary. For details about the arrangement, please refer to the announcement of the Company dated 22 October 2019 and the circular of the Company dated 25 October 2019.

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

Save as disclosed above, there is no other transaction that falls under the definition of connected transaction or continuing connected transaction in Chapter 14A of the Listing Rules.

Business Review

Details of business review during the Year are set out in section "Business Review" under "Management Discussion and Analysis" on pages 6 to 12 of this report.

Principal Risks and Uncertainties

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

The Directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The details are set out in subsections headed "Results and Financial Overview" and "Liquidity, Financial Resources and Capital Structure" on page 5 and pages 18 to 19 of this report respectively. 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 measures set out in subsection headed "Directors' Responsibilities for the Financial Statements" on pages 33 to 34 of this report.

* For identification purpose only

Legal Proceedings

Claim for the outstanding loan by Industrial and Commercial Bank of China (Asia) Limited

Prosperity Materials Macao Commercial Offshore Limited ("Prosperity Macao"), an indirect wholly-owned subsidiary of the Company and Fuchun Dongfang were served with a writ of summons issued in the Guangzhou Intermediate People's Court on 17 January 2020, in relation to the claim by Industrial and Commercial Bank of China (Asia) Limited (the "ICBC") as against Prosperity Macao, amongst others, for the outstanding loan amounts of a sum of HK$568,589,411 being the outstanding principal and interest due and certain sums in relation to the legal cost, litigation costs and maintenance cost to be borne by Fuchun Dongfang and Prosperity Macao collectively; and as against Fuchun Dongfang, amongst others, for the right to seize or the priority to the repayment after sale or auction of the pledged assets of Fuchun Dongfang in the event that Prosperity Macao fails to settle the claim amount. For details, please refer to the announcement of the Company dated 3 February 2020. The parties have reached a settlement agreement (the "Settlement Agreement") where Prosperity Macao shall repay the ICBC the principal and interest due plus the legal cost according to the payment schedule of the Settlement Agreement.

Claim for the outstanding loan by O-Bank Co., Ltd

The Company was served with two writs of summons issued in the Court of First Instance of the High Court of Hong Kong on 22 November 2019, pursuant to which O-Bank Co., Ltd (formerly known as Industrial Bank of Taiwan Co., Ltd.) claimed against (i) Success Top Enterprise Limited ("Success Top"), an indirect wholly-owned subsidiary of the Company for banking facilities advanced to it which include, amongst others, the sum of US$2,145,560 being the outstanding principal and interest due and the interest on the principal sum of US$2,065,000 at the rate of 11.45% per annum of 360 days from 21 November 2019 to the date of judgement; (ii) and as against Prosperity Macao, amongst others, for the sum of US$15,255,580 being the outstanding principal and interest due, the respective interests at 8.37% per annum and 11.35% per annum of 360 days from 21 November 2019 to the date of judgement on the principal sum of US$8,415,748.11 and US$6,400,000 respectively. For details, please refer to the announcement of the Company dated 29 November 2019. The parties have reached the Settlement Agreement where Prosperity Macao and Success Top shall repay the O-Bank Co., Ltd the principal and interest due plus the legal cost according to the payment schedule of the Settlement Agreement.

Claim for the outstanding construction loan by Geshan Construction Group Co., Ltd

Binhai Qiaohong Zhiye Limited* (濱海僑宏置業有限公司) ("Binhai Qiaohong"), an indirect wholly-owned subsidiary of the Company, received two summonses and notices of appearance issued by the Intermediate People's Court of Yancheng City in Jiangsu Province (江蘇省鹽城市中級人民法院) (the "People's Court of Yancheng City"), on 29 July 2020, in relation to two claims filed by Geshan Construction Group Co., Ltd.* (歌山建設集團有限公司) ("Geshan Construction", as the plaintiff) against Binhai Qiaohong (as the 1st defendant) and the Company (as the 2nd defendant) over the alleged unpaid outstanding balance of RMB82,412,298 under a construction contract and guarantee and RMB69,696,750 under another construction contract and guarantee. It was alleged that Geshan Construction had entered into two construction contracts with Binhai Qiaohong and that the Company had provided guarantees in favour of Geshan Construction in respect of any amount and interests owing by Binhai Qiohong under the two construction contracts. Both cases are scheduled to be heard on 3 September 2020. For further details, please refer to the Company's announcement dated 30 July 2020.

* For identification purpose only

Claim for the outstanding shareholder loans by Zhou Xiaolang and Xie Youcai

On 3 August 2020, the People's Court of Wuzhong District of Suzhou City in Jiangsu Province (江蘇省蘇州市吳中區人民法院) (the "People's Court of Wuzhong District") issued a summons and notice of appearance to Suzhou Jiaxin Real Estate Development Company Limited* (蘇州市嘉欣房地產開發有限公司) ("Suzhou Jiaxin"), an indirect 55%-owned subsidiary of the Company, according to which the People's Court of Wuzhong District has accepted a claim filed by Zhou Xiaolang (周小郎) (the "1st Plaintiff") against Suzhou Jiaxin over, among others, (i) the alleged unpaid outstanding principal and accrued interests of a loan owed by Suzhou Jiaxin to the 1st Plaintiff in an aggregate amount of RMB38,315,500 and (ii) the alleged default penalty of RMB2,107,400. Subsequently on 6 August 2020, the People's Court of Wuzhong District issued another summons and notice of appearance to Suzhou Jiaxin, according to which the People's Court of Wuzhong District has accepted another claim filed by Xie Youcai (謝友才) (the "2nd Plaintiff") against Suzhou Jiaxin over, among others, (i) the alleged unpaid outstanding principal and accrued interests of a loan owed by Suzhou Jiaxin to the 2nd Plaintiff in an aggregate amount of RMB34,530,400 and (ii) the alleged default penalty of RMB2,071,800. For further details, please refer to the Company's announcement dated 11 August 2020.

Claim for the outstanding construction loan by Shanghai Ershiye Construction Co., Ltd

On 10 August 2020, the People's Court of Wuzhong District issued another summons to Suzhou Jiaxin, an indirect 55%-owned subsidiary of the Company, according to which the People's Court of Wuzhong District has accepted a claim filed by Shanghai Ershiye Construction Co., Ltd* (上海二十冶建設有限公司) (as the plaintiff) against Suzhou Jiaxin (as the defendant) over, among others, (i) the alleged unpaid outstanding balance of RMB36,773,832 under a construction contract and (ii) the alleged default interest of RMB640,758. For further details, please refer to the Company's announcement dated 13 August 2020.

Claim for the outstanding debts by other creditors

In addition, the Company has also received demands from various other creditors for repayment of debts in the total amount of approximately HK$1,435 million as at 30 June 2020, failing which the creditors have threatened to commence legal proceedings against the Group.

Events After the Reporting Period

Details of the significant events occurring after the reporting period are set out in note 52 to the consolidated financial statements.

Compliance with Laws and Regulations

As at 31 March 2020 and up to the date of this report, the Board was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

Compliance with the Code on Corporate Governance Practices

A full corporate governance report is set out on pages 25 to 39 of this report.

* For identification purpose only

Sufficiency of Public Float

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

Review of the Consolidated Financial Statements

The Audit Committee has reviewed with the management and the Auditor, the accounting principles and policies as adopted by the Company, the practices of the Group and the audited consolidated financial statements for the Year.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 25 to 39 of this annual report.

Auditor

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

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

ON BEHALF OF THE BOARD
WONG Ben Koon
Chairman

Hong Kong, 17 August 2020

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF
PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
(Incorporated in the Bermuda with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 181, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

(1) Multiple Uncertainties Related to Going Concern

(a) As disclosed in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately HK$556,294,000 during the year ended 31 March 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$2,225,504,000. The Group's total financial obligations as at 31 March 2020 amounted to approximately HK$2,003,712,000, of which approximately HK$1,947,127,000 are repayable within the next twelve months, while its cash and cash equivalents amounted to approximately HK$222,759,000 only.

(b) On 28 November 2019, a winding up petition together with the application for the appointment of joint and several provisional liquidators of the Company on a light touch approach for restructuring purposes was presented and filed with the Supreme Court of Bermuda (the "Bermuda Court") by the Company's Bermuda counsel at the request of the Company (the "JPL Application"). The purpose of the JPL Application is to enable the Company to continue its orderly financial restructuring with the assistance of the Bermuda Court.

(c) On 22 November 2019, 18 December 2019 and 3 January 2020 respectively, the Company was served with a number of writs of summons issued by the Court of First Instance of the High Court of Hong Kong and by two People's Courts of Guangdong Province, with O-Bank Co., Ltd ("O-Bank") as the plaintiff and subsidiaries of the Company as defendants for default in banking facilities granted by O-Bank to the Group. On 17 January 2020, the Company was further served with a writ of summon issued by the People's Courts of Guangdong Province, with Industrial and Commercial Bank of China Limited ("ICBC") as the plaintiff and subsidiaries of the Company as defendants for default in banking facilities granted by ICBC to the Group. The claimed principal and interests amounts under of the aforementioned writs of summons are approximately HK$681,670,000 and HK$22,648,000 respectively (the "Default Borrowings"), together with ancillary reliefs and costs, details of which are set out in note 36 to the consolidated financial statements.

Furthermore, on 29 July 2020 and 10 August 2020, a number of writs of summons were issued by the Intermediate People's Court of Yancheng City in Jiangsu Province and People's Court of Wuzhong District, Suzhou Province, with two property constructors of the Group, as the plaintiffs and subsidiaries of the Company as defendants for default in construction cost owing by the Group to the property constructors. The claimed amounts under the aforementioned writs of summons are approximately HK$268,458,000. Furthermore, one of the property constructors had also claimed for the remaining outstanding amount owing by the Group of approximately HK$286,504,000 through its legal representative (the "Default Construction Cost"), details of which are set out in note 40 to the consolidated financial statements.

In addition, on 8 June 2020, an individual payable of the Group had filed a lawsuit against a subsidiary of the Group via the People's Court of Wuzhong District, Suzhou Province. The claimed amount is approximately HK$85,937,000, details of which are set out in note 41 to the consolidated financial statements.

On 2 April 2020 and 24 April 2020, the Group has remedied the breaches under O-Bank and ICBC by entering into two settlement plans. However, negotiations with the two property constructors and the individual payable are underway and no extensions to the repayment dates of construction costs were granted up to the date of this report.

(d) During the year ended 31 March 2020 and up to the date of this report, the Group was also in default in respect of principal of bonds and borrowings of approximately HK$140,400,000 and HK$513,293,000 respectively and its related interests of bonds and borrowings of approximately HK$156,781,000 and HK$210,273,000 respectively (the "Default Sums").

During the year ended 31 March 2020, the directors have successfully obtained the extension of partial repayment from certain bondholders of approximately HK$59,640,000. However, negotiations with other bondholders and lenders are underway and no extensions to the repayment dates have been obtained from these parties up to the date of this report.

(e) During the year ended 31 March 2020 and up to the date of this report, the Group received demand letters from legal representatives of other bondholders and lenders for repayment of principal of bonds and borrowings under the Default Sums, the claimed amounts are approximately HK$140,400,000 and HK$481,293,000 respectively and its related interests of bonds and borrowings of approximately HK$156,781,000 and HK$208,570,000 respectively, details of which are set out in notes 36, 42, 43 and 44 to the consolidated financial statements.

Consequently, as at 31 March 2020, the Default Borrowings and the entire Default Sums under the non-current liabilities portion were classified as current liabilities.

These events and conditions, together with other matters described in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions, which are set out in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties including:

(i) the successful negotiations with the property constructors, other bondholders and lenders for the renewal of or extension for repayment for those construction costs, bonds and borrowings, including those construction costs payables, loan principals and interests that are already overdue;

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

(iii) successfully accelerating the presales 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;

(iv) the successful maintenance of relationship with the Group's suppliers and property constructors and the Group's ability to settle its obligations to its suppliers and constructors on a timely basis such that (1) no further actions will be taken by those suppliers and constructors against the Group; and (2) those constructors who have currently suspended construction activities on the Group's properties under development as at 31 March 2020 agree to complete the construction in accordance with the scheduled or re-scheduled timescales and construction costs;

(v) the successful completion of the disposals of Guangzhou Fuchun Dongfang Real Estate Investment Company Limited and Greater Sino Investments Limited with whole proceeds used for settlement of the Default Borrowings or setting off with equivalent debt amount assigned to the purchaser, which subject to the shareholders' approval in the extraordinary general meetings;

(vi) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms; and

(vii) successfully managing the impact of the COVID-19 outbreak, given any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash from its operations.

Should the Group fail to achieve the abovementioned plans and measures, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

(2) Impairment of properties under development for sale

As disclosed in note 28, as at 31 March 2020, the Group had properties under development for sale recorded under inventories of approximately HK$1,266,732,000.

In determining the estimated net realisable value of those properties under development for sale, the directors have assumed completion of the projects in accordance with agreed timescales and budgets. This depends in particular on the Group's ability to generate sufficient funds to settle its obligations to the constructors on these projects who have currently suspended construction activities.

As a result of the multiple material uncertainties related to going concern detailed above, we were unable to obtain sufficient appropriate audit evidence we consider necessary to satisfy ourselves as to the Group's ability to complete the properties under development for sale and hence to determine their net realisable value. Any provision found to be necessary to write down these assets to their net realisable value would affect the Group's net assets as at 31 March 2020, the Group's net loss for the year then ended and the related note disclosures to the consolidated financial statements.

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

RSM Hong Kong
Certified Public Accountants
Hong Kong
17 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	8	**1,950,281**	2,330,968
Cost of goods sold		**(1,511,549)**	(2,285,881)
Gross profit		**438,732**	45,087
Other income	9	**20,859**	27,262
Impairment losses for prepayments	10	**(47,748)**	(350,403)
Reversal of impairment losses/(impairment losses) for trade and bills receivables		**25,600**	(20,364)
Impairment losses for loan and other receivables		**(36,992)**	(106,237)
Selling and distribution costs		**(38,025)**	(74,289)
Administrative expenses		**(167,115)**	(244,487)
Depreciation		**(18,054)**	(36,830)
Other operating expenses		**(124,975)**	(670,796)
Profit/(loss) from operations		**52,282**	(1,431,057)
Finance costs	12	**(526,811)**	(242,888)
Share of losses of associates		**(13,309)**	(825)
Share of loss of a joint venture		**(933)**	(115)
Loss on early extinguishment of bank and other borrowings		**(1,705)**	–
Loss on modification to lease term		**(1,728)**	–
Gains on modification of terms of convertible bonds and guaranteed notes		**–**	17,828
Net loss on disposals of financial assets at fair value through profit or loss		**(10,927)**	(5,008)
Fair value losses on financial assets at fair value through profit or loss		**(56,029)**	(216,448)
Fair value losses on derivative financial instruments		**(2,218)**	–
Fair value gains/(losses) on investment properties	20	**14,004**	(146,520)
Gain on disposal of an associate	24	**3,773**	–
Gain on disposals of subsidiaries, net		**49,788**	–
Gain on disposal of a joint venture	25	**3,014**	–
Loss before tax		**(490,799)**	(2,025,033)
Income tax (expenses)/credit	13	**(65,495)**	90,337
Loss for the year	14	**(556,294)**	(1,934,696)
Attributable to:			
Owners of the Company		**(481,992)**	(1,829,401)
Non-controlling interests		**(74,302)**	(105,295)
		(556,294)	(1,934,696)
Loss per share			
— basic (HK cents)	18(a)	**(36.17)**	(139.57)
— diluted (HK cents)	18(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(556,294)**	(1,934,696)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income	**(112,402)**	(172,494)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(58,612)**	(116,899)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**745**	–
Share of other comprehensive income of associates	**(3,930)**	–
	(61,797)	(116,899)
Other comprehensive income for the year, net of tax	**(174,199)**	(289,393)
Total comprehensive income for the year	**(730,493)**	(2,224,089)
Attributable to:		
Owners of the Company	**(607,707)**	(2,048,479)
Non-controlling interests	**(122,786)**	(175,610)
	(730,493)	(2,224,089)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	**2020** HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	19	**126,639**	260,681
Investment properties	20	**1,960,264**	2,023,712
Right-of-use assets	21	**25,637**	–
Other intangible assets	23	**488,623**	558,678
Investments in associates	24	**101,737**	19,915
Investment in a joint venture	25	**–**	69,799
Financial assets at fair value through profit or loss	27	**86,000**	142,000
Deferred tax assets	39	**91,300**	98,045
		2,880,200	3,172,830
Current assets			
Inventories	28	**2,842,709**	3,125,451
Financial assets at fair value through profit or loss	27	**8**	10,904
Financial assets at fair value through other comprehensive income	26	**73,878**	199,594
Trade and bills receivables	29	**44,943**	164,973
Prepayments, deposits and other receivables	30	**287,638**	504,760
Current tax assets		**270**	49
Pledged deposits	31	**–**	48,374
Bank and cash balances	31	**222,759**	219,613
		3,472,205	4,273,718
Assets classified as held for sale	32	**18,967**	108,018
		3,491,172	4,381,736
TOTAL ASSETS		**6,371,372**	7,554,566

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	33	**134,365**	127,431
Reserves	35	**(848,654)**	(240,349)
Equity attributable to owners of the Company		**(714,289)**	(112,918)
Non-controlling interests		**889,559**	1,009,856
Total equity		**175,270**	896,938
Non-current liabilities			
Bank borrowings	36	**50,206**	89,025
Lease liabilities	37	**20**	–
Other loans and payables	38	**–**	338,761
Other borrowings	43	**6,359**	30,063
Deferred tax liabilities	39	**422,841**	427,218
		479,426	885,067
Current liabilities			
Trade and bills payables	40	**689,931**	816,196
Other payables and deposits received	41	**2,553,820**	2,581,305
Current portion of bank borrowings	36	**876,034**	1,030,760
Other loans	38	**290,813**	–
Other borrowings	43	**276,775**	299,792
Convertible bonds	42	**30,000**	174,424
Guaranteed notes	44	**140,400**	145,954
Current portion of bonds	44	**332,400**	185,500
Current portion of lease liabilities	37	**705**	–
Current portion of finance lease payables	37	**–**	13
Current tax liabilities		**525,798**	538,617
		5,716,676	5,772,561
Total liabilities		**6,196,102**	6,657,628
TOTAL EQUITY AND LIABILITIES		**6,371,372**	7,554,566
Net current liabilities		**(2,225,504)**	(1,390,825)
Total assets less current liabilities		**654,696**	1,782,005

Approved by the Board of Directors on 17 August 2020 and are signed on its behalf by:

Wong Ben Koon
Chairman and Executive Director

Xie Qiangming
Chief Executive Officer and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Foreign Currency Translation reserve HK$'000	Contributed surplus HK$'000	Merger reserve HK$'000	Share-based Payment reserve HK$'000	FVTOCI reserve HK$'000	Capital reserve HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 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 year	–	–	–	(46,584)	–	–	–	(172,494)	–	–	–	(1,829,401)	(2,048,479)	(175,610)	(2,224,089)
Transfer of reserve upon lapse of share options	–	–	–	–	–	–	(3,078)	–	–	–	–	3,078	–	–	–
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income to accumulated losses	–	–	–	–	–	–	–	(9,573)	–	–	–	9,573	–	–	–
Issue of convertible bonds (note 42)	–	–	–	–	–	–	–	–	–	2,633	–	–	2,633	–	2,633
Change in ownership interest in a subsidiary without loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	30,442	30,442
Purchase of treasury shares (note 33(d))	–	–	(118)	–	–	–	–	–	–	–	–	–	(118)	–	(118)
Cancellation of treasury shares (note 33(d))	(31)	(87)	118	–	–	–	–	–	–	–	–	–	–	–	–
Changes in equity for the year	(31)	(87)	–	(46,584)	–	–	(3,078)	(182,067)	–	2,633	–	(1,816,750)	(2,045,964)	(145,168)	(2,191,132)
At 31 March 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

	Attributable to owners of the Company													
	Share capital HK$'000	**Share premium HK$'000**	**Foreign Currency Translation reserve HK$'000**	**Contributed surplus HK$'000**	**Merger reserve HK$'000**	**Share-based Payment reserve HK$'000**	**FVTOCI reserve HK$'000**	**Capital reserve HK$'000**	**Convertible bonds reserve HK$'000**	**Other reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 1 April 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 year	**–**	**–**	**(13,313)**	**–**	**–**	**–**	**(112,402)**	**–**	**–**	**–**	**(481,992)**	**(607,707)**	**(122,786)**	**(730,493)**
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income to accumulated losses	**–**	**–**	**–**	**–**	**–**	**–**	**(5,720)**	**–**	**–**	**–**	**5,720**	**–**	**–**	**–**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,489**	**2,489**
Appropriation of statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,343**	**(14,343)**	**–**	**–**	**–**
Issuance of shares upon right issue (note 33)	**6,934**	**(598)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,336**	**–**	**6,336**
Changes in equity for the year	**6,934**	**(598)**	**(13,313)**	**–**	**–**	**–**	**(118,122)**	**–**	**–**	**14,343**	**(490,615)**	**(601,371)**	**(120,297)**	**(721,668)**
At 31 March 2020	**134,365**	**2,259,090**	**(93,256)**	**886,979**	**(12,880)**	**9,009**	**(7,405)**	**2,019**	**2,633**	**19,615**	**(3,914,458)**	**(714,289)**	**889,559**	**175,270**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	**2020 HK$'000**	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(490,799)**	(2,025,033)
Adjustments for:			
Finance costs	12	**526,811**	242,888
Interest income	9	**(1,951)**	(5,724)
Dividend income	9	**(1,306)**	(1,794)
Depreciation of property, plant and equipment		**14,299**	36,830
Depreciation of right-of-use assets		**3,755**	–
Impairment loss on property, plant and equipment	14	**82,330**	111,537
Impairment loss on other intangible assets	14	**42,645**	559,259
Impairment losses for prepayments	10	**47,748**	350,403
(Reversal of impairment losses)/impairment losses for trade and bill receivables		**(25,600)**	20,364
Impairment losses for loan and other receivables		**36,992**	106,237
(Reversal of allowance)/allowance for inventories	14	**(31,064)**	10,426
Bad debts	14	**–**	2,804
Losses of modification to lease term		**1,728**	–
Gains on modification of terms of convertible bonds and guaranteed notes		**–**	(17,828)
Losses on early extinguishment of bank and other borrowings		**1,705**	–
(Gains)/losses on disposals of property, plant and equipment	14	**(535)**	532
Net losses on disposals of financial assets at fair value through profit or loss		**10,927**	5,008
Fair value losses on financial assets at fair value through profit or loss		**56,029**	216,448
Fair value losses on derivative financial instruments		**2,218**	–
Gain on disposal of an associate		**(3,773)**	–
Gain on disposals of subsidiaries, net		**(49,788)**	–
Gain on disposal of a joint venture		**(3,014)**	–
Fair value gains/(losses) on investment properties	20	**(14,004)**	146,520
Share of losses of associates		**13,309**	825
Share of loss a joint venture		**933**	115
Operating profit/(loss) before working capital changes		**219,595**	(240,183)
Decrease/(increase) in inventories		**68,863**	(405,986)
Decrease/(increase) in trade and bills receivables		**145,630**	(26,188)
Decrease/(increase) in prepayments, deposits and other receivables		**107,958**	(238,368)
(Decrease)/increase in trade and bills payables		**(97,545)**	292,536
Increase in other payables and deposits received		**27,986**	1,125,478
Cash generated from operations		**472,487**	507,289
Income tax paid		**(37,071)**	(115,440)
Interest on lease liabilities	12	**(876)**	–
Net cash generated from operating activities		**434,540**	391,849

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged deposits and time deposits		**48,374**	307,243
Interest received		**1,951**	5,724
Dividend received		**1,306**	1,794
Purchases of property, plant and equipment		**(24,436)**	(14,209)
Additions of investment properties	20	**–**	(105)
Settlement of derivative financial instruments		**(2,218)**	–
Acquisition of financial assets at fair value through profit or loss		**(49,174)**	(11,081)
Proceeds from disposal of financial assets at fair value through profit or loss		**48,090**	10,139
Proceeds from disposal of financial assets at fair value through other comprehensive income		**13,252**	115,000
Proceeds from disposals of property, plant and equipment		**2,118**	463
Proceeds from disposal of an associate	24	**12,490**	–
Cash disposed of through disposal of subsidiaries		**(79,164)**	–
Proceed from disposal of a joint venture		**38,798**	–
Capital contributions to associates		**–**	(20,740)
Capital contribution to a joint venture		**–**	(69,914)
Net cash generated from investing activities		**11,387**	324,314
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**–**	723,594
Other borrowings raised		**58,334**	491,016
Proceeds from issue of shares upon right issue		**6,336**	–
Proceeds from issue of convertible bonds		**–**	30,000
Proceeds from issue of bonds		**32,000**	8,500
Capital contribution from non-controlling interests		**–**	30,442
Purchases of treasury shares	33	**–**	(118)
Repayment of bank loans		**(178,775)**	(1,436,129)
Repayment of other borrowings		**(99,279)**	(524,830)
Principal elements of lease payments (2019: Repayment of finance lease payables)		**(3,556)**	(256)
Repayment of convertible bonds	42	**(1,815)**	(45,989)
Repayment of guaranteed notes		**–**	(42,029)
Repayment of bonds		**(25,500)**	(21,000)
Interests paid		**(225,682)**	(165,757)
Net cash used in financing activities		**(437,937)**	(952,556)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,990**	(236,393)
Effect of foreign exchange rate changes		**2,827**	160,620
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**178,207**	253,980
CASH AND CASH EQUIVALENTS AT END OF YEAR		**189,024**	178,207
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**222,759**	219,613
Bank overdraft	36	**(33,735)**	(41,406)
		189,024	178,207

1. General Information

Prosperity International Holdings (H.K.) Limited (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 Units 1405–1407, Dominion Centre, 43–59 Queen's Road East, Wanchai, 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. The principal activities of its subsidiaries are set out in note 51 to these consolidated financial statements.

2. Basis of Preparation

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

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

Going Concern Basis

(a) During the year ended 31 March 2020, the Group incurred a net loss of approximately HK$556,294,000 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$2,225,504,000. The Group's total financial obligations as at 31 March 2020 amounted to approximately HK$2,003,712,000, of which approximately HK$1,947,127,000 are repayable within the next twelve months, while its cash and cash equivalents amounted to approximately HK$222,759,000 only.

(b) On 28 November 2019, a winding up petition together with the application for the appointment of joint and several provisional liquidators of the Company on a light touch approach for restructuring purposes was presented and filed with the Supreme Court of Bermuda (the "Bermuda Court") by the Company's Bermuda counsel at the request of the Company (the "JPL Application"). The purpose of the JPL Application is to enable the Company to continue its orderly financial restructuring with the assistance of the Bermuda Court.

(c) On 22 November 2019, 18 December 2019 and 3 January 2020 respectively, the Company was served with a number of writs of summons issued by the Court of First Instance of the High Court of Hong Kong and by two People's Courts of Guangdong Province, with O-Bank Co., Ltd ("O-Bank") as the plaintiff and subsidiaries of the Company as defendants for default in banking facilities granted by O-Bank to the Group. On 17 January 2020, the Company was further served with a writ of summon issued by the People's Courts of Guangdong Province, with Industrial and Commercial Bank of China Limited ("ICBC") as the plaintiff and subsidiaries of the Company as defendants for default in banking facilities granted by ICBC to the Group. The claimed principal and interests amounts under of the aforementioned writs of summons are approximately HK$681,670,000 and HK$22,648,000 respectively (the "Default Borrowings"), together with ancillary reliefs and costs, details of which are set out in note 36 to the consolidated financial statements.

2. Basis of Preparation *(Continued)*

Going Concern Basis *(Continued)*

Furthermore, on 29 July 2020 and 10 August 2020, a number of writs of summons were issued by the Intermediate People's Court of Yancheng City in Jiangsu Province and People's Court of Wuzhong District, Suzhou Province, with two property constructors of the Group, as the plaintiffs and subsidiaries of the Company as defendants for default in construction cost owing by the Group to the property constructors. The claimed amounts under the aforementioned writs of summons of are approximately HK$268,458,000. Furthermore, one of the property constructors had also claimed for the remaining outstanding amount owing by the Group of approximately HK$286,504,000 thorough its legal representative (the "Default Construction Cost"), details of which are set out in note 40 to the consolidated financial statements.

In addition, on 8 June 2020, an individual payable of the Group had filed a lawsuit against a subsidiary of the Group via the People's Court of Wuzhong District, Suzhou Province. The claimed amount is approximately HK$85,937,000, details of which are set out in note 41 to the consolidated financial statements.

On 2 April 2020 and 24 April 2020, the Group has remedied the breaches under O-Bank and ICBC by entering into two settlement plans. However, negotiations with the two property constructors and the individual payable are underway and no extensions to the repayment dates of construction costs were granted up to the date of this report.

(d) During the year ended 31 March 2020 and up to the date of this report, the Group was also in default in respect of principal of bonds and borrowings of approximately HK$140,400,000 and HK$513,293,000 respectively and its related interests of bonds and borrowings of approximately HK$156,781,000 and HK$210,273,000 respectively (the "Default Sums").

During the year ended 31 March 2020, the directors have successfully obtained the extension of partial repayment from certain bondholders of approximately HK$59,640,000. However, negotiations with other bondholders and lenders are underway and no extensions to the repayment dates have been obtained from these parties up to the date of this report.

(e) During the year ended 31 March 2020 and up to the date of this report, the Group received demand letters from legal representatives of other lenders for repayment of principal of bonds and borrowings under the Default Sums, the claimed amounts are approximately HK$140,400,000 and HK$481,293,000 respectively and its related interests of bonds and borrowings of approximately HK$156,781,000 and HK$208,570,000 respectively, details of which are set out in notes 36, 42, 43 and 44 to the consolidated financial statements.

Consequently, as at 31 March 2020, the Default Borrowings and the entire Default Sums were classified as current liabilities.

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.

2. Basis of Preparation *(Continued)*

Going Concern Basis *(Continued)*

In view of these circumstances, the directors of the Company have, during the year and up to the date of the approval of these consolidated financial statements, taken the following measures to mitigate the liquidity pressure and 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) raising of additional capital from the public market. During the year ended 31 March 2020, the Company raised additional capital of approximately HK$6,336,000 through a rights issue, details of which are set out in note 33 to the consolidated financial statements;

(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 Guangzhou Fuchun Dongfang Real Estate Investment Company Limited ("Guangzhou Fuchun") for a cash consideration of approximately RMB547,000,000 (equivalent to approximately HK$610,000,000); of which the whole proceeds would be used for settlement of bank borrowings upon the completion of disposal;

(f) disposal of Greater Sino Investments Limited ("Greater Sino") for a consideration of approximately HK$335,000,000 that would be settled by setting off with equivalent debt amount assigned to the purchaser prior to the completion of disposal; and

(g) the directors of the Company have been taking various cost control measures to tighten the costs of operations.

Notwithstanding the above, the directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as 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 constructors and lenders for the renewal of or extension for repayment for those construction costs and borrowings, including those construction costs payables, loan 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 presales 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;

2. Basis of Preparation *(Continued)*

Going Concern Basis *(Continued)*

(d) the successful maintenance of relationship with the Group's suppliers and constructors and the Group's ability to settle its obligations to its suppliers and constructors on a timely basis such that (i) no further actions will be taken by those suppliers and constructors against the Group; and (ii) those constructors who have currently suspended construction activities on the Group's properties under development for sale as at 31 March 2020 agree to complete the construction in accordance with the scheduled or re-scheduled timescales and construction costs;

(e) the successful completion of the disposals of Guangzhou Fuchun and Greater Sino with whole proceeds used for settlement of bank borrowings or setting off with equivalent debt amount assigned to the purchaser, which is subject to the shareholders' approval in the extraordinary general meetings;

(f) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms; and

(g) successfully managing the impact of the COVID-19 outbreak, given any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash from its operations.

Should the Group be unable to operate as a going concern for 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 the consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) Interpretation 4 Determining whether an Arrangement contains a Lease, Hong Kong (SIC) Interpretation 15 Operating Leases — Incentives and Hong Kong (SIC) Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from 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 on leases where the Group is the lessor. The lessor accounting requirements brought forward from HKAS 17 are substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant Group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 5.49% to 14.92%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(I) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(II) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(III) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(ii) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 49(a) to the consolidated financial statements as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	26,491
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(713)
Less: adjustment as a result of a different treatment of extension or termination options	(10,595)
Less: total future interest expense	(2,227)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 April 2019	12,956
Add: finance lease liabilities recognised as at 31 March 2019	13
Lease liabilities recognised as at 1 April 2019	12,969
Of which are:	
Current lease liabilities	4,048
Non-current lease liabilities	8,921
	12,969

The right-of-use assets in relation to the leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(ii) Lessee accounting and transitional impact (Continued)

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

			Effects of adoption of HKFRS 16		
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Note	**Carrying amount as at 31 March 2019** HK$'000	**Re-classification** HK$'000	**Recognition of leases** HK$'000	**Carrying amount as at 1 April 2019** HK$'000
Assets					
Right-of-use assets		–	27,926	13,559	41,485
Property, plant and equipment	(I), (II)	260,681	(27,926)	–	232,755
Liabilities					
Lease liabilities		–	13	12,956	12,969
Finance lease payables	(III)	13	(13)	–	–
Provision for reinstatement cost		–	–	603	603

Notes:

(I) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant asses which were still leased as at 1 April 2019 amounting to approximately HK$1,315,000 as right-of-use assets.

(II) Upfront payments for leasehold lands in the PRC own used properties were classified buildings and included in property, plant and equipment as at 31 March 2019. Upon application of HKFRS 16, the leasehold lands amounting to approximately HK$26,611,000 were classified to right-of-use assets.

(III) The Group reclassified the obligation under finance leases of approximately HK$13,000 to lease liabilities as current liabilities at 1 April 2019.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(iii) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This does not result significant impact on the reported loss from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 46(d)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (note 46(e)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 HK$'000	**Add back: HKFRS 16 depreciation and interest expense HK$'000**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note I) HK$'000**	**Hypothetical amounts for 2020 as if under HKAS 17 HK$'000**	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Financial results for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Profit/(loss) from operations	**52,282**	**3,755**	**(4,432)**	**51,605**	(1,431,057)
Finance costs	**(526,811)**	**876**	**–**	**(525,935)**	(242,888)
Loss before tax	**(490,799)**	**4,631**	**(4,432)**	**(490,600)**	(2,025,033)
Loss for the year	**(556,294)**	**4,631**	**(4,432)**	**(556,095)**	(1,934,696)

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(iii) Impact of the financial results and cash flows of the Group (Continued)

	2020			2019
	Amounts reported under HKFRS 16 HK$'000	Estimated amounts related to operating lease as if under HKAS 17 (notes I & II) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated statement of cash flows for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	472,487	(4,432)	468,055	507,289
Interest element of lease rentals paid	(876)	876	–	–
Net cash generated from operating activities	434,540	(3,556)	430,984	391,849
Capital element of lease rentals paid	(3,556)	3,556	–	–
Net cash used in financing activities	(437,937)	3,556	(434,381)	(952,556)

Notes:

(I) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

(II) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and financing activities as if HKAS 17 still applied.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(iv) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40 *Investment properties* to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendment of HKFRS 16 Covid-19 — Related Rent Concessions	1 June 2020

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

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

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

(a) Consolidation

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

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

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

(a) Consolidation *(Continued)*

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

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

(b) Business combination and goodwill

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

(c) Associates

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

(d) Joint arrangements

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

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (upon application of HKFRS 16 at 1 April 2019, the interest in leasehold land was reclassified to, "Right-of-use assets" see note 3), held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

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

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

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

(g) Investment properties

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

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

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(y).

4. Significant Accounting Policies *(Continued)*

(h) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(a) The Group as a lessee

Policy applicable from 1 April 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(g).

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment/the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment

4. Significant Accounting Policies *(Continued)*

(h) Leases *(Continued)*

(a) The Group as a lessee *(Continued)*

Policy applicable from 1 April 2019

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(b) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

4. Significant Accounting Policies *(Continued)*

(i) Inventories

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

(j) Mining rights

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

(k) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(ee) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

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

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

4. Significant Accounting Policies *(Continued)*

(m) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(n) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into the amortised cost measurement category, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("FVTOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the FVTOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the FVTOCI reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4. Significant Accounting Policies *(Continued)*

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(q) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

(r) Financial liabilities and equity instruments

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

(s) Borrowings

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

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

4. Significant Accounting Policies *(Continued)*

(t) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

— the amount determined in accordance with the ECL model under HKFRS 9; and

— the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(u) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

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

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

(v) Trade and other payables

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

4. Significant Accounting Policies *(Continued)*

(w) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(x) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue arising from the sale of properties held for sale is recognised on the basis that control over the ownership of the property has been passed to the customer during the current accounting period, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of the property. Deposits and instalments received on properties sold prior to meeting the above criteria for revenue recognition are recognised as receipts in advance.

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Agency income, commission and despatch income is recognised on an accrual basis.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

4. Significant Accounting Policies *(Continued)*

(y) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(z) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

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

(aa) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Effective 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

4. Significant Accounting Policies *(Continued)*

(bb) Taxation

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

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4. Significant Accounting Policies *(Continued)*

(bb) Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(cc) People's Republic of China ("PRC") land appreciation tax ("LAT")

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

(dd) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

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

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

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ee) Impairment of financial assets

The Group recognises a loss allowance for ECL on lease receivables, trade and bills receivables and loan and other receivables, as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

4. Significant Accounting Policies *(Continued)*

(ee) Impairment of financial assets *(Continued)*

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. Significant Accounting Policies *(Continued)*

(ee) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. Significant Accounting Policies *(Continued)*

(ee) Impairment of financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (prior to 1 April 2019).

4. Significant Accounting Policies *(Continued)*

(ee) Impairment of financial assets *(Continued)*

Measurement and recognition of ECL *(Continued)*

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ff) Provisions and contingent liabilities

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

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

(gg) Events after the reporting period

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

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

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

(a) Going concern basis

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2 to the consolidated financial statements.

(b) Deferred tax for investment properties

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

(c) Classification of investment as financial assets at FVTPL of more than 20% equity interest

Although the Group holds more than 20% of the equity interests of PT Conch Cement Indonesia ("Indonesia Conch"), the directors considered that the Group does not have significant influence over Indonesia Conch because the Group is not able to appoint any director of Indonesia Conch, nor participate in the financial and operating policy decisions of Indonesia Conch.

(d) Significant increase in credit risk

As explained in note 4(ee), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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

Key sources of estimation uncertainty

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

(a) Impairment of non-financial assets

As set out in note 4(dd), if circumstances indicate that the carrying amount of an asset may not be recoverable, the asset may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36 Impairment of Assets. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less cost of disposal and the value in use.

It is difficult to precisely estimate market value because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume and amount of operating costs.

During the year ended 31 March 2020, impairment losses of approximately HK$82,330,000 and HK$42,645,000 (2019: HK$111,537,000 and HK$559,259,000) were recognised for the property, plant and equipment and other intangible assets, respectively. Details of calculations of recoverable amounts are set out in note 23 to these consolidated financial statements.

(b) Mine reserves and impairment of mining rights

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

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

The carrying amount of mining rights as at 31 March 2020 was approximately HK$488,623,000 (2019: HK$558,678,000).

(c) Fair values of investment properties

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

The carrying amount of investment properties as at 31 March 2020 was approximately HK$1,960,264,000 (2019: HK$2,023,712,000).

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

Key sources of estimation uncertainty *(Continued)*

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income tax and deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax of approximately HK$65,495,000 (2019: HK$90,337,000) was charged (2019: credited) to profit or loss based on the estimated profit from operations.

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

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

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

During the year, allowance for properties under development for sale of approximately HK$24,116,000 (2019: HK$65,495,000) was made and included in reversal of allowance for inventories (2019: allowance for inventories).

(f) Impairment of trade and other receivables

The management of the Group estimates the amount of impairment loss for ECL on trade and bills receivables and loan and other receivables based on the credit risk of these assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2020, the carrying amount of trade and bills receivables and loans and other receivables are approximately HK$44,943,000 (2019: HK$164,973,000) and HK$228,012,000 (2019: HK$275,487,000) respectively, net of allowance for doubtful debts of approximately HK$26,765,000 (2019: HK$57,371,000) and HK$352,415,000 (2019: HK$319,574,000) respectively.

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

Key sources of estimation uncertainty *(Continued)*

(g) Allowance for inventories

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

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

During the year, reversal of allowance for inventories of approximately HK$31,064,000 (2019: allowance for inventories of HK$10,426,000) was made.

(h) Fair value of investments

In the absence of quoted market prices in an active market, the fair values of the Group's investments in certain unlisted equity securities at the end of the reporting period, details of which are set out in note 27 to these consolidated financial statements, were determined using different valuation techniques, including market comparable approach, asset-based approach and income capitalisation approach, individually or in combination, depending on the circumstances. The Group appointed independent professional valuers to assess the fair values of these investments. Application of these approaches requires the Group to estimate the prominent factors affecting the fair values, including but not limited to, discount rates, growth rates, budgeted gross margin and revenue, price book multiple of similar companies in the market, latest published financial information as well as discount for lack of marketability of the investments.

The carrying amounts of these investments as at 31 March 2020 was approximately HK$86,000,000 (2019: HK$142,000,000).

(i) Environmental contingencies

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

6. Financial Risk Management

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

(a) Foreign currency risk

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

	Functional currency strengthened/ (weakened) by	**Decrease/(increase) in consolidated loss after tax HK$'000**
Year ended 31 March 2020		
US$	**2%/(2%)**	**332/(332)[(i)]**
RMB	**2%/(2%)**	**110/(110)[(ii)]**

	Functional currency strengthened/ (weakened) by	Decrease/(increase) in consolidated loss after tax HK$'000
Year ended 31 March 2019		
US$	2%/(2%)	2,431/(2,431)[(i)]
RMB	2%/(2%)	(16)/16[(ii)]

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

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

6. Financial Risk Management *(Continued)*

(b) Price risk

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

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

If equity prices had increased/decreased by 10% (2019: 10%) with all other variables held constant:

- consolidated loss after tax for the year ended 31 March 2020 would be approximately HK$1,000 (2019: HK$1,090,000) lower/higher respectively, arising as a result of the fair value gain/loss on the held for trading financial assets at FVTPL; and

- other comprehensive income for the year ended 31 March 2020 would be approximately HK$7,388,000 (2019: HK$19,959,000) lower/higher respectively, arising as a result of the fair value gain/loss of financial assets at FVTOCI.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group's exposure to credit risk arising from listed equity securities is limited because the counterparties are well-established securities brokers firms, for which the Group considers to have low credit risk.

Except for the financial guarantee given by the Group as set out in note 47, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 47.

As at 31 March 2020, the three largest trade receivables represent approximately 69% (2019: 94%) of the total trade and bills receivables. The Group was exposed to the concentration of credit risk. In order to minimise the credit risk, the Group maintains various credit policies for business operations as described in note 29 to these consolidated financial statements.

6. Financial Risk Management *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 0 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2020:

		2020	
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	**4.52%**	**47,069**	**2,126**
1 to 90 days past due	**–**	**–**	**–**
91 to 180 days past due	**–**	**–**	**–**
Over 180 days past due	**100%**	**24,639**	**24,639**
		71,708	**26,765**

6. Financial Risk Management *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

	2019 Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.27%	165,427	454
1 to 90 days past due	–	–	–
91 to 180 days past due	–	–	–
Over 180 days past due	100.00%	56,917	56,917
		222,344	57,371

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020 HK$'000	2019 HK$'000
At beginning of year	**57,371**	37,007
Impairment losses recognised for the year	**–**	20,364
Reversal of impairment losses	**(25,600)**	–
Disposal of subsidiaries	**(5,006)**	–
At end of year	**26,765**	57,371

The following significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance during 2020:

— collection of trade receivables with a gross carrying amount of HK$25,600,000 previously fully provided for resulted in a decrease in loss allowance of HK$25,600,000;

— disposal of subsidiaries with loss allowances of HK$5,006,000 resulted in a decrease in loss allowance of HK$5,006,000.

6. Financial Risk Management *(Continued)*

(c) Credit risk *(Continued)*

Other financial assets at amortised cost

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. The other financial assets are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost include deposits, loan and other receivables.

Movement in the loss allowance for other financial assets at amortised cost during the year is as follows:

	Deposits HK$'000	Other receivables HK$'000	Loan receivables HK$'000	Total HK$'000
At 1 April 2018	6,193	28,930	178,214	213,337
Impairment losses recognised for the year	–	93,160	13,077	106,237
At 31 March 2019 and 1 April 2019	6,193	122,090	191,291	319,574
Impairment losses/(reversal of impairment losses) recognised for the year	867	(396)	36,521	36,992
Disposal of subsidiaries	–	–	(4,151)	(4,151)
At 31 March 2020	7,060	121,694	223,661	352,415

(d) Liquidity risk

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

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

6. Financial Risk Management *(Continued)*

(d) Liquidity risk *(Continued)*

Borrowings which are already defaulted and/or failed to meet the financial covenants as at 31 March 2020 and 2019 are included in the on demand or within 1 year time band in the maturity analysis below. The directors believe that the Group would be able to negotiate with the property constructors, other bondholders and lenders for the renewal of or extension for repayment for all these borrowings.

The maturity analyses based on contractual undiscounted cashflows of the Group's non-derivative financial liabilities are as follows:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2020			
Bank borrowings	**319,865**	**55,669**	**–**
Other borrowings	**281,847**	**6,561**	**–**
Trade and bills payables	**689,931**	**–**	**–**
Other payables	**1,212,061**	**–**	**–**
Financial guarantees	**1,440,358**	**–**	**–**
Other loans	**291,911**	**–**	**–**
Convertible bonds	**30,000**	**–**	**–**
Guaranteed notes	**140,400**	**–**	**–**
Bonds	**332,400**	**–**	**–**
Lease liabilities	**746**	**22**	**–**
At 31 March 2019			
Bank borrowings subject to a repayment on demand clause	185,408	–	–
Other bank borrowings	869,753	36,273	61,790
Other borrowings	312,530	21,189	9,578
Trade and bills payables	816,196	–	–
Other payables	929,023	–	–
Financial guarantees	1,185,436	–	–
Other loans and payables	58,706	293,605	–
Convertible bonds	179,393	–	–
Guaranteed notes	147,736	–	–
Bonds	185,500	–	–
Finance lease payables	13	–	–

6. Financial Risk Management *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity analysis of the bank borrowings and bonds subject to a repayment on demand clause, based on agreed scheduled repayments set out in the loan agreements and deed poll are as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2020			
Bonds	**102,245**	**100,562**	**–**
At 31 March 2019			
Bank borrowings	77,676	7,344	123,516
Bonds	146,595	2,835	46,058

(e) Interest rate risk

The Group's exposure to interest rate risk mainly arises from its bank deposits and bank borrowings. The bank deposits and bank borrowings of approximately HK$34,269,000 (2019: HK$248,849,000) and HK$832,197,000 (2019: HK$920,472,000) respectively bear interests at variable rates varied with the then prevailing market condition and therefore are subject to cash flow interest rate risk.

	Increase/(decrease) in basis point	Decrease/(increase) in consolidated loss after tax HK$'000
Year ended 31 March 2020		
Bank deposits	**10/(10)**	**34/(34)[(i)]**
Bank borrowings	**100/(100)**	**(8,263)/8,263[(ii)]**
Year ended 31 March 2019		
Bank deposits	10/(10)	249/(249)[(i)]
Bank borrowings	100/(100)	(9,060)/9,060[(ii)]

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

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

6. Financial Risk Management *(Continued)*

(f) Categories of financial instruments as at 31 March

	2020	2019
	HK$'000	HK$'000
Financial assets:		
Financial assets at FVTPL		
— held for trading	**8**	10,904
— mandatorily measured at FVTPL	**86,000**	142,000
Financial assets measured at amortised cost	**495,709**	733,955
Financial assets measured at FVTOCI		
— equity instruments	**73,878**	199,594
Financial liabilities:		
Financial liabilities at amortised cost	**3,904,979**	3,920,436

(g) Fair values

Except as disclosed in note 42 to these consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

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

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

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

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

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

7. Fair Value Measurements *(Continued)*

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

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2020
Description	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	8	–	–	8
Unlisted equity security	–	–	86,000	86,000
	8	–	86,000	86,008
Financial assets at FVTOCI				
Equity securities listed in Hong Kong	70,736	–	–	70,736
Equity securities listed outside Hong Kong	3,142	–	–	3,142
	73,878	–	–	73,878
Investment properties				
Commercial — Hong Kong	–	–	34,900	34,900
Commercial — PRC	–	–	1,925,364	1,925,364
	–	–	1,960,264	1,960,264
	73,886	–	2,046,264	2,120,150
Non-recurring fair value measurements:				
Non-current assets held for sale				
Investment property				
Commercial — PRC	–	–	4,027	4,027

7. Fair Value Measurements *(Continued)*

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

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2019
Description	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 security	–	–	142,000	142,000
	10,904	–	142,000	152,904
Financial assets at FVTOCI				
Equity securities listed in Hong Kong	194,522	–	–	194,522
Equity securities listed outside Hong Kong	5,072	–	–	5,072
	199,594	–	–	199,594
Investment properties				
Commercial — Hong Kong	–	–	18,300	18,300
Commercial — PRC	–	–	2,005,412	2,005,412
	–	–	2,023,712	2,023,712
	210,498	–	2,165,712	2,376,210
Non-recurring fair value measurements:				
Non-current assets held for sale				
Investment properties				
Commercial — PRC	–	–	108,018	108,018

In accordance with HKFRS, investment property with a carrying amount of approximately HK$6,059,000 (2019: HK$227,882,000) reclassified as non-current assets held for sale was written down to its fair value of approximately HK$4,027,000 (2019: HK$108,018,000), resulting in a loss of approximately HK$2,032,000 (2019: HK$119,864,000), which was included in profit or loss for the year ended 31 March 2020.

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

7. Fair Value Measurements *(Continued)*

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

Description	**Financial assets at FVTPL-unlisted equity securities 2020 HK$'000**
At beginning of year	**142,000**
Total losses recognised in profit or loss	**(56,000)**
At end of year	**86,000**

Description	Financial assets at FVTPL-derivative financial assets 2019 HK$'000	Financial assets at FVTPL-unlisted equity securities 2019 HK$'000
At beginning of year	74,968	395,849
Settlement	(74,968)	(39,849)
Total losses recognised in profit or loss	–	(214,000)
At end of year	–	142,000

The total losses recognised in profit or loss for financial assets at FVTPL of approximately HK$56,000,000 (2019: HK$214,000,000) are losses for assets held at the end of the reporting period. The total losses recognise in profit or loss are recognised in the line items "fair value losses on financial assets at fair value through profit or loss" on the face of the consolidated statement of profit or loss.

The movements in the investment properties under Level 3 fair value measurements during the year are presented in note 20 to these consolidated financial statements. Fair value adjustment on investment properties are recognised in the line item "fair value (losses)/gains on investment properties" on the face of the consolidated statement of profit or loss.

7. Fair Value Measurements *(Continued)*

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

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

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

Level 3 fair value measurements

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2020 HK$'000
Assets					
Investment properties					
Commercial — Hong Kong	Income capitalisation	Capitalisation rate	2.6%	Decrease	**34,900**
		Monthly market rental (HK$/square feet)	37,190	Increase	
Commercial — PRC	Direct comparison	Adjusted market price (RMB/square metre)	32,000–97,500	Increase	**1,925,364**
		Adjusted market price (RMB/car parking space)	400,000–600,000	Increase	
Classified as held for sale	Direct comparison	Adjusted market price (RMB/square metre)	16,600–16,700	Increase	**4,027**
Unlisted equity securities — Indonesia	Income capitalisation	Weighted average cost of capital	16%	Decrease	**86,000**
		Long-term growth rate	2.89%	Increase	
		Gross profit margin rate	20%–32%	Increase	
		Discount for lack of marketability	15.8%	Decrease	
		Non-controlling interests	22%	Decrease	

7. Fair Value Measurements *(Continued)*

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

Level 3 fair value measurements *(Continued)*

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 HK$'000
Assets					
Investment properties					
Commercial — Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	11,300	Increase	18,300
Commercial — PRC	Direct comparison	Adjusted market price (RMB/square metre)	22,500–97,000	Increase	2,005,412
		Adjusted market price (RMB/car parking space)	450,000–550,000	Increase	
Classified as held for sale	Direct comparison	Adjusted market price (RMB/square metre)	11,000–14,000	Increase	108,018
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	

During the two years, there were no changes in the valuation techniques used except for investment properties located in Hong Kong. The valuation technique was changed from direct comparison approach to income capitalisation approach as there was no recent transaction for the similar properties in the market.

8. Revenue

An analysis of the Group's revenue for the year is as follows:

	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers		
— Recognised at point in time		
Mining and trading of iron ore and raw materials	**625,758**	1,538,279
Sales of properties	**805,256**	89,050
Trading of clinker, cement and other building materials	**443,999**	618,161
	1,875,013	2,245,490
Revenue from other sources:		
Rental income	**75,268**	85,478
	1,950,281	2,330,968

9. Other Income

	2020	2019
	HK$'000	HK$'000
Interest income on bank deposits	**1,951**	5,724
Agency income	**7**	755
Commission received	**2,586**	3,523
Despatch income	**767**	4,789
Dividend income	**1,306**	1,794
Consulting services	**1,605**	49
Others	**12,637**	10,628
	20,859	27,262

10. Impairment Losses for Prepayments

	2020 HK$'000	2019 HK$'000
Impairment losses for prepayments		
Purchase of iron ore	–	312,000
Others	**47,748**	38,403
	47,748	350,403

As at 31 March 2019, Prosperity Materials Macao Commercial Offshore Limited ("Prosperity Materials MCO"), an indirect wholly-owned subsidiary of the Company, had entered into a pig iron off-take agreement (the "Off-take Agreement") with Blackrock Metals Inc. ("Blackrock") and prepaid approximately HK$312,000,000, which were expected to be recovered from pig iron to be delivered to the Group before the Off-take Agreement expired by the end of June 2019.

Pursuant to the Off-take Agreement, Blackrock would be granted further extension if Blackrock could provide certain information to the satisfaction of the Group to support its financial stability and competency and to prove that the construction of the mine had commenced. As Blackrock could not fulfil its obligations before the expiry of the Off-take Agreement by the end of June 2019, the Group had taken steps to recover the prepayment.

During the year ended 31 March 2020, repeated demands from the Group and the Group's solicitor were made to request Blackrock to commence the production and fulfil the obligation as mentioned in the Off-take Agreement. No agreement was reached between the Group and Blackrock up to the date of this report.

The recovery of the prepayment for purchase of pig iron depends on the repayment ability of the supplier and the result of future actions taken, including but not limited to legal proceedings. Management considered that the recoverable amount was negligible and full provision of approximately HK$312,000,000 against the prepayment was recognised in profit or loss during the year ended 31 March 2019. No reversal of provision was made during the year ended 31 March 2020.

Subsequent to the reporting period, on 7 May 2020, the Group instructed its solicitor to issue letter to terminate the Off-take Agreement and demand full refund of the prepayments. On 11 May 2020, Blackrock was served a writ of summons issued in the Court of First Instance of the High Court of Hong Kong, with Prosperity Materials MCO as the plaintiff and Blackrock as the defendant for the recovery of whole prepayment made to Blackrock. The claimed amount included (1) the prepayment of approximately HK$312,000,000 (equivalent to US$40,000,000); (2) interest at rate and period as the court thinks fit; and (3) ancillary reliefs and costs.

11. Segment Information

Operating segments

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

(i) 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". The Group's CODM regularly reviews the composition of the Group's reportable segments in order to improve the resource allocation and better assess the performance of the Group.

The accounting policies of operating segments are the same as those described in note 4 to these consolidated financial statements. Segment profits or losses do not include share of losses of associates and a joint venture, impairment losses on other intangible assets and property, plant and equipment, reversal of impairment loss/impairment losses for prepayments, trade and bills receivables and loan and other receivables, loss on modification to lease term, losses on early extinguishment of bank and other borrowings, gains on modification of terms of convertible bonds and guaranteed notes, fair value gains/losses on investment properties and financial assets at FVTPL, net loss on disposals of financial assets at FVTPL, gain on disposals of an associate, subsidiaries and a joint venture, finance costs, income tax expense/credit and other corporate income and expenses.

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

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

11. Segment Information *(Continued)*

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

	Real estate investment and development HK$'000	Mining and trading of iron ore and raw materials HK$'000	Trading of clinker, cement and other building materials HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 March 2020					
Revenue from external customers	**880,523**	**625,759**	**443,098**	**901**	**1,950,281**
Intersegment revenue	**300**	**–**	**–**	**–**	**300**
Segment (loss)/profit	**316,180**	**16,284**	**4,601**	**(52,822)**	**284,243**
Other information:					
Interest income	**932**	**1,007**	**10**	**2**	**1,951**
Interest expense	**144,518**	**82,686**	**1,055**	**298,552**	**526,811**
Depreciation	**6,604**	**10,153**	**96**	**1,201**	**18,054**
Income tax expense/(credit)	**71,579**	**(6,728)**	**644**	**–**	**65,495**
Other material non-cash item:					
Allowance/(reversal of allowance) for inventories	**(287)**	**(55,179)**	**–**	**24,402**	**(31,064)**

	Real estate investment and development HK$'000	Mining and trading of iron ore and raw materials HK$'000	Trading of clinker, cement and other building materials HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 March 2019					
Revenue from external customers	174,528	1,538,279	614,572	3,589	2,330,968
Intersegment revenue	600	–	–	–	600
Segment (loss)/profit	(97,539)	(146,668)	3,157	(45,095)	(286,145)
Other information:					
Interest income	621	5,072	27	4	5,724
Interest expense	64,850	89,532	1,913	86,593	242,888
Depreciation	4,053	29,974	113	2,690	36,830
Income tax expense/(credit)	30,595	(109,830)	448	(11,550)	(90,337)
Other material non-cash item:					
Allowance/(reversal of allowance) for inventories	18,217	(13,436)	–	5,645	10,426

11. Segment Information *(Continued)*

Reconciliations of reportable segment revenue and profit or loss:

	2020 HK$'000	2019 HK$'000
Revenue		
Total revenue from reportable segments	**1,950,581**	2,331,568
Elimination of intersegment revenue	**(300)**	(600)
Consolidated revenue	**1,950,281**	2,330,968
Profit or loss		
Total profit/(loss) of reportable segments	**284,243**	(286,145)
Other profit or loss	**2,451**	5,681
Share of losses of associates	**(13,309)**	(825)
Share of loss of a joint venture	**(933)**	(115)
Impairment loss on other intangible assets	**(42,645)**	(559,259)
Impairment loss on property, plant and equipment	**(82,330)**	(111,537)
Impairment losses for prepayments	**(47,748)**	(350,403)
Reversal of impairment losses/(impairment losses) for trade and bills receivables	**25,600**	(20,364)
Impairment losses for loan and other receivables	**(36,992)**	(106,237)
Loss on modification to lease term	**(1,728)**	–
Loss on early extinguishment of bank and other borrowings	**(1,705)**	–
Gains on modification of terms of convertible bonds and guaranteed notes	**–**	17,828
Fair value gains/(losses) on investment properties	**14,004**	(146,520)
Fair value losses on financial assets at FVTPL	**(56,029)**	(216,448)
Net loss on disposals of financial assets at FVTPL	**(10,927)**	(5,008)
Gain on disposal of an associate	**3,773**	–
Gains on disposals of subsidiaries, net	**49,788**	–
Gain on disposal of a joint venture	**3,014**	–
Finance costs	**(526,811)**	(242,888)
Unallocated amounts	**(52,515)**	(2,793)
Consolidated loss before tax	**(490,799)**	(2,025,033)

11. Segment Information *(Continued)*

Geographical information:

	Revenue		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**1,526,141**	1,728,176	**2,017,598**	2,113,034
Macau	**–**	–	**–**	8
Malaysia	**–**	34,326	**533,387**	626,001
Taiwan	**326,564**	238,577	**–**	–
Others	**97,576**	329,889	**50,178**	104,028
	1,950,281	2,330,968	**2,601,163**	2,843,071

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

Revenue from major customer:

	2020	2019
Trading of clinker, cement and other building materials segment	**HK$'000**	HK$'000
Customer a	**305,476**	249,825

No customers in real estate investment and development segment or mining and trading of iron ore and raw materials segment contributed 10% or more than 10% of the total revenue of the Group during the years ended 31 March 2019 and 2020.

12. Finance Costs

	2020 HK$'000	2019 HK$'000
Interest expense on lease liabilities	**876**	–
Finance lease charges	**–**	34
Interest on bank and other borrowings wholly repayable within 5 years	**282,467**	268,988
Interest on guaranteed notes	**129,875**	20,064
Interest on bonds	**12,453**	12,732
Effective interest expense on convertible bonds	**130,821**	24,175
Effective interest expense on a loan from a related party	**10,751**	10,424
Interest on bank overdraft	**82**	2
	567,325	336,419
Less: Borrowing costs capitalised into properties under development for sale	**(40,514)**	(93,531)
	526,811	242,888

Borrowing costs were capitalised at rates ranging from 7.2%–15.73% (2019: 4.8%–16.02%) per annum for the year ended 31 March 2020.

13. Income Tax Expense/(Credit)

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

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax		
Provision for the year	**1,420**	955
Over-provision in prior years	**(776)**	(507)
	644	448
Oversea Income tax		
Provision for the year	**–**	–
Overprovision in prior years	**–**	(806)
	–	(806)
PRC Corporate Income Tax ("CIT")		
Provision for the year	**44,778**	2,899
Underprovision in prior years	**2,583**	45,014
	47,361	47,913
LAT		
Provision for the year	**3,066**	24,529
Overprovision in prior years	**(4,287)**	–
	(1,221)	24,529
Deferred tax (note 39)	**18,711**	(162,421)
	65,495	(90,337)

Hong Kong Profits Tax is provided at 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

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 CIT at a rate of 25% (2019: 25%) during the year ended 31 March 2020.

13. Income Tax Expense/(Credit) *(Continued)*

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

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

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

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

	2020 **HK$'000**	2019 HK$'000
Loss before tax	**(490,799)**	(2,025,033)
Tax at the applicable rates in the jurisdictions concerned	**(67,720)**	(376,096)
Tax effect of income that is not taxable	**(39,795)**	(53,450)
Tax effect of expenses that are not deductible	**196,003**	221,905
Tax effect of unrecognised temporary differences	**(1,001)**	(1,993)
Tax effect of tax losses not recognised	**10,313**	55,735
Tax effect of utilisation of tax losses not previously recognised	**(31,180)**	–
LAT	**3,066**	24,529
Tax effect on LAT deductible for calculation of income tax purpose	**(1,516)**	(4,668)
Others	**(195)**	–
(Over)/under-provision in prior years	**(2,480)**	43,701
Income tax expense/(credit)	**65,495**	(90,337)

The weighted average applicable tax rate was 14% (2019: 19%). No significant change of weighted average applicable tax rate for the two years.

14. Loss for the Year

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

	2020 HK$'000	2019 HK$'000
(Reversal of allowance)/allowance for inventories (included in cost of inventories sold)	**(31,064)**	10,426
Auditor's remuneration	**3,072**	3,866
Bad debts	**–**	2,804
Cost of inventories sold	**1,478,993**	2,187,302
Depreciation on property, plant and equipment	**14,299**	36,859
Depreciation on right-of-use assets	**3,755**	–
Exchange losses, net	**9,160**	41,454
Impairment loss on:		
Property, plant and equipment#	**82,330**	111,537
Other intangible assets#	**42,645**	559,259
(Gains)/losses on disposals of property, plant and equipment	**(535)**	532
Direct operating expenses of investment properties that generate rental income	**7,377**	9,709
Operating lease charges in respect of land and buildings	**–**	7,577

Included in other operating expenses.

15. Employee Benefits Expense (Including Directors' Emoluments)

	2020 HK$'000	2019 HK$'000
Salaries, bonuses and allowances	**66,719**	95,969
Retirement benefit scheme contributions	**3,994**	6,142
	70,713	102,111

15. Employee Benefits Expense (Including Directors' Emoluments) *(Continued)*

(a) Retirement benefit schemes

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

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

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2019: four) directors whose emoluments are reflected in the analysis presented in note 16 to these consolidated financial statements. The emoluments of the remaining three (2019: one) highest paid individual(s) are set out below:

	2020 **HK$'000**	2019 HK$'000
Salaries and allowances	**5,534**	3,032
Discretionary bonus	**197**	–
Retirement benefit scheme contributions	**205**	140
	5,936	3,172

The emoluments fell within the following bands:

	Number of individual(s)	
	2020	2019
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1

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

16. Benefits and Interests of Directors

(a) Directors' emoluments

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

	2020	2019
	HK$'000	HK$'000
Fees		
Independent non-executive directors	**639**	1,240
Other emoluments		
Executive directors		
— Basic salaries, allowances and benefits in kind	**4,721**	16,212
— Retirement benefit scheme contributions	**133**	309
Non-executive directors		
— Basic salaries, allowance and benefits in kind	**66**	250
— Retirement benefit scheme contributions	**4**	12
Independent non-executive directors		
— Retirement benefit scheme contributions	**2**	14
	5,565	18,037

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

(a) Directors' emoluments *(Continued)*

The emoluments of each director for the years ended 31 March 2020 and 2019 are set out below:

	Fees HK$'000	Basic salaries, allowances and benefit in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of Director				
Mr. WONG Ben Koon ("Mr. Wong")	–	1,200	–	1,200
Dr. MAO Shuzhong (note (vii))	–	391	11	402
Ms. Gloria WONG (note (ix))	–	1,597	59	1,656
Mr. WANG Jiafu (note (vii))	–	122	6	128
Mr. KONG Siu Keung (note (vii))	–	886	44	930
Mr. LIU Yongshun (note (vii))	–	33	2	35
Mr. WU Likang (note (vii))	–	33	2	35
Mr. XIE Qiangming (note (i))	–	249	8	257
Mr. NIE Qiaoming (note (ii))	–	189	5	194
Mr. MA Xin (note (iii))	–	87	–	87
Mr. YUEN Kim Hung, Michael (note (vi))	42	–	2	44
Mr. YUNG Ho (note (vii))	76	–	–	76
Mr. CHAN Kai Nang (note (viii))	244	–	–	244
Mr. MA Jianwu (note (vii))	49	–	–	49
Mr. ZHAO Gen (note (ii))	89	–	–	89
Mr. GUAN Gaisen (note (iii))	88	–	–	88
Mr. YAN Xiaodian (note (iv))	51	–	–	51
Total for 2020	**639**	**4,787**	**139**	**5,565**

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

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Basic salaries, allowances and benefit in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of Director				
Mr. Wong	–	7,820	–	7,820
Dr. MAO Shuzhong (note (vii))	–	1,440	42	1,482
Ms. Gloria WONG (note (ix))	–	1,597	80	1,677
Mr. LI Zhimin (note (v))	–	1,755	13	1,768
Mr. WANG Jiafu (note (vii))	–	720	41	761
Mr. KONG Siu Keung (note (vii))	–	2,880	133	3,013
Mr. LIU Yongshun (note (vii))	–	120	6	126
Mr. WU Likang (note (vii))	–	130	6	136
Mr. YUEN Kim Hung, Michael (note (vi))	280	–	14	294
Mr. YUNG Ho (note (vii))	280	–	–	280
Mr. CHAN Kai Nang (note (viii))	500	–	–	500
Mr. MA Jianwu (note (vii))	180	–	–	180
Total for 2019	1,240	16,462	335	18,037

Notes:

(i) Appointed on 4 July 2019.

(ii) Appointed on 5 July 2019.

(iii) Appointed on 8 July 2019.

(iv) Appointed on 28 October 2019.

(v) Resigned on 31 December 2018.

(vi) Resigned on 25 May 2019.

(vii) Resigned on 8 July 2019.

(viii) Retried on 26 September 2019.

(ix) Resigned on 5 August 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: Nil).

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

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

Save as disclosed in note 51 to these consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. Dividends

The directors do not recommend the payment of final dividend for the year ended 31 March 2020 (2019: Nil).

18. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on (i) the loss for the year attributable to the owners of the Company of approximately HK$481,992,000 (2019: HK$1,829,401,000); and (ii) the weighted average number of ordinary shares of 1,332,471,206 (2019: 1,310,759,532, as adjusted to reflect the rights issue on 30 May 2019, details refer to note 33(c)) in issue during the year ended 31 March 2020, as adjusted to reflect the rights issue on 30 May 2019.

(b) Diluted loss per share

The exercise of the Group's outstanding convertible bonds for the years ended 31 March 2019 and 2020 would be anti-dilutive.

There was no dilutive potential ordinary shares for the Company's share options during the years ended 31 March 2019 and 2020.

19. Property, Plant and Equipment

	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Buildings HK$'000	Mining infrastructure HK$'000	Total HK$'000
Cost									
At 1 April 2018	5,233	2,010	91,438	5,448	234,166	105,959	139,371	525,772	1,109,397
Additions	22	–	1,457	344	–	12,379	–	7	14,209
Disposal and write off	(491)	–	(2,455)	(211)	–	–	–	–	(3,157)
Exchange differences	(61)	(78)	(706)	(303)	(924)	(5,757)	(1,738)	–	(9,567)
At 31 March 2019 and 1 April 2019	**4,703**	**1,932**	**89,734**	**5,278**	**233,242**	**112,581**	**137,633**	**525,779**	**1,110,882**
Additions	**–**	**–**	**9**	**171**	**22**	**25,134**	**–**	**–**	**25,336**
Disposal and write off	**(3,494)**	**(1,145)**	**(1,211)**	**(1,270)**	**(1,795)**	**–**	**(702)**	**–**	**(9,617)**
Transfer to assets held for sales (note 32)	**–**	**–**	**–**	**–**	**–**	**–**	**(27,280)**	**–**	**(27,280)**
Transfer to investment properties (note 20)	**–**	**–**	**–**	**–**	**–**	**–**	**(16,100)**	**–**	**(16,100)**
Transfer from right-of-use assets (note 21)	**–**	**–**	**2,609**	**–**	**–**	**–**	**–**	**–**	**2,609**
Disposal of subsidiaries	**–**	**–**	**(413)**	**(132)**	**(15,373)**	**(3,465)**	**(1,474)**	**–**	**(20,857)**
Reclassification upon adoption of HKFRS16 (note 3)	**–**	**–**	**(2,609)**	**–**	**–**	**(26,611)**	**–**	**–**	**(29,220)**
Exchange differences	**(18)**	**(54)**	**(541)**	**(228)**	**(683)**	**(4,940)**	**(1,254)**	**–**	**(7,718)**
At 31 March 2020	**1,191**	**733**	**87,578**	**3,819**	**215,413**	**102,699**	**90,823**	**525,779**	**1,028,035**
Accumulated depreciation and impairment									
At 1 April 2018	5,046	1,244	68,569	3,838	176,148	2,573	99,086	348,942	705,446
Charge for the year	150	475	5,895	685	14,163	–	2,767	12,724	36,859
Disposal and write off	(491)	–	(1,484)	(187)	–	–	–	–	(2,162)
Impairment losses (note 23)	–	–	7,422	–	26,921	774	–	76,420	111,537
Exchange differences	(56)	(47)	(396)	(186)	(448)	–	(346)	–	(1,479)
At 31 March 2019 and 1 April 2019	**4,649**	**1,672**	**80,006**	**4,150**	**216,784**	**3,347**	**101,507**	**438,086**	**850,201**
Charge for the year	**31**	**178**	**2,205**	**516**	**2,306**	**–**	**2,281**	**6,794**	**14,311**
Disposal and write off	**(3,479)**	**(1,070)**	**(857)**	**(1,211)**	**(1,238)**	**–**	**(179)**	**–**	**(8,034)**
Transfer to asset held for sales (note 32)	**–**	**–**	**–**	**–**	**–**	**–**	**(12,340)**	**–**	**(12,340)**
Transfer to investment properties (note 20)	**–**	**–**	**–**	**–**	**–**	**–**	**(4,187)**	**–**	**(4,187)**
Transfer from right-of-use assets (note 21)	**–**	**–**	**1,312**	**–**	**–**	**–**	**–**	**–**	**1,312**
Reclassification upon adoption of HKFRS 16 (note 3)	**–**	**–**	**(1,294)**	**–**	**–**	**–**	**–**	**–**	**(1,294)**
Disposal of subsidiaries	**–**	**–**	**(94)**	**(39)**	**(15,288)**	**(3,347)**	**(133)**	**–**	**(18,901)**
Impairment losses (note 23)	**–**	**–**	**268**	**–**	**781**	**72,657**	**4,134**	**4,487**	**82,327**
Exchange differences	**(18)**	**(47)**	**(587)**	**(158)**	**(368)**	**(454)**	**(367)**	**–**	**(1,999)**
At 31 March 2020	**1,183**	**733**	**80,959**	**3,258**	**202,977**	**72,203**	**90,716**	**449,367**	**901,396**
Carrying amount At 31 March 2020	**8**	**–**	**6,619**	**561**	**12,436**	**30,496**	**107**	**76,412**	**126,639**
At 31 March 2019	54	260	9,728	1,128	16,458	109,234	36,126	87,693	260,681

At 31 March 2020, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately HK$92,252,000 (2019: HK$168,318,000) (notes 36 and 48).

At 31 March 2019, the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately HK$1,315,000.

20. Investment Properties

	2020 HK$'000	2019 HK$'000
At beginning of year	**2,023,712**	2,408,280
Additions	**–**	105
Transfer from property, plant and equipment (note 19)	**11,913**	–
Reclassified as held for sale (note 32)	**(4,027)**	(108,018)
Fair value gains/(losses)	**14,004**	(146,520)
Exchange differences	**(85,338)**	(130,135)
At end of year	**1,960,264**	2,023,712

(a) The fair values of the Group's investment properties as at 31 March 2020 and 31 March 2019 have been arrived at on the basis of valuations carried out by Roma Appraisals Limited ("Roma") and Grant Sherman Appraisal Limited ("Grant Sherman"), independent professional valuers. The valuations of investment properties have been arrived at adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition or calculated using income capitalisation approach by reference to net rental income allowing for reversionary income potential.

(b) At 31 March 2020, investment properties with carrying amount of approximately HK$1,950,223,000 (2019: HK$2,008,319,000) were pledged as security for the Group's bank borrowings (notes 36 and 48) and loan facilities granted to a non-controlling shareholder of a subsidiary and its subsidiary (note 47(b)).

(c) Included in the investment properties are assets of and Greater Sino of approximately HK$1,925,364,000. As disclosed in note 2, the Group is undergoing a series of disposal transactions on these subsidiaries.

21. Right-of-Use Assets

	Leasehold lands HK$'000	Leased properties HK$'000	Leased motor vehicles HK$'000	Total HK$'000
At 1 April 2019 (note 3)	26,611	13,559	1,315	41,485
Additions	–	1,390	–	1,390
Depreciation	(900)	(3,737)	(18)	(4,655)
Modification to lease term	–	(10,082)	–	(10,082)
Transfer to property, plant and equipment (note 19)	–	–	(1,297)	(1,297)
Exchange differences	(1,125)	(79)	–	(1,204)
At 31 March 2020	24,586	1,051	–	25,637

At 31 March 2020, the carrying amount of right-of-use assets pledged as security for the Group's bank borrowings (notes 36 and 48) amounting to approximately HK$24,586,000.

Lease liabilities of approximately HK$725,000 are recognised with related right-of-use assets of HK$1,051,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2020 HK$'000
Depreciation expenses on right-of-use assets	**3,755**
Interest expense on lease liabilities (included in finance costs)	**876**
Expenses relating to short-term lease (included in selling and distribution costs and administrative expenses)	**1,809**

Details of total cash outflow for leases is set out in note 46(e).

For both years, the Group leases various lands, motor vehicles, offices premises and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 to 5 years, but may have extension and termination options as described below. Certain leases of motor vehicles were accounted for as finance leases during the year ended 31 March 2019 and carried interest of 2.65%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

22. Goodwill

	2020 HK$'000	2019 HK$'000
Cost		
At beginning and at end of year	**73,611**	73,611
Accumulated impairment		
At beginning and at end of year	**73,611**	73,611
Carrying amount		
At 31 March	**–**	–

23. Other Intangible Assets

	Mining rights HK$'000
Cost	
At 1 April 2018	2,539,269
Exchange differences	(6,564)
At 31 March 2019 and 1 April 2019	**2,532,705**
Disposal of a subsidiary	**(192,640)**
Exchange differences	**(1,961)**
At 31 March 2020	**2,338,104**
Accumulated amortisation and impairment losses	
At 1 April 2018	1,416,450
Impairment losses	559,259
Exchange differences	(1,682)
At 31 March 2019 and 1 April 2019	**1,974,027**
Disposal of a subsidiary	**(165,289)**
Impairment losses	**42,645**
Exchange differences	**(1,902)**
At 31 March 2020	**1,849,481**
Carrying amount	
At 31 March 2020	**488,623**
At 31 March 2019	558,678

23. Other Intangible Assets *(Continued)*

At 31 March 2020, the mining rights represents the mining permits of iron ore mining sites located in Malaysia and Federative Republic of Brazil ("Brazil") of approximately HK$439,881,000 (2019: HK$465,498,000) and HK$48,742,000 (2019: HK$65,829,000) respectively. At 31 March 2019, the mining rights also included the mining permits of granite mining sites located in the PRC of approximately HK$27,351,000. Such mining permits were owned by an indirect non-wholly owned subsidiary in the PRC, and was disposed of after the completion of disposal of 60% equity interests in WM Aalbrightt Investment Holdings (Hong Kong) Limited ("WM Aalbrightt HK") on 4 November 2019. Details of the disposal are set out in note 46(c) to the consolidated financial statements.

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

At 31 March 2020, mining rights with carrying amount of approximately HK$439,881,000 (2019: HK$465,498,000) were pledged as security for the Group's bank borrowings (notes 36 and 48).

Impairment review of iron ore mining operation

The planned resumption of the Group's iron ore mining operations in Malaysia was further deferred until 2021 due to the Group experiencing financial difficulties. The Group was unable to afford the high mining operating cost as a result. After considering this impairment indicator, the Group carried out an impairment review of the iron ore mining and trading operations of Billion Win Capital Limited ("Billion Win") which is considered as a CGU of the iron ore mining operation in Malaysia, including other intangible assets and property, plant and equipment, by comparing the carrying amount with its recoverable amount by reference to the valuation report prepared by Roma, an independent professional valuer. As the result, impairment losses of approximately HK$25,617,000 (2019: HK$459,642,000) and HK$5,536,000 (2019: HK$109,735,000) for other intangible assets and property, plant and equipment, respectively, were recognised in profit or loss during the year ended 31 March 2020.

The recoverable amount of the CGU of approximately HK$652,080,000 (2019: HK$642,494,000) has been determined from fair value less costs of disposal using the income-based approach (level 3 fair value measurements), being estimated future cash flows of the mining operation of Billion Win, which were prepared with reference to the report prepared by Blackstone Mining Associates Limited as disclosed in the circular of the Company dated 30 August 2014 and updated with the latest mining plan of the mine in Malaysia which has a mine life of approximately 19 years, discounted to their present value using a pre-tax discount rate of 20.40% (2019: 20.86%).

During the year ended 31 March 2019, the iron ore price continued to be unstable and the iron ore mining and trading operations of United Goalink Limited ("UGL"), which is considered as a CGU of the iron ore operation in Brazil, remained suspended. Taking into account the increasingly challenging business environment and the uncertainties of the prospect of the mining business in Brazil, the Group decided to dispose of the iron ore mining and trading operations of UGL. On 3 April 2019, an equity transfer agreement was entered into to dispose of the iron ore operation in Brazil at a consideration of approximately US$4,500,000 (equivalent to approximately HK$35,100,000). Due to certain conditions precedent in the agreement are not fulfilled, the iron ore operation in Brazil is not classified as held for sale at the end of the reporting period. The carrying amount of other intangible asset of the CGU was thus compared to the recoverable amount by reference to the consideration and as a result, impairment loss of approximately HK$17,028,000 (2019: HK$53,419,000) for other intangible assets was recognised in profit or loss during the year ended 31 March 2020.

23. Other Intangible Assets *(Continued)*

Impairment review of iron ore mining operation *(Continued)*

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

Management has estimated the long-term forecast selling prices for iron ore with reference to the market consensus on forecast price of 62% grade iron ore from 2020 to 2024 from Bloomberg, and inflation rate of 3.0%, which was sourced from International Monetary Fund ("IMF") was applied to selling price thereafter to the end of the expected life of the mines.

As for the operating costs, the management of the Company has made its estimation based on the latest operation condition of iron ore mines, and applying the long term inflation rate of Malaysia, which was sourced from IMF, from 2021 to the end of the expected life of the mines.

Impairment review of granite mining operation

During the year ended 31 March 2019, the mining permit for granite mining operation expired and the Group applied for renewal. Due to changes of national regulations regarding the granite mining operations, more stringent policies and requirements were implemented by the PRC government, the renewal of mining permit requires considerable cost. After considering the financial resources of the Group and the feasibility of successful renewal, the Group decided to terminate the renewal of mining permit. As a result, the Group carried out an impairment review of grante mining operation, which is considered as a CGU, including other intangible assets and property, plant and equipment, by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma and impairment losses of approximately HK$46,198,000 and HK$1,802,000 for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss during the year ended 31 March 2019.

At 31 March 2019, the recoverable amount of the granite mining operation of approximately HK$18,644,000 had been determined from fair value less costs of disposal using the income-based approach (level 3 fair value measurements), being estimated future cash flows of the granite mining operation, which were prepared with reference to the mining plan covering the expected life of the operation up to 2035, discounted to their present value using a pre-tax discount rate of 17.51%.

The key assumptions for the impairment test include the production plan of granite products as well as the inflation rates over the expected life of the mine. Management has estimated the long term forecast production plan for granite products with reference to the management expectation on the market performance, and inflation rate of 3% was applied from 2024 to the end of the expected life of the mine. The inflation rate, which was sourced from IMF, represented long term inflation rate of the PRC where the ultimate customers located.

24. Investments in Associates

	2020	2019
	HK$'000	HK$'000
Unlisted investments:		
Share of net assets	**101,737**	19,915

Details of the Group's associates at 31 March 2020 are as follows:

Name	**Place of incorporation/ registration**	**Issued and paid up capital**	**Percentage of ownership interest**	**Principal activities**
Suqian Shengda Real Estate Development Co., Ltd ("Suqian Shengda")*	PRC	Registered capital of RMB100,080,000	48.28%	Property development
Xinxing Pipes (Shanghai) Supply Chain Management Limited ("Xinxing Pipes")*	PRC	Registered capital of RMB50,000,000	30%	Trading of iron ore

* The English translation of the companies' names is for reference only. The official name of these companies are in Chinese.

On 10 May 2019, The Group entered into a sales and purchases agreement to dispose of its 21.72% equity interests in its indirect non-wholly owned subsidiary of the Company, Suqian Shengda", at a consideration of RMB25,000,000 (equivalent to approximately HK$28,000,000). The disposal was completed on 17 May 2019. The Group holds 60% of the voting power of Suqian Shengda. However, under the articles of association of Suqian Shengda, the financial and operating policy decisions of Sugian Shengda require a resolution passed by two-thirds of the directors. Therefore, the Group could not control the composition of the board of directors of Suqian Shengda. The directors of the Company consider that the Group does have significant influence over Suqian Shengda. As a result, Suqian Shengda ceased to be a subsidiary of the Company and the financial statements of Suqian Shengda were used in applying the equity method in the preparation of the Group's consolidated financial statements since 17 May 2019. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 46(b).

24. Investments in Associates *(Continued)*

The following table shows information on the associate that is material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associate.

Name	**Suqian Shengda**	
	2020	2019
	HK$'000	HK$'000
Principal place of business/country of incorporation	**PRC/PRC**	
Principal activities	**Property development**	
% of ownership interests/voting rights held by the Group	**48.28%/60%**	N/A
	HK$'000	HK$'000
At 31 March:		
Non-current assets	**2,674**	–
Current assets	**837,712**	–
Current liabilities	**(670,929)**	–
Net assets	**169,457**	–
Group's share of carrying amount of interests	**81,814**	–
Year ended 31 March:		
Revenue	**18,906**	–
Loss for the period	**(30,640)**	–
Other comprehensive income	**(8,141)**	–
Total comprehensive income	**(38,781)**	–

24. Investments in Associates *(Continued)*

The following table shows the Group's share of the amount of immaterial associate that is accounted for using the equity method.

	2020 **HK$'000**	2019 HK$'000
At 31 March:		
Carrying amounts of interests	**19,923**	19,915
Year ended 31 March:		
Profit/(loss) from operation	**4,947**	(1,609)
Profit/(loss) after tax	**4,947**	(1,609)
Other comprehensive income	**–**	–
Total comprehensive income	**4,947**	(1,609)

As at 31 March 2020, the bank and cash balances of the Group' associates in the PRC denominated in Renminbi ("RMB") amounted to HK$150,856,000 (2019: HK$7,053,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

In the prior year, the Group held a 50% interest in Hangzhou Prosperity Enterprise Management Limited ("HPEML") and accounted for the investment as an associate. In March 2020, the Group disposed of its entire interest in HPEML to an independent third party for proceeds of approximately RMB11,125,000 (equivalent to approximately HK$12,490,000) including the settlement of amount due to HPEML of approximately RMB7,200,000 (equivalent to approximately HK$8,083,000). This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	HK$'000
Proceeds of disposal	**12,490**
Less: Carrying amount of 40% investment on the date of loss of significant influence	**(634)**
Less: Amounts due to HPEML	**(8,083)**
Gain on disposal of an associate	**3,773**

25. Investment in a Joint Venture

	2020	2019
	HK$'000	HK$'000
Unlisted investments:		
Share of net assets	**–**	69,799

Details of the Group's joint venture at 31 March 2019 are as follows:

Name	**Place of incorporation/ registration**	**Issued and paid up capital**	**Percentage of ownership interest/ profit sharing**	**Principal activities**
Δ Dali Gangxing Property Company Limited ("Dali Gangxing")	PRC	Registered capital of RMB120,000,000	50%	Property development

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

The following table shows the Group's share of the amounts of joint venture that are accounted for using the equity method.

	2020	2019
	HK$'000	HK$'000
At 31 March:		
Carrying amounts of interests	**–**	69,799
Year ended 31 March:		
Loss from operations	**–**	(231)
Loss after tax	**–**	(231)
Other comprehensive income	**–**	–
Total comprehensive income	**–**	(231)

As at 31 March 2019, the bank and cash balances of the Group's joint venture in the PRC denominated in RMB amounted to approximately HK$100,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. Investment in a Joint Venture *(Continued)*

In the prior year, the Group held a 50% interest in Dali Gangxing and accounted for the investment as a joint venture. In April 2020, the Group disposed of 20% equity interest in Dali Gangxing to Changxing Tianyue Corporate Management Co., Ltd.*(長興天悅企業管理有限公司) for proceeds of approximately RMB24,000,000 (equivalent to approximately HK$27,887,000). The Group continued to own 30% equity interests in Dali Gangxing. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	HK$'000
Proceed of disposal	27,887
Less: Carrying amount of 20% investment on the disposal date	(27,752)
Gain on disposal of a joint venture	135

Further in October 2019, the Group disposed of the remaining 30% equity interest in Dali Gangxing to an independent individual for proceeds of approximately RMB45,266,000 (equivalent to approximately HK$49,389,000) including the settlement of the loan from Zhejiang Changxing Investment Co., Ltd ("Zhejiang Changxing"), an indirect wholly-owned subsidiary of the Company, to Dali Gangxing of approximately RMB7,432,000 (equivalent to approximately HK$8,109,000) .This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	HK$'000
Proceed of disposal	49,389
Less: Carrying amount of 30% investment on the disposal date	(38,401)
Less: Loan from Zhejiang Changxing	(8,109)
Gain on disposal of a joint venture	2,879

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

26. Financial Assets at FVTOCI

	2020 HK$'000	2019 HK$'000
Listed equity securities in Hong Kong, at fair value	**70,737**	194,522
Listed equity securities outside Hong Kong, at fair value	**3,141**	5,072
	73,878	199,594

Financial assets at FVTOCI are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**70,737**	194,522
US$	**–**	1,872
CAD	**3,141**	3,200
	73,878	199,594

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

During the year ended 31 March 2020, the Group disposed certain of its listed equity securities classified as financial assets at FVTOCI in order to improve its liquidity. The equity securities was recorded with a fair value of approximately HK$13,252,000 (2019: HK$22,678,000) and upon completion, the Group recognised a gain of approximately HK$5,720,000 (2019: HK$9,573,000) The amount was subsequently reclassified from FVTOCI reserve to accumulated losses.

At 31 March 2020, listed equity securities with an aggregate carrying amount of approximately HK$70,737,000 (2019: HK$194,522,000) have been pledged as security for the Group's bank borrowings (notes 36 and 48).

27. Financial Assets at FVTPL

	2020 HK$'000	2019 HK$'000
Listed equity securities in Hong Kong, at fair value (note (i))	**8**	10,904
Unlisted equity securities, at fair value (note (ii))	**86,000**	142,000
	86,008	152,904
Analysed as:		
Current assets	**8**	10,904
Non-current assets	**86,000**	142,000
	86,008	152,904

Notes:

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

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

(ii) The investments included above represents investments in unlisted equity securities. The Group establishes fair value by using valuation techniques. These include the use of market comparable approach, asset-based approach and income capitalisation approach, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

28. Inventories

	2020	2019
	HK$'000	HK$'000
Properties under development for sale	**1,266,732**	2,021,929
Properties held for sale	**1,419,124**	1,000,817
Raw iron ore	**1,271**	2,902
Processed iron ore	**155,582**	99,803
	2,842,709	3,125,451

(a) At 31 March 2020, inventories with carrying amount of approximately HK$997,372,000 (2019: HK$1,126,097,000) were pledged as security for the Group's bank borrowings (note 36 and 48) and loan facilities granted to a non-controlling shareholder of a subsidiary and its subsidiary (note 47(b)).

(b) The carrying amount of inventories expected to be recovered after more than twelve months from 31 March 2020 amounted to approximately HK$1,266,732,000 (2019: HK$2,021,929,000).

(c) For the year ended 31 March 2020, depreciation of property, plant and equipment of approximately HK$12,000 (2019: HK$29,000) are capitalised as inventories.

(d) Included in the inventories are assets of Guangzhou Fuchun and Greater Sino of approximately HK$1,081,275,000. As disclosed in note 2, the Group is undergoing a series of disposal transactions on these subsidiaries.

29. Trade and Bills Receivables

	2020 HK$'000	2019 HK$'000
Trade and bills receivables	71,708	222,344
Allowance for doubtful debts	(26,765)	(57,371)
	44,943	164,973

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 (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:

	2020 HK$'000	2019 HK$'000
0 to 90 days	44,943	161,682
91 to 180 days	–	1,280
181 to 365 days	–	2,011
	44,943	164,973

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

	2020 HK$'000	2019 HK$'000
US$	18,890	153,186
RMB	24,223	9,118
Malaysian Ringgit ("MYR")	1,830	2,669
	44,943	164,973

30. Prepayments, Deposits and Other Receivables

	2020 HK$'000	2019 HK$'000
Prepayments		
Other taxes (note (a))	**50,936**	48,393
Iron ore	**–**	106,541
Building materials	**–**	54,685
Others	**8,691**	19,654
	59,627	229,273
Other deposits	**16,032**	21,874
Other receivables (note (b))	**200,635**	247,842
Loan receivables (note (c))	**11,345**	5,771
	287,639	504,760

Notes:

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

(i) HK$40,276,000 (2019: HK$35,127,000) representing taxes paid in relation to the sales proceeds received from purchasers in connection with the Group's pre-sales of properties.

(ii) HK$3,912,000 (2019: HK$13,266,000) representing tax credit on the social contribution and value-added tax paid in relation to purchase of raw materials and property, plant and equipment in connection with the mining of iron ore.

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

(i) HK$7,270,000 (2019: HK$11,710,000) representing the interests accrued in respect of the loan receivables.

(ii) HK$142,996,000 (2019: HK$148,181,000) representing advances to non-controlling shareholders of subsidiaries. The amounts due are unsecured, interest-free and repayable on demand.

(iii) HK$Nil (2019: HK$20,636,000) and HK$Nil (2019: HK$7,026,000) representing advances to an associate and a joint venture respectively. The amounts due are unsecured, interest-free and repayable on demand.

(iv) HK$21,935,000 (2019: HK$Nil) representing amount due from a director, Ms. Gloria Wong. The amount was pledged as a security for banking facilities of approximately HK$22,310,000. Ms. Gloria Wong resigned from a director of the Company on 5 August 2020. Detail as set out in notes 48 and 50(e) of to the consolidated financial statements.

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

(i) HK$11,157,000 (2019: HK$12,342,000) made to business associates that are unsecured, interest-free and repayable within one year. As at 31 March 2020, an allowance was made for estimated irrecoverable loan receivable of approximately HK$11,157,000 (2019: HK$12,342,000).

(ii) HK$116,793,000 (2019: HK$115,578,000) made to third parties that are unsecured, interest-bearing at 8%–10% per annum and repayable within one year. As at 31 March 2020, an allowance was made for estimated irrecoverable loan receivables of approximately HK$104,856,000 (2019: HK$109,748,000).

31. Pledged Deposits and Bank and Cash Balances

The pledged deposits and bank and cash balances of approximately HK$217,930,000 (2019: HK$248,287,000) carries floating interest rate thus expose the Group to cash flow interest rate risk.

As at 31 March 2019, pledged deposits mainly represent the deposits placed in banks to secure letters of credit facilities granted to the Group (note 48).

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, a subsidiary of the Group is required to place certain amount of its presale proceeds of properties at designated bank accounts as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the properties when approval from the local State-Owned Land and Resource Bureau is obtained. As at 31 March 2020, guarantee deposits of approximately HK$70,492,000 (2019: HK$102,109,000) was included in bank and cash balances. The balance of the deposits will be released gradually after completion of the properties, delivery of the properties and issuance of the properties ownership certificates of the properties.

As at 31 March 2020, included in pledged deposits and bank and cash balances is an amount of approximately HK$213,707,000 (2019: HK$243,477,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

32. Assets classified as held for sale

	2020 **HK$'000**	2019 HK$'000
Property, plant and equipment (note 19)	**14,940**	–
Investment properties (note 20)	**4,027**	108,018
	18,967	108,018

The assets classified as held for sale for year ended 31 March 2020 and 31 March 2019 are arising from:

(i) 31 March 2019

On 12 November 2018, Guangzhou Bliss Hero Real Estate Development Limited* ("Guangzhou Bliss Hero"), an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchases agreement with Guangzhou Zhongshi Real Estate Investment Company Limited* to dispose of certain investment properties located in Guangzhou City, Guangdong Province, PRC at a consideration of approximately RMB92,700,000 (equivalent to approximately HK$108,018,000). The disposal was completed on 28 April 2019.

(ii) 31 March 2020

On 23 March 2020, Hangzhou Junxing Investment Management Co., Limited* ("Junxing"), an indirectly wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with an independent third party to dispose of certain properties and carparks which classified in investment properties and property, plant and equipment located in Hangzhou at a consideration of approximately RMB17,000,000 (equivalent to HK$18,967,000). The disposal was completed on 10 April 2020.

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33. Share Capital and Treasury Shares

		Share Capital			Treasury Shares		
	Note	Number of ordinary shares of HK$0.01 each	Number of ordinary shares of HK$0.1 each	Amount HK$'000	Number of ordinary shares of HK$0.01 each	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Authorised:							
At 1 April 2018		20,000,000,000	–	200,000			
Share consolidation	(a)	(20,000,000,000)	2,000,000,000	–	–	–	–
At 31 March 2019, 1 April 2019 and 31 March 2020		–	2,000,000,000	200,000	–	–	–
Issued and fully paid:							
At 1 April 2018		12,746,160,027	–	127,462	–	–	–
Purchase of treasury shares	(b)	–	–	–	(3,080,000)	–	(118)
Cancellation of treasury shares	(b)	(3,080,000)	–	(31)	3,080,000	–	118
Share consolidation	(a)	(12,743,080,027)	1,274,308,002	–	–	–	–
At 31 March 2019 and 1 April 2019		–	1,274,308,002	127,431	–	–	–
Issurance of shares upon rights issue	(c)	–	69,341,149	6,934	–	–	–
At 31 March 2020		–	1,343,649,151	134,365	–	–	–

Notes:

(a) On 25 February 2019, every ten shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.1 each in the issued and unissued share capital of the Company.

(b) Purchase and cancellation of treasury shares

The Company repurchased 3,080,000 shares of the Company on the Stock Exchange (the "Repurchases") and subsequently cancelled during the year ended 31 March 2019. The total consideration (including transaction costs) of the Repurchases were HK$117,540. Particulars of the Repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share Highest HK$	Purchase price per share Lowest HK$	Aggregate consideration HK$
December 2018	3,080,000	0.040	0.036	117,540

(c) On 30 May 2019, 69,341,149 ordinary shares of HK$0.1 each were issued at HK$0.13 per share by way of a rights issue on the basis of two rights share for every five shares held. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

33. Share Capital and Treasury Shares *(Continued)*

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

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

During the year ended 31 March 2020, the Group's strategy, which was unchanged from 2019, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-equity ratio, which represented total debts (including bank and other borrowings, lease liabilities, convertible bonds, guaranteed notes and bonds) over shareholders' equity, at 31 March 2020 and at 31 March 2019 were -280% and -1,732%, respectively.

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

The Group receives a report from the share registrars weekly on substantial share interests showing the non- public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2020, 61% (2019: 35%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. During the year ended 31 March 2020, the Group did not meet certain financial ratios as set out in the covenants of the borrowing and bonds agreements. The remedies of the breaches are disclosed in notes 36 and 44.

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

(a) Statement of financial position of the Company

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**15**	22
Investments in subsidiaries		**1,524,626**	2,162,826
		1,524,641	2,162,848
Current assets			
Financial assets at FVTPL		**8**	10,904
Prepayments, deposits and other receivables		**602**	196
Bank balances		**47**	4,218
		657	15,318
TOTAL ASSETS		**1,525,298**	2,178,166
Capital and reserves			
Share capital	33	**134,365**	127,431
Reserves	35(b)	**(197,373)**	467,762
Total equity		**(63,008)**	595,193
Current liabilities			
Other payables		**502,310**	191,498
Other borrowings		**167,544**	148,293
Convertible bonds	42	**30,000**	174,424
Guarantee notes	44	**140,400**	145,954
Current portion of bonds	44	**332,400**	185,500
Financial guarantees		**415,652**	737,304
Total liabilities		**1,588,306**	1,582,973
TOTAL EQUITY AND LIABILITIES		**1,525,298**	2,178,166
Net current liabilities		**(1,587,649)**	(1,567,655)
Total assets less current liabilities		**(63,008)**	595,193

Approved by the Board on 17 August 2020 and is signed on its behalf by:

Wong Ben Koon
Chairman and Executive Director

Xie Qiangming
Chief Executive Officer and Executive Director

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

(b) Reserve movements of the Company

	Share premium HK$'000	Treasury shares HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	2,259,775	–	872,101	12,087	–	(2,009,558)	1,134,405
Total comprehensive income for the year	–	–	–	–	–	(669,189)	(669,189)
Issurance of convertible bonds (note 42)	–	–	–	–	2,633	–	2,633
Purchase of treasury shares (note 33(b))	–	(118)	–	–	–	–	(118)
Cancellation of treasury shares (note 33(b))	(87)	118	–	–	–	–	31
Transfer of reserve upon lapse of share options	–	–	–	(3,078)	–	3,078	–
Changes in equity for the year	(87)	–	–	(3,078)	2,633	(666,111)	(666,643)
At 31 March 2019 and 1 April 2019	2,259,688	–	872,101	9,009	2,633	(2,675,669)	467,762
Total comprehensive income for the year	–	–	–	–	–	(664,537)	(664,537)
Issurance of shares upon rights issues	(598)	–	–	–	–	–	(598)
Changes in equity for the year	(598)	–	–	–	–	(664,537)	(665,135)
At 31 March 2020	**2,259,090**	**–**	**872,101**	**9,009**	**2,633**	**(3,340,206)**	**(197,373)**

35. Reserves

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Foreign currency translation reserve

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

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

(iii) Contributed surplus

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

(iv) Merger reserve

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

(v) Share-based payment reserve

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

(vi) FVTOCI reserve

The FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(n) to these consolidated financial statements.

(vii) Capital reserve

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

35. Reserves *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(viii) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond in note 4(u) to these consolidated financial statements.

(ix) Other reserve

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

36. Bank Borrowings

	2020 **HK$'000**	2019 HK$'000
Secured		
Bank loans	**741,978**	927,852
Trust receipt loans	**150,527**	150,527
Unsecured		
Bank overdraft	**33,735**	41,406
	926,240	1,119,785

The bank borrowings are repayable as follows:

	2020 **HK$'000**	2019 HK$'000
On demand or within one year	**876,034**	1,030,760
In the second year	**50,206**	30,893
In the third to fifth years, inclusive	**–**	58,132
	926,240	1,119,785
Less: Amount due for settlement within 12 months	**(760,471)**	(914,949)
Amount due for settlement after one year which contain a repayment on demand clause	**(115,563)**	(115,811)
Amount due for settlement after 12 months	**50,206**	89,025

36. Bank Borrowings *(Continued)*

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

As at 31 March 2020, the weighted average effective interest rate for the Group's trust receipt loans of approximately HK$150,527,000 (2019: HK$150,527,000) is 5.4% (2019: 5.4%), and carry effective interest rates ranging from 5.3% to 5.4% (2019: 2.2% to 5.4%). All of the trust receipt loans are denominated in US$.

For the bank loans of the Group, the weighted average effective interest rate is 9% (2019: 5.6%). Out of the total bank loans of approximately HK$741,978,000 (2019: HK$927,852,000), approximately HK$128,370,000, HK$553,300,000 and HK$60,308,000 (2019: HK$217,794,000, HK$551,116,000 and HK$157,907,000) are denominated in US$, HK$ and RMB respectively, and carry effective interest rates ranging from 6.6% to 8.8%, 4.9% and 5.6% to 7.5% (2019: 4.3% to 7.2%, 2.8% to 4.9% and 5.2% to 7.5%), respectively. The remaining balance of approximately HK$1,035,000 is denominated in Indonesia Rupiah with effective interest rate of 38.5% in 2019.

All the bank overdraft of the Group is denominated in HK$.

Bank borrowings of approximately HK$94,043,000 (2019: HK$199,314,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

Bank borrowings of approximately HK$832,197,000 (2019: HK$920,471,000) are arranged at floating interest rates, thus exposing the Group to cash flow interest rate risk.

Non-payments of bank borrowings

During the year ended 31 March 2020, the Group breached certain covenant clauses in borrowing agreements in relation to the maintenance of debt to equity ratio, consolidated net debt to consolidated tangible net worth ratio and interest coverage ratio of the Group. In addition, the Group had also failed to repay principal and interests of approximately HK$681,670,000 and approximately HK$22,648,000 respectively (the "Default Bank Borrowings") in accordance with the repayment schedules set out in the borrowing agreements.

As a result of the above defaults, the Default Bank Borrowings are subject to immediate repayment option and were classified as current liabilities as at 31 March 2020.

On 2 April 2020 and 24 April 2020, the Group has remedied the breaches with under O-Bank and ICBC by entering into two settlement plans.

37. Lease Liabilities (2019: Finance Lease Payables)

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**746**	13	**705**	13
In the second to fifth years, inclusive	**22**	–	**20**	–
	768	13	**725**	13
Less: Future finance charges	**(43)**	–	**N/A**	N/A
Present value of lease obligations	**725**	13	**725**	13
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(705)**	(13)
Amount due for settlement after 12 months			**20**	–

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2020	2019
	HK$'000	HK$'000
US$	**665**	13
RMB	**60**	–
	725	13

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

38. Other Loans and Payables

	2020 HK$'000	2019 HK$'000
Due to related companies (note (a))	–	60,716
Term loan from a related company (note (b))	290,813	278,045
	290,813	338,761
Analysis as:		
Current portion	290,813	–
Non-current portion	–	338,761
	290,813	338,761

Notes:

(a) Due to related companies are unsecured, interest-free and repayable on 30 April 2020 (2019: 30 April 2020). It was classified as current liabilities under other payables and deposit received (note 41) at 31 March 2020.

(b) The term loan from a related company is unsecured, interest-bearing at 4% per annum and repayable on 9 October 2020. The term loan initially matured on 9 October 2017, with an option of the Group to extend the maturity for a further three years. During the year ended 31 March 2017, the Group exercised the option and the term loan was extended for further three years, maturing on 9 October 2020.

39. Deferred Tax

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

	Revaluation of properties under development for sale HK$'000	Depreciation charges in excess of related depreciation allowance HK$'000	Revaluation of investment properties HK$'000	Temporary difference on LAT HK$'000	Fair value difference of other intangible assets HK$'000	Others HK$'000	Total HK$'000
At 1 April 2018	51,269	158	318,304	(97,440)	230,940	3,625	506,856
Credited to profit or loss for the year (note 13)	(289)	–	(33,510)	(3,982)	(121,680)	(2,960)	(162,421)
Exchange differences	(9,100)	–	(11,398)	5,297	–	(61)	(15,262)
At 31 March 2019 and 1 April 2019	41,880	158	273,396	(96,125)	109,260	604	329,173
Credited to profit or loss for the year (note 13)	**(772)**	**6,335**	**5,727**	**3,145**	**(6,148)**	**10,424**	**18,711**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(6,838)**	**–**	**(6,838)**
Exchange differences	**(6,417)**	**(41)**	**(7,018)**	**4,067**	**–**	**(96)**	**(9,505)**
At 31 March 2020	**34,691**	**6,452**	**272,105**	**(88,913)**	**96,274**	**10,932**	**331,541**

39. Deferred Tax *(Continued)*

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

	2020 HK$'000	2019 HK$'000
Deferred tax liabilities	**422,841**	427,218
Deferred tax assets	**(91,300)**	(98,045)
	331,541	329,173

At the end of the reporting period, the Group has unused tax losses of approximately HK$235,179,000 (2019: HK$312,387,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$70,822,000 (2019: HK$171,946,000) that will expire within five years. Other tax losses do not expire under the current tax legislation.

Included in the deferred tax assets is asset of Guangzhou Fuchun of approximately HK$86,221,000. As disclosed in note 2, the Group is undergoing a disposal transaction on this subsidiary.

40. Trade and Bills Payables

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

	2020 HK$'000	2019 HK$'000
Not yet due	**268,170**	348,238
Due within 3 months or on demand	**159,071**	190,619
Due after 3 months	**262,690**	277,339
	689,931	816,196

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

	2020 HK$'000	2019 HK$'000
US$	**45,896**	205,860
RMB	**635,774**	601,125
MYR	**8,261**	9,211
	689,931	816,196

40. Trade and Bills Payables *(Continued)*

Non-payments of construction cost

On 29 July 2020 and 10 August 2020, two property constructors initiated legal suits against the Group for a defaulted amount of approximately HK$268,458,000. In addition, one of the property constructors has also demanded for the remaining outstanding amount owing by the Group of approximately HK$286,504,000 through its legal representative. No remedies have been agreed in respect of the aforesaid up to the date of this report.

41. Other Payables and Deposits Received

	2020 HK$'000	2019 HK$'000
Accrued expenses	**83,998**	85,328
Interest payables	**351,162**	18,292
Due to related companies (note (a))	**290,192**	125,812
Other payables (note (b))	**529,488**	560,711
Receipts in advance (note (c))	**772,107**	1,280,033
Rental deposits received	**10,869**	14,407
Performance guarantee received (note (d))	**488,598**	496,772
	2,526,414	2,581,355

Notes:

(a) Due to related companies of approximately HK$180,630,000 (2019: HK$125,812,000) are unsecured, interest-free and repayable on demand.

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

(i) HK$102,437,000 (2019: HK$101,886,000) representing other loans that are unsecured, interest-bearing at 10%-12% per annum and repayable on demand. On 8 June 2020, an individual payable of the Group filed a lawsuit against a subsidiary of the Group for a defaulted amount of approximately HK$102,437,000. No remedies in respect of the amount up to the date of this report.

(ii) HK$260,959,000 (2019: HK$215,711,000) representing advance from independent third parties that are unsecured, interest- free and repayable on demand.

(iii) HK$Nil (2019: HK$66,521,000) representing deposits received for disposing of certain investment properties located in Guangzhou City, Guangzhou Province, PRC at a consideration of approximately RMB92,700,000 (equivalent to approximately HK$108,018,000).

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

41. Other Payables and Deposits Received *(Continued)*

Notes: (Continued)

(d) On 13 March 2018, Greater Sino Investments Ltd. ("Greater Sino"), Honwill Limited ("Honwill") (both Greater Sino and Honwill are indirect wholly-owned subsidiaries of the Company at the time of agreement) and Dongguan City Danxin Property Company Limited* (東莞市丹新置業有限公司) entered into a co-operation agreement with Dongguan Vanke Real Estate Company Limited* (東莞市萬科房地產有限公司) ("Dongguan Vanke") and Hybest (BVI) Company Limited ("Hybest"), both indirect wholly-owned subsidiaries of China Vanke Co., Ltd.* (萬科企業股份有限公司) (collectively referred to the "Purchasers"), through disposing 49% of the equity interests in Honwill to Hybest and 70% of equity interests in Dongguan Honwill Limited* (東莞市敬培實業有限公司) ("Dongguan Honwill") to the Purchasers at a consideration of RMB830,000,000 (equivalent to approximately HK$1,023,000,000) (subject to adjustments), to dispose of the Group's interest in the property development project in Dongguan (the "Honwill Disposal"). Dongguan Honwill and its subsidiary own the entire interest in the Group's property development project in Dongguan. At 31 March 2020, the Group has received a performance guarantee amount of approximately HK$488,598,000 (2019: HK$496,772,000) and classified as performance guarantee amount received.

On 8 November 2019, Prosperity Real Estate Holdings Limited ("Prosperity Real Estate"), an indirect wholly-owned subsidiary of the Company, Grand Link Finance Limited ("Grand Link") and Mr. Wong entered into a put option agreement (the "Put Option Agreement"), whereby Grand Link has unconditionally granted to Prosperity Real Estate an option (the "Put Option") to require Grand Link to purchase Greater Sino if no interested third party investors were to be identified pursuant to a private bid process to dispose of the entire equity interests in Greater Sino. The tender closed on 26 November 2019 and the Company did not receive any bids from any eligible bidders.

On 24 March 2020, Prosperity Real Estate served an option notice on Grand Link under the Put Option Agreement stating its intention to exercise the Put Option and required Grand Link to purchase Greater Sino. On the same date, Prosperity Real Estate and Grand Link entered into a sale and purchase agreement, pursuant to which Prosperity Real Estate conditionally agreed to sell, and Grand Link conditionally agreed to purchase, the entire equity interests in Greater Sino at a consideration of approximately HK$335,000,000.

* the English translation of the companies' name is for reference only. The official name of these companies are in Chinese.

The following table provides information about the Group's revenue related contract liabilities included in other payables and deposits received:

	2020	2019
	HK$'000	HK$'000
Upfront payments received from customers for sales of properties and investment properties	**772,107**	1,280,033

There was no significant change in the contract liabilities balance during the reporting period.

41. Other Payables and Deposits Received *(Continued)*

Movements in contract liabilities:

	2020 **HK$'000**	2019 HK$'000
At beginning of year	**1,280,033**	589,335
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	**(933,648)**	(36,025)
Exchange differences	**(36,480)**	(31,453)
Increase in contract liabilities as a result of advance received from customers	**635,722**	673,071
Increase in contract liabilities as a result of accruing interest expenses on advance	**36,019**	85,105
Disposal of a subsidiary	**(209,539)**	–
At end of year	**772,107**	1,280,033

The amount of upfront payment received that is expected to be recognised as income after more than one year is approximately HK$708,551,000 (2019: HK$237,045,000).

42. Convertible Bonds

(a) CCB Convertible Bonds

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

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

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

42. Convertible Bonds *(Continued)*

(a) CCB Convertible Bonds *(Continued)*

Having regard to the substantial modification to the terms of the CCB Convertible Bonds, the original financial liability was extinguished upon the effective date of the CCB CB Amendment Deed, and a new financial liability was recognised. The conversion price was reset to HK$0.16 per share since 31 December 2016 and further adjusted to HK$1.6 per share on 25 February 2019 as result of the share consolidation. In addition, the coupon rate of the CCB Convertible Bonds increased from 5% to 6% per annum and the applicable internal rate of return rate payable on the maturing date was increased from 10% to 11%.

On 19 September 2018, the Company, Cheer Hope and Mr. Wong entered into the second deed of amendment (the "CCB CB Second Amendment Deed"), to amend certain terms and conditions of the CCB Convertible Bonds. The CCB CB Second Amendment Deed was effective on 27 September 2018. Pursuant to the CCB CB Second Amendment Deed, the coupon rate of the CCB Convertible Bonds increased from 6% to 8% per annum and the maturity date was further extended to 15 April 2019. The modification was not accounted for as an extinguishment and gain on modification of terms of approximately HK$7,955,000 was recognised to account for the modification.

Non-payments of CCB Convertible Bonds

During the year ended 31 March 2020, the Group breached certain covenant clauses in the deed poll in relation to the maintenance of net asset value and total asset value-to-total equity ratio of the Group. Further on 15 April 2019, the Group also failed to pay the principal and interest of CCB Convertible Bonds on its maturity date of approximately HK$140,400,000 (equivalent to approximately US$18,000,000).

As a result of the above defaults, the CCB Convertible Bonds are subject to immediate repayment option and were classified as current liabilities as at 31 March 2020. In addition, the conversion right attached to the CCB Convertible Bonds was also lapsed on its maturity date, as such the CCB Convertible Bonds were then classified as straight bonds. Correspondingly, the principal amount of CCB Convertible Bonds of approximately HK$140,400,000 (equivalent to approximately US$18,000,000) was reclassified under bonds (note 44) and its related accrual interests of HK$6,861,000 (equivalent to approximately US$880,000) was reclassified under other payables and deposit received (note 41).

No remedies in respect of the default have been agreed with the bondholders up to the date of this report.

42. Convertible Bonds *(Continued)*

(b) Victory Convertible Bonds

On 24 October 2018, the Company entered into a placing agreement with Victory Securities Company Limited ("Victory Securities") as placing agent where Victory Securities agreed to place on a best effort basis in the principal amount of up to HK$30,000,000 convertible bonds of the Company (the "Victory Convertible Bonds") to at least six placees who were professional investors according to the definition of the Securities and Future Ordinance. The Victory Convertible Bonds bear interest at 8% per annum and shall be matured at the first anniversary upon issue of the Victory Convertible Bonds, which can be extended to the second anniversary of the issue of the Victory Convertible Bonds by agreement between the Company and the bondholders holding not less than 50% of the outstanding principal amount of the Victory Convertible Bonds. Interests are payable every three months in arrears from the date of issue.

The Victory Convertible Bonds, at the option of the bondholders, are convertible in whole or in part of the outstanding principal amount of the Victory Convertible Bonds at any time which is 10 business days before the maturity date, at an initial conversion price into fully paid ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price was HK$0.06 per share and adjusted to HK$0.6 per share on 25 February 2019 as a result of share consolidation, and further adjusted to HK$0.58 per share on 30 May 2019 after the completes of rights issue.

The placing transaction was completed on 8 November 2018 and a total HK$30,000,000 Victory Convertible Bonds were placed.

On 29 November 2019, pursuant to a written resolution passed by all bondholders (the "Victory Bondholders") of the Victory Convertible Bonds, the Victory Bondholders resolved and approved that the maturity date shall be extended to 8 July 2020. On the same date, the Company executed the supplemental deed poll to extend the maturity date of the Victory Convertible Bonds from 8 November 2019 to 8 July 2020.

Further on 8 July 2020, the Group failed to repay the principal and interests of Victory Convertible Bond. These non-payments resulted in the triggering of default events as set out in bond agreement.

Non-payments of Victory Convertible Bonds

On 29 February 2020, the Group failed to pay the interest of Victory Convertible Bonds. As a result of the default, the Victory Convertible Bonds with carrying amounts of approximately HK$30,000,000 are subject to immediate repayment option and were classified as current liabilities as at 31 March 2020. No remedies in respect of the default have been agreed with the bondholders up to date of this report.

42. Convertible Bonds *(Continued)*

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

	2020	2019
	HK$'000	HK$'000
Liability components:		
Convertible bonds		
At beginning of year	**174,424**	176,827
Issued during the year	**–**	27,367
Interest charged	**4,652**	24,174
Gain on modification of terms	**–**	(7,955)
Reclassified to bond (note 44(c))	**(140,400)**	–
Reclassified to other payable and deposit received	**(6,861)**	–
Repayment during the year	**(1,815)**	(45,989)
At end of year	**30,000**	174,424
Equity component:		
Convertible bonds		
At beginning of year	**2,633**	–
Issued during the year	**–**	2,633
At end of year	**2,633**	2,633

42. Convertible Bonds *(Continued)*

The interest charged for the year ended 31 March 2020 included (1) interest calculated by applying an effective interest rate of 16.41% for the 12-month period since the terms of CCB Convertible Bonds were modified up to 15 April 2019; (2) interest calculated by applying an default interest rate of 22% to the liability components of CCB Convertible Bonds since 15 April 2019; and (3) interest calculated by applying an effective interest rate of 7.7% to the liability components of Victory Convertible Bonds for the 12-months period since Victory Convertible Bonds were issued.

The interest charged for the year ended 31 March 2019 included (1) interest calculated by applying an effective interest rate of 17.99% to the liability components of CCB Convertible Bonds for the 24-month period since CCB Convertible Bond were issued up to the terms were modified; (2) interest calculated by applying an effective interest rate of 16.41% for the 12–month period since the terms of CCB Convertible Bonds were modified; and (3) interest calculated by applying an effective interest rate of 8% to the liability components of Victory Convertible Bonds for the 12–months period since Victory Convertible Bonds were issued.

The directors estimate the fair value of the liability component of Victory Convertible Bonds at 31 March 2020 to be approximately HK$14,037,000 (2019: HK$27,367,000). The fair value of the liability component of CCB Convertible Bonds at 31 March 2019 to be approximately HK$145,854,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

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

CCB Convertible Bonds

	31 March 2019
Share price — The Company	HK$0.375
Expected volatility	85.71%
Expected life (years)	0.04
Risk free rate	1.76%
Expected dividend yield	0%

43. Other Borrowings

	2020 HK$'000	2019 HK$'000
Secured	**218,055**	256,279
Unsecured	**65,079**	73,576
	283,134	329,855
Less: Amount due for settlement within 12 months	**(276,775)**	(299,792)
Amount due for settlement after 12 months	**6,359**	30,063

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

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

	2020	2019
Other borrowings	**6.7% to 28.0%**	6.7% to 26.3%

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

Other borrowings of HK$218,055,000 (2019: HK$256,279,000) are secured by equity interests in certain subsidiaries of the Group, personal guarantee executed by Mr. Wong and Ms. Gloria Wong and the Group's other receivables (note 30(b)(ii)).

Non-payments of other borrowings

During the year ended 31 March 2020 and up to the date of this report, the Group failed to repay principal and interest of approximately HK$192,366,000 and approximately HK$19,784,000 respectively in accordance with the repayment schedules set out in the borrowing agreements. As a result of the defaults, other borrowings are subject to immediate repayment option and were classified as current liabilities as at 31 March 2020. No remedies in respect of the defaults have been agreed with the lenders up to the date of this report.

44. Guaranteed Notes and Bonds

	2020	2019
	HK$'000	HK$'000
Guaranteed Notes (note (a))	**140,400**	145,954
Bonds (note (b) & (c))	**332,400**	185,500
	472,800	331,454
Less: Amount due for settlement within 12 months	**(472,800)**	(331,454)
Amount due for settlement after 12 months	**–**	–

Notes:

(a) In April and May 2016, the Company issued the US$20,000,000 (equivalent to approximately HK$156,000,000), 5% per annum guaranteed notes (the "Guaranteed Notes") to Cheer Hope. The Guaranteed Notes are guaranteed by a director of the Company, Mr. Wong. The Guaranteed Notes shall be matured on 15 April 2018, and upon a request in writing made by the Company, and with approval from the notes holder, the term of the bond shall be extended to 15 April 2019.

On 19 September 2018, the Company, Cheer Hope and Mr. Wong entered into the CCB CB Second Amendment Deed, to amend certain terms and conditions of the Guaranteed Notes. The CCB CB Second Amendment Deed was effective on 27 September 2018. Pursuant to the CCB CB Second Amendment Deed, the coupon rate of the Guaranteed Notes increased from 5% to 8% per annum and the maturity date was further extended to 15 April 2019. The modification was not accounted for as an extinguishment and gain on modification of terms of approximately HK$9,873,000 was recognised to account for the modification.

The interest charged for the year ended 31 March 2020 is calculated by an effective interest of 14.7% to Guaranteed Notes for the 12-month period since the terms of Guaranteed Notes were modified up to 15 April 2019 and by applying an default interest rate of 22% since 15 April 2019. The interest charged for the year ended 31 March 2019 was calculated by applying an effective interest rate of 11.4% for the 24-month period since Guaranteed Notes were issued up to the terms were modified and by applying an effective interest of 14.7% to Guaranteed Notes for the 12-month period since the terms of Guaranteed Notes were modified.

(b) On 10 January 2017, the Company entered into an agreement pursuant to which a referral agent agreed to act as a referral agent for the purposes of referring subscribers to the Company on a best effort basis for the issue of the 6.5% coupon bonds due 2019 (the "2017 Bonds") in an aggregate principal amount of up to HK$300,000,000 during 10 January 2017 to 30 June 2017 and was further extended to 30 September 2017. At 31 March 2020, the 2017 Bonds in an aggregate principal amount of HK$54,000,000 (2019: HK$142,000,000) has been successfully subscribed by several independent institutional or private investors. The effective interest rate of the 2017 Bonds is 6.31% (2019: 6.31%).

On 18 January 2019, the Company entered into an agreement pursuant to which a referral agent agreed to act as a referral agent for the purposes of referring subscribers to the Company on a best effort basis for the issue of the 6.5% coupon bonds due 2020 (the "2019 Bonds") in an aggregate principal amount of up to HK$200,000,000 during 18 January 2019 to 31 December 2019. At 31 March 2020, the 2019 Bonds in an aggregate principal amount of HK$138,000,000 (2019: HK$43,500,000) has been successfully subscribed by several independent institutional or private investors. The effective interest rate of the 2020 Bonds is 6.5% (2019: 6.5%).

(c) On 15 April 2019, the conversion right attached the CCB Convertible Bonds was lapsed and CCB Convertible Bonds became a straight bonds with no right to convert into the shares of the Company resulting to the reclassification of the principal of CCB Convertible Bonds amounting to approximately US$18,000,000 (equivalent to approximately HK$140,400,000) from convertible Bank. Detail please refer to note 42 to these consolidated financial statements.

44. Guaranteed Notes and Bonds *(Continued)*

Defaults of the Guaranteed Notes

During the year ended 31 March 2020 and up to the date of this report, the Group breached certain covenant clauses in the deed poll in relation to the maintenance of net asset value and total asset value-to-total equity ratio of the Group. Further on 15 April 2019, the Group also failed to repay the principal and interest of the Guaranteed Notes of approximately HK$140,400,000 on its maturity date.

As a result of the above defaults, the Guaranteed Notes are subject to immediate repayment option and were classified as current liabilities as at 31 March 2020. No remedies in respect of the defaults have been agreed with the guaranteed note holders up to the date of this report.

Cross-default of 2017 Bonds and 2019 Bonds

As a consequence of the above defaults on the Guaranteed Notes, 2017 Bonds and 2019 Bonds with carrying amounts of approximately HK$54,000,000 and approximately HK$138,000,000 respectively are subject to immediate repayment option and were classified as current liabilities as at 31 March 2020. During the year ended 31 March 2020, the directors have successfully obtained the extension of partial repayment from certain bondholders of approximately HK$59,640,000. However, negotiation with other bondholders are underway and no extensions to the repayment dates have been obtained from bondholder up to date of this report.

45. Share-Based Payments

Equity-settled share option schemes

The Company operated a share option scheme (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. The Scheme became effective on 25 September 2009 and, unless otherwise cancelled or amended, remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

45. Share-Based Payments *(Continued)*

Equity-settled share option schemes *(Continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the shares options granted and outstanding during the year are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2019	Adjustment resulted from rights issue during the year	Reclassification during the year	Number of options outstanding as at 31 March 2020	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	3,000,000	542,700	(3,542,700)	–	6 April 2011	6 April 2012 to 5 April 2021	3.47 (2019: 4.1)	0.41
Mr. LIU Yongshun	1,500,000	271,350	(1,771,350)	–	6 April 2011	6 April 2012 to 5 April 2021	3.47 (2019: 4.1)	0.41
Ms. Gloria WONG	1,000,000	180,900	–	1,180,900	6 April 2011	6 April 2012 to 5 April 2021	3.47 (2019: 4.1)	0.41
Mr. KONG Siu Keung	1,000,000	180,900	(1,180,900)	–	6 April 2011	6 April 2012 to 5 April 2021	3.47 (2019: 4.1)	0.41
	6,500,000	1,175,850	(6,494,950)	1,180,900				
Other								
Other employees	2,280,000	412,452	1,180,900	3,873,352	6 April 2011	6 April 2012 to 5 April 2021	3.47 (2019: 4.1)	0.41
Third parties	–	–	5,314,050	5,314,050	6 April 2011	6 April 2012 to 5 April 2021	3.47 (2019: 4.1)	0.41
	8,780,000	1,588,302	–	10,368,302				

45. Share-Based Payments *(Continued)*

Equity-settled share option schemes *(Continued)*

The number and weighted average exercise prices of the share options are as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of year	**8,780,000**	**4.1**	117,800,000	0.41
Lapsed during the year	**–**	**4.1**	(30,000,000)	0.41
Adjustment resulted from rights issue during the year	**1,588,302**	**4.1**	(79,020,000)	0.41
Outstanding at the end of year	**10,368,302**	**3.47**	8,780,000	4.1
Exercisable at the end of year	**10,368,302**	**3.47**	8,780,000	4.1

At 31 March 2020, the options outstanding have a weighted average remaining contractual life of 1 year (2019: 2 years).

The vesting period for the share options are 12 months after commencement of the option period.

Save for the above, no share options were granted, exercised or cancelled under the Scheme during the year.

46. Notes to the Consolidated Statement of Cash Flows

(a) Disposal of Dali Gangxing

On 25 April 2019, Zhejiang Changxing Investment Co., Ltd.* (浙江昌興投資有限公司) ("Zhejiang Changxing"), an indirect wholly-owned subsidiary of the Company, and Changxing Tianyue Corporate Management Co., Ltd.* (長興天悦企業管理有限公司) ("Changxing Tianyue") entered into a sales and purchases agreement to dispose of 20% equity interests in Dali Gangxing, a joint venture of the Group, at a cash consideration of approximately RMB24,000,000 (equivalent to approximately HK$27,887,000). The disposal was completed on 15 May 2019 and the Group continued to own 30% equity interests in Dali Gangxing.

Further on 31 October 2019, Zhejiang Changxing and an independent individual (the "Dali Ganxing Purchaser") entered into a sales and purchases agreement to disposal of its remaining 30% equity interests in Dali Ganxing at a consideration of approximately RMB45,266,000 (equivalent to approximately HK$49,389,000), of which approximately RMB35,266,000 (equivalent to approximately HK$38,478,000) was settled by releasing and discharging same amount of debts owing by Zhejiang Changxing to the Dali Ganxing Purchaser in full, and the remaining balance of approximately RMB10,000,000 (equivalent to approximately HK$10,911,000) was settled by cash. The Group no longer held any equity interests in Dali Gangxing after the disposal.

46. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(b) Disposal of Suqian Shengda Real Estate Development Co., Ltd. ("Suqian Shengda")

On 10 May 2019, Zhejiang Changxing and Zhejiang Kunyuan Economic Trading Co., Ltd.* (浙江坤元經貿有限公司) ("Zhejiang Kunyuan") entered into a sales and purchases agreement to dispose of 21.72% equity interest in Suqian Shengda, an indirect non-wholly owned subsidiary of the Company, at a consideration of approximately RMB25,000,000 (equivalent to approximately HK$29,050,000), which was settled by releasing and discharging the same amount of debts owing by Zhejiang Changxing to Zhejiang Kunyuan in full (the "Suqian Shengda Disposal"). The Suqian Shengda Disposal was completed on 17 May 2019 and the Group continued to own 48.28% equity interests in Suqian Shengda. The financial positions and results of Suqian Shengda were no longer consolidated into the financial statements of the Group and became an associate of the Group.

* the English translation of the companies' names is for reference only. The official name of these companies are in Chinese.

Net assets at the date of Suqian Shengda disposal were as follows:

	HK$'000
Property, plant and equipment	1,753
Due from fellow subsidiaries	66,430
Prepayments, deposits and other receivables	14,527
Inventories	201,129
Bank and cash balances	79,137
Trade payables	(28,720)
Other payables and deposits received	(240,138)
Net assets disposed of	94,118
Non-controlling interests	(28,235)
Release of foreign currency translation reserve	(194)
Fair value of investment in Suqian Shengda retained	(101,572)
Gain on disposal of a subsidiary	64,933
Total consideration satisfied by releasing and discharging debts	29,050
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	79,137

46. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(c) Disposal of WM Aalbrightt HK

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 Aalbrightt agreed to purchase 60% equity interests in WM Aalbrightt HK 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 HK, through its wholly-owned subsidiary, held a granite mining permit at Xiang Lu Shan, Guangxi, the PRC. The mining permit expired before this disposal and the Group no longer held any equity interests in WM Aalbrightt HK after the disposal.

Net liabilities at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	203
Other intangible assets	27,351
Prepayments, deposits and other receivables	224
Bank and cash balances	27
Due to fellow subsidiaries	(72,741)
Other payables and deposits received	(24,955)
Net liabilities disposed of	(69,891)
Non-controlling interests	30,724
Release of foreign currency translation reserve	(551)
Release of deferred tax liabilities	(6,838)
Waiver of amount due from WM Aalbrightt HK and its subsidiary	72,741
Waiver of amount due to WM Aalbrightt	(11,040)
Loss on disposal of a subsidiary	(15,145)
Total consideration satisfied by cash	–
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	27

46. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At 1 April 2019 HK$'000	Impact on initial application of HKFRS 16 (note 3) HK$'000	Restated balance at 1 April 2019 HK$'000	Cash flows HK$'000	Interest expenses/ finance lease charges HK$'000	Others (note) HK$'000	31 March 2020 HK$'000
Bank borrowings (note 36)	1,078,379	–	1,078,379	(263,897)	85,122	(7,099)	892,505
Finance lease payables (note 37)	13	(13)	–	–	–	–	–
Lease liabilities (note 37)	–	12,969	12,969	(4,432)	876	(8,688)	725
Term loan from a related party (note 38)	278,045	–	278,045	–	10,751	2,017	290,813
Convertible bonds (note 42)	174,424	–	174,424	(1,815)	130,821	(273,430)	30,000
Other borrowings (note 43)	329,855	–	329,855	(168,176)	156,913	(35,458)	283,134
Guaranteed notes (note 44)	145,954	–	145,954	–	129,875	(135,429)	140,400
Bonds (note 44)	185,500	–	185,500	(5,953)	12,453	140,400	332,400
	2,192,170	12,956	2,205,126	(444,273)	526,811	(317,687)	1,969,977

	1 April 2018 HK$'000	Cash flows HK$'000	Interest expenses/ finance lease charges HK$'000	Others (note) HK$'000	31 March 2019 HK$'000
Bank borrowings (note 36)	1,796,057	(785,044)	86,409	(19,043)	1,078,379
Finance lease payables (note 37)	269	(290)	34	–	13
Term loan from a related party (note 38)	266,364	–	10,424	1,257	278,045
Convertible bonds (note 42)	176,827	(15,989)	24,174	(10,588)	174,424
Other borrowings (note 43)	369,474	(121,844)	89,049	(6,824)	329,855
Guaranteed notes (note 44)	177,790	(42,029)	20,066	(9,873)	145,954
Bonds (note 44)	198,000	(17,684)	12,732	(7,548)	185,500
	2,984,781	(982,880)	242,888	(52,619)	2,192,170

Note: Others represented gains on modification of terms, losses on early redemption of convertible bonds, exchange differences and changes in accrued interest and reclassification between convertible bonds and bonds.

46. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(e) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2020	2019
	HK$'000	HK$'000
Within operating cash flows	**5,564**	7,577
Within financing cash flows	**3,556**	–
	9,120	7,577

These amounts relate to the following:

	2020	2019
	HK$'000	HK$'000
Lease rental paid	**9,120**	7,577

47. 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:

	2020 **HK$'000**	2019 HK$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	**268,878**	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 31 March 2020, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

(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:

	2020 **HK$'000**	2019 HK$'000
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	**879,388**	907,717

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

Property mortgage over properties of the Group with a carrying amount of approximately HK$1,728,097,000 to secure the banking facilities of a non-controlling shareholder.

At 31 March 2020, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

47. Contingent Liabilities *(Continued)*

Financial guarantees issued *(Continued)*

(c) The Group provided security to a bank for acquisition loan facilities granted to Guangdong Fuchun Investment Company Limited ("Fuchun Investment") in relation to the disposal of Guangzhou Fuchun as follows:

	2020	2019
	HK$'000	HK$'000
Security given to a bank for acquisition loan facilities utilised by Fuchun Investment	**535,534**	–

Pursuant to the terms of the guarantees, if there are any defaults on the loans, the Group shall have the responsibility to repay the outstanding loan principals together with accrued interests and penalties owed by Fuchun Investment to the bank. As at 31 March 2020, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

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

48. Banking Facilities

As at 31 March 2020, the Group's banking facilities were secured by:

(a) the charge over certain property, plant and equipment (note 19), investment properties (note 20), financial assets at FVTOCI (note 26) and inventories (note 28) of the Group;

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

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries;

(e) personal guarantees executed by Mr. Wong, Ms. Gloria Wong and directors of subsidiaries;

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

(g) certain rights of mining, processing and selling raw iron ore owned by a subsidiary (note 23);

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

(i) charged over the bank deposit under the name of the Company's director, namely Ms. Gloria Wong (note 30).

48. Banking Facilities *(Continued)*

As at 31 March 2019, the Group's banking facilities were secured by:

(a) the charge over certain property, plant and equipment (note 19), investment properties (note 20), financial assets at FVTOCI (note 26), inventories (note 28) and certain bank deposits (note 31) of the Group;

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

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries;

(e) personal guarantees executed by Mr. Wong, Ms. Gloria Wong and directors of subsidiaries;

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

(g) certain rights of mining, processing and selling raw iron ore owned by a subsidiary (note 23); and

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

49. Operating Lease Arrangements

(a) The Group as lessee

At 31 March 2019 the total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	16,607
In the second to fifth years, inclusive	9,884
	26,491

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$9,520,000 and rentals payable by the Group for the office premises and staff quarters of approximately HK$16,971,000. Leases are negotiated for terms ranging from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group regularly entered into short-term leases for staff quarters. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 21. As at 31 March 2020, the outstanding lease commitments relating to these leases is approximately HK$107,000.

49. Operating Lease Arrangements *(Continued)*

(b) The Group as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period ranging from 1 to 10 years (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. The lessee does not have an option to purchase the property at the expiry of the lease period.

At 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2019 HK$'000
Within one year	70,263
In the second to fifth years, inclusive	182,033
After five years	151,186
	403,482

At 31 March 2020, minimum lease payments receivable on leases are as follows:

	2020 **HK$'000**
Within 1 year	**61,094**
In the second to fifth years, inclusive	**148,344**
After five years	**108,063**
Total	**317,501**

The following table presents the amounts reported in profit or loss:

	2020 **HK$'000**
Lease income on operating leases	**75,268**

50. Related Party Transactions

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

(a) Compensation of key management personnel

	2020 HK$'000	2019 HK$'000
Directors' fees	**639**	1,240
Basic salaries, allowances and benefits in kind	**7,586**	19,494
Retirement benefit scheme contributions	**239**	475
	8,464	21,209

(b) Purchase during the year

	2020 HK$'000	2019 HK$'000
Associate companies	**37,188**	–

(c) Interest income/(expense) during the year

	2020 HK$'000	2019 HK$'000
A joint venture	**429**	–
Related companies[ii]	**(10,751)**	(10,423)

(d) Other income during the year

	2020 HK$'000	2019 HK$'000
Director	**70**	–

50. Related Party Transactions *(Continued)*

(e) Other receivables as at 31 March

	2020	2019
	HK$'000	HK$'000
Related companies[(i)]	**14,647**	41,486
Director[(ii)]	**21,935**	–

(f) Other payables as at 31 March

	2020	2019
	HK$'000	HK$'000
An associate company	**109,463**	–

Notes:

(i) Mr. Wong is also a director of and has beneficial interest in these companies.

(ii) As disclosed in note 30, during the year ended 31 March 2020, the Group had transferred approximately RMB20,000,000 (equivalent to HK$22,310,000) to a then director of the Company, Ms. Gloria Wong. The amount was subsequently pledged as security deposit for banking facilities of approximately RMB20,000,000 (equivalent to HK$22,310,000 note 36 and 48). The amount due from director is thus classified as current assets as at 31 March 2020 according to the repayment date of the bills payables.

51. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 March 2020 are as follows:

Name	**Place of incorporation/ registration and operation**	**Issued and fully paid-up capital**	**Equity interest**		**Principal activities**
			Direct	**Indirect**	
Billion Win	The British Virgin Islands ("BVI")	10,000 ordinary shares of US$1 each	–	100%	Investment holding
Bliss Hero Investment Limited	Hong Kong	3,000,100 ordinary shares of HK$1 each	–	100%	Investment holding
Δ Binhai Qiaohong Zhiye Limited	The PRC	Registered capital of RMB300,000,000	–	100%	Property development

51. Principal Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
Δ Dongguan City Danxing Industrial Company Limited ("Danxing")	The PRC	Registered capital of RMB13,540,000	–	70%	Property development
Δ Dongguan Honwill	The PRC	Registered capital of RMB204,359,486	–	70%	Property development
First World Venture Resources Sdn. Bhd.	Malaysia	100 ordinary shares of MYR1 each	–	70%	Provision of transportation services
Globest Participacoes Ltda	Brazil	61,524,903 ordinary shares of Brazil Reais $1 each	–	85%	Mining and processing of iron ore
Grace Wise Pte. Ltd.	Singapore	1 ordinary share of Singapore dollar 1 each	–	100%	Trading of iron ore
# Δ Guangzhou Bliss Hero Real Estate Development Limited	The PRC	Registered capital of HK$270,000,000	–	100%	Property leasing
* Δ Guangzhou Guangzhou Fuchun Real Estate Investment Company Limited ("Guangzhou Fuchun")	The PRC	Registered capital of RMB420,000,000	–	55%	Property development, sales and leasing
#Δ Hangzhou Chengzhuo Trading Company Limited	The PRC	Registered capital of RMB36,000,000	–	100%	Trading of iron ore and steel
#Δ Hangzhou Gangchang Technology & Trade Company Limited	The PRC	Registered capital of RMB35,000,000	–	100%	Trading of iron ore equipment
Lead Hero Investments Limited	BVI	33,334 ordinary shares of US$1 each	–	70%	Investment holding
Prosperity Materials MCO	Macao	100,000 ordinary shares of Macao Pataca ("MOP") 1 each	–	100%	Trading of iron ore

51. Principal Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
Phoneix Lake Sdn. Bhd.	Malaysia	6,242,002 ordinary shares of MYR1 each	–	100%	Mining and processing of iron ore
PMHL	Jersey	143,391,230 ordinary shares of Great Britain Pound 0.01 each	64.07%	35.93%	Investment holding
Pro-Rise Business Limited	BVI	1,000 ordinary shares of US$1 each	–	100%	Investment holding
Profit World Ventures Limited	BVI	20,000 ordinary shares of US$1 each	100%	–	Investment holding
Prosperity Cement (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of clinker, cement and other building materials
Prosperity Minerals Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of advisory, planning and administrative services
Prosperity Minerals Management Limited	Hong Kong	100,000 ordinary shares of HK$1 each	–	100%	Provision of human resources and administrative services
Prosperity Real Estate Holdings Limited	Bermuda	1 ordinary share of HK$1 each	–	100%	Investment holding
Prosperity Trading Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Trading of building materials
PT. Tritama Barata Makmur	Indonesia	45,000 ordinary share of Indonesia Rupiah 1,000,000 each	–	75%	Property development

51. Principal Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
Sharp Advance International Limited	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
Success Top Enterprise Ltd.	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of building materials
#Δ Xuyi Changxing Property Co., Ltd.	The PRC	Registered capital of RMB133,000,000	–	50%	Property development
Δ* Suzhou Jiaxin Real Estate Development Company Limited	The PRC	Registered capital of RMB100,000,000	–	55%	Property development
#Δ Zhejiang Changxing	The PRC	Registered capital of US$58,600,000	–	100%	Investment holding
UGL	BVI	2 ordinary shares of US$1 each	–	85%	Investment holding

\# a wholly-owned foreign enterprise established in the PRC

* a sino foreign equity joint venture established in the PRC

Δ the English translation of the companies' names is for reference only. The official name of these companies are in Chinese

51. Principal Subsidiaries *(Continued)*

The following table shows information of subsidiaries that have non-controlling interests material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	Dongguan Honwill and Danxing (Note i & ii)		Guangzhou Fuchun (Note ii)	
	2020	2019	**2020**	2019
Principal place of business and country of incorporation	**The PRC**	The PRC	**The PRC**	The PRC
% of ownership interests and voting rights held by non-controlling interests	**30%**	30%	**45%**	45%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 March				
Non-current assets	**10,083**	15,463	**2,028,674**	2,102,334
Current assets	**617,603**	653,520	**676,666**	730,866
Non-current liabilities	**(8,211)**	–	**(306,265)**	(305,924)
Current liabilities	**(247,868)**	(256,657)	**(655,315)**	(699,577)
Net assets	**371,607**	412,326	**1,743,760**	1,827,699
Accumulated non-controlling interests	**167,246**	188,018	**784,692**	822,465
Year ended 31 March				
Revenue	**–**	–	**74,951**	70,398
Loss for the year	**(19,360)**	(7,906)	**(6,268)**	(44,941)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(19,360)**	(7,906)	**(6,268)**	(44,941)
(Loss)/profit allocated to non-controlling interests	**(5,808)**	(2,372)	**(2,821)**	(20,223)
Net cash (used in)/generated from operating activities	**(4,999)**	77,100	**24,471**	7,669
Net cash generated from/(used in) investing activities	**–**	(39,625)	**14**	(116)
Net cash used in financing activities	**(63)**	(46,580)	**(13,990)**	(16,601)
Net (decrease)/increase in cash and cash equivalents	**(5,062)**	(9,105)	**10,495**	(9,048)

Note:

(i) On 13 March 2018, the Group entered into a co-operation agreement with Dongguan Vanke and Hybest, both indirect wholly- owned subsidiaries of China Vanke Co., Ltd., to dispose of 49% of the equity interests in Honwill, the immediate holding company of Dongguan Honwill, to Hybest and 70% of equity interests in Dongguan Honwill to Donggaun Vanke. Up to the date of the consolidated financial statements, the disposal has not yet completed.

(ii) As disclosed in note 2, the Group is undergoing a series of disposal transactions on these two subsidiaries.

As at 31 March 2020, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$18,722,000 (2019: HK$13,913,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

52. Events after the Reporting Period

Saved as disclosed elsewhere in this report, the following events took place subsequent to 31 March 2020:

(a) Since the outbreak of COVID-19, the prevention and control of the COVID-19 has been going on throughout the globe. The COVID-19 has brought additional uncertainties for the Group. The Group expects that the COVID-19 may pose an impact that might not be reasonably estimated at this stage. The Board will continue to assess the impact of the COVID-19 on the Group's operations and financial performance and closely monitor the Group's exposures to the risks and uncertainties in connection with the COVID-19. The Group will take appropriate measures as necessary. Up to the date of this annual report, the assessment is still in progress.

(b) Pursuant to an order made by the Bermuda Court dated 11 June 2020 (the "Replacement Order"), (i) Mr. Mat Clingerman of KRyS Global in Bermuda ("Mr. Clingerman") has been appointed to replace Mr. Roy Bailey of Ernst & Young Bermuda ("Mr. Bailey") as one of the JPLs of the Company; (ii) Ms. Kong Sze Man Simone and Mr. Ho Man Kit both of Manifest Asia Limited (appointed on 29 November 2019), and Mr. Clingerman shall from the date of the Replacement Order be the three JPLs of the Company; and (iii) Mr. Bailey was released from his role and all liabilities in relation to, and in his duties as, one of the JPLs under the appointment order. For further details, please refer to the Company's announcement dated 15 June 2020.

(c) For the litigation events after the reporting period, please refer to the section headed "LEGAL PROCEEDINGS".

SUMMARY OF PROPERTIES HELD FOR INVESTMENT

As at 31 March 2020

	Location	Term of lease	Type of use
1.	B1-B3, 1/F.-4/F. of Oriental Landmark, at the junction of Wen De Road and Wen Ming Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Medium-term lease	Retail outlets and car parking spaces

SUMMARY OF PROPERTIES UNDER DEVELOPMENT FOR SALE

As at 31 March 2020

	Location	Intended use	Expected completion date	Equity interest	GFA (sq.m.)
1.	Oriental Landmark, at the junction of Wen De Road and Wen Ming Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Residential, office and car parking spaces	Completed (Note ii)	55%	63,200
2.	One City, No. 231 Chang Xing Road, Binhai county, Yancheng City, Jiangsu Province, the PRC	Residential, shops and car parking spaces	Phase 2: 2019/2021	100%	443,677
3.	FuYuan, Jin Ting Road North, Jin Ting Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	Residential	Completed	55%	100,000
4.	Longping Road North, Guanjingtou Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC	Residential and commercial	N/A (Note i & ii)	70%	64,000
5.	At the junction of Jalan Kembangan and Jalan Puri Indah, West Jakarta, the Indonesia	Residential	2021	75%	20,600
6.	At Xuyi Development Zone near Meihua Road and Kuihua Road, Xuyi County, Huaian City, Jiangsu Province, the PRC	Residential and commercial	2020	50%	237,742

Note:

(i) In 2018, the Company sold its equity interests of this project. Up to the date of this report, the transaction has not been completed.

(ii) As disclosed in note 2, the Group is undergoing a series of disposal transactions of Guangzhou Fuchun and Greater Sino which held these projects up to the date of this report.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in note below:

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,950,281**	2,330,968	4,479,820	4,521,452	2,008,509
Loss before tax	**(490,799)**	(2,025,033)	(1,009,071)	(62,929)	(306,487)
Income tax (expense)/credit	**(65,495)**	90,337	19,629	(64,953)	(262)
Loss for the year	**(556,294)**	(1,934,696)	(989,442)	(127,882)	(306,749)
Attributable to:					
Owners of the Company	**(481,992)**	(1,829,401)	(961,012)	(119,733)	(263,209)
Non-controlling interests	**(74,302)**	(105,295)	(28,430)	(8,149)	(43,540)
	(556,294)	(1,934,696)	(989,442)	(127,882)	(306,749)

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**2,880,200**	3,172,830	4,708,237	4,955,901	5,169,025
Current assets	**3,491,172**	4,381,736	4,537,221	4,533,330	3,418,943
Current liabilities	**(5,716,676)**	(5,772,561)	(4,425,561)	(4,159,015)	(3,374,561)
Non-current liabilities	**(479,426)**	(885,067)	(1,682,100)	(1,968,415)	(1,754,970)
Total equity	**175,270**	896,938	3,137,797	3,361,801	3,458,437
Attributable to:					
Owners of the Company	**(714,289)**	(112,918)	1,964,153	2,340,843	2,569,632
Non-controlling interests	**889,559**	1,009,856	1,173,644	1,020,958	888,805
	175,270	896,938	3,137,797	3,361,801	3,458,437

Note: Amounts disclosed in the summary financial information for prior years were extracted from the annual report for the year ended 31 March 2019.