PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED

昌興國際控股(香港)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 803)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The board of directors (the "Board" or "Directors") of Prosperity International Holdings (H.K.) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019 (the "Year") together with the comparative figures for the year ended 31 March 2018 (the "Previous Financial Year"), which have been reviewed by the Company's audit committee (the "Audit Committee"), as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	4	**2,330,968**	4,479,820
Cost of goods sold		**(2,285,881)**	(4,199,557)
Gross profit		**45,087**	280,263
Other income	5	**27,262**	49,382
Impairment losses for prepayments		**(350,403)**	–
Impairment losses for trade and bills receivables		**(20,364)**	–
Impairment losses for loan and other receivables		**(106,237)**	(25,243)
Selling and distribution costs		**(74,289)**	(96,522)
Administrative expenses		**(244,487)**	(221,664)
Depreciation		**(36,830)**	(149,017)
Other operating expenses		**(670,796)**	(665,684)
Loss from operations		**(1,431,057)**	(828,485)
Finance costs		**(242,888)**	(216,468)
Share of losses of associates		**(825)**	–
Share of loss of a joint venture		**(115)**	–
Gains on modification of terms of convertible bonds and guaranteed notes		**17,828**	–
Losses on early redemption of convertible bonds		**–**	(16,911)
Net loss on disposals of financial assets at fair value through profit or loss		**(5,008)**	(4,454)
Fair value losses on financial assets at fair value through profit or loss		**(216,448)**	(8,716)
Fair value gains on derivative financial instruments		**–**	62,896
Fair value (losses)/gains on investment properties		**(146,520)**	3,067
Loss before tax		**(2,025,033)**	(1,009,071)
Income tax credit	7	**90,337**	19,629
Loss for the year	8	**(1,934,696)**	(989,442)
Attributable to:			
Owners of the Company		**(1,829,401)**	(961,012)
Non-controlling interests		**(105,295)**	(28,430)
		(1,934,696)	(989,442)
			(Restated)
Loss per share			
— basic (HK cents)	10(a)	**(139.57)**	(77.72)
— diluted (HK cents)	10(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(1,934,696)**	(989,442)
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	**(172,494)**	–
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(116,899)**	282,778
Impairment loss on available-for-sale financial assets	**–**	33,327
Fair value gains on available-for-sale financial assets	**–**	69,419
	(116,899)	385,524
Other comprehensive income for the year, net of tax	**(289,393)**	385,524
Total comprehensive income for the year	**(2,224,089)**	(603,918)
Attributable to:		
Owners of the Company	**(2,048,479)**	(673,996)
Non-controlling interests	**(175,610)**	70,078
	(2,224,089)	(603,918)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**260,681**	403,951
Investment properties		**2,023,712**	2,408,280
Other intangible assets		**558,678**	1,122,819
Investments in associates		**19,915**	–
Investment in a joint venture		**69,799**	–
Available-for-sale financial assets		**–**	356,000
Financial assets at fair value through profit or loss		**142,000**	–
Non-current prepayments		**–**	318,294
Deferred tax assets		**98,045**	98,893
		3,172,830	4,708,237
Current assets			
Inventories		**3,125,451**	2,783,101
Available-for-sale financial assets		**–**	434,746
Financial assets at fair value through profit or loss		**10,904**	92,569
Financial assets at fair value through other comprehensive income		**199,594**	–
Trade and bills receivables	*11*	**164,973**	194,003
Prepayments, deposits and other receivables		**504,760**	422,414
Current tax assets		**49**	60
Pledged deposits		**48,374**	355,617
Bank and cash balances		**219,613**	254,711
		4,273,718	4,537,221
Assets classified as held for sale		**108,018**	–
		4,381,736	4,537,221
TOTAL ASSETS		**7,554,566**	9,245,458

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 March 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**127,431**	127,462
Reserves		**(240,349)**	1,836,691
Equity attributable to owners of the Company		**(112,918)**	1,964,153
Non-controlling interests		**1,009,856**	1,173,644
Total equity		**896,938**	3,137,797
Non-current liabilities			
Bank borrowings		**89,025**	573,948
Finance lease payables		**–**	14
Other loans and payables		**338,761**	327,098
Other borrowings		**30,063**	49,291
Bonds		**–**	126,000
Deferred tax liabilities		**427,218**	605,749
		885,067	1,682,100
Current liabilities			
Trade and bills payables	*12*	**816,196**	523,660
Other payables and deposits received		**2,581,305**	1,350,022
Current portion of bank borrowings		**1,030,760**	1,222,840
Other borrowings		**299,792**	320,183
Convertible bonds		**174,424**	176,827
Guaranteed notes		**145,954**	177,790
Current portion of bonds		**185,500**	72,000
Current portion of finance lease payables		**13**	255
Current tax liabilities		**538,617**	581,984
		5,772,561	4,425,561
Total liabilities		**6,657,628**	6,107,661
TOTAL EQUITY AND LIABILITIES		**7,554,566**	9,245,458
Net current (liabilities)/assets		**(1,390,825)**	111,660
Total assets less current liabilities		**1,782,005**	4,819,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

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

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

Going Concern Basis

The Group incurred a net loss of approximately HK$1,934,696,000 during the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,390,825,000. As at the same date, the Group's total borrowings amounted to approximately HK$2,233,576,000, of which current borrowings amounted to approximately HK$1,836,443,000, while its cash and cash equivalents amounted to approximately HK$219,613,000 only.

During the year ended 31 March 2019, the Group did not pay bond principal repayments of approximately HK$16,000,000 in accordance with the repayment schedules set out in the bond agreement. As a result of these non-payments, bonds with a carrying amount of approximately HK$142,000,000 (the "Default Bonds") at 31 March 2019 became immediately repayable and were classified as current liabilities. The Directors are negotiating with the bondholders but no remedies in respect of the Default Bonds have been agreed with the bondholders up to the date of this announcement.

The non-payments on the Default Bonds constitute or have become events of default under the borrowing agreements of certain borrowings (the "Cross-defaults") with carrying amount of approximately HK$1,133,822,000 (the "Cross-default Borrowings") as at 31 March 2019. As a consequence of the Cross-defaults, Cross-default Borrowings became immediately repayable and were classified as current liabilities. The Directors are negotiating with the lenders but no remedies in respect of the Cross-defaults have been agreed with the lenders up to the date of this announcement.

Furthermore, as at 31 March 2019, included in the Cross-default Borrowings are certain borrowings with carrying amounts of approximately HK$1,028,947,000, the Group did not meet certain financial ratios as set out in these covenants of the borrowing agreements. No waivers in respect of the breach of the financial covenants of these borrowings have been obtained from the lenders up to the date of this announcement.

Subsequent to the reporting date the Group did not pay principal and interest of approximately HK$418,210,000 in accordance with the repayment schedules or repayment on demand clause set out in the borrowing agreements of certain Cross-default Borrowings, bank borrowings and other borrowings with carrying amounts of approximately HK$292,620,000, HK$150,527,000 and HK$119,860,000 as at 31 March 2019. Demand letters from legal representatives of property constructors and lenders for repayment of certain construction costs, Cross-default Borrowings, bank borrowings and other borrowings with amounts of approximately HK$608,949,000, HK$131,863,000, HK$154,603,000 and HK$106,625,000 respectively were received. Agreements with repayment schedules were entered into with the property constructors. Negotiations with lenders are underway but no extensions to the repayment dates of Cross-default Borrowings, bank borrowings and other borrowings have been obtained from the lenders up to the date of this announcement.

The Group is in active negotiation with all of the above lenders for renewal and extension of the principals and interest that remain overdue as at date of this announcement, as well as the waiver of financial covenants (if any), and the Directors are confident that the lenders of the borrowings (including those Cross-default Borrowings) in respect of which there were delay in principal and interest repayments will not enforce their rights of requesting for immediate repayment and agreements will be reached in due course. Up to the date of this announcement, no lender has taken further legal actions to recover its loan.

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.

In view of such circumstances, the Directors have, during the Year and up to the date of this announcement, taken the following measures to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations:

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

(b) raising of additional capital from the public market. Subsequent to the end of the reporting period and up to the date of this announcement, the Company raised additional capital of approximately HK$6,300,000 through a rights issue (note 13(d));

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

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

(e) disposal of investment properties for a consideration of approximately HK$108,000,000; of which the whole proceeds would be used for settlement of bank borrowings of approximately HK$103,740,000;

(f) successful completion of the restructuring plan (note 13(f)) to inject cash and income-generating assets; and

(g) the Directors 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 a going concern. Whether the Group will be able to continue as a going concern depends upon the Group's ability to generate adequate financing and operating cash flows through the following:

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

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

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

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

(e) 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.

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

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for financial year beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

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

(a) Classification

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

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"), and
- those to be measured at amortised cost.

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

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

(b) Measurement

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

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

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

(c) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

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

	Note	*HK$'000*
Reclassification of available-for-sale financial assets to financial assets at FVTPL	*(b)*	1,275
Increase in impairment losses for:		
— Trade and bills receivables	*(c)*	(32,050)
— Loan and other receivables	*(d)*	(17,677)
Adjustment to accumulated losses from adoption of HKFRS 9 on 1 April 2018		(48,452)
Attributable to:		
Owners of the Company		(29,832)
Non-controlling interests		(18,620)
		(48,452)

(i) Impacts of the classifications and measurement of financial instruments as at 1 April 2018

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

Financial assets	*Note*	**Classifications under HKAS 39**	**Classifications under HKFRS 9**	**Carrying amounts under HKAS 39** *HK$'000*	**Carrying amounts under HKFRS 9** *HK$'000*
Equity investments	*(a)*	Available-for-sale	FVTOCI	394,897	394,897
Equity investments	*(b)*	Available-for-sale	FVTPL	395,849	395,849
Equity investments		FVTPL	FVTPL	17,601	17,601
Derivative financial assets		FVTPL	FVTPL	74,968	74,968
Trade and bills receivables	*(c)*	Loans and receivables	Amortised cost	194,003	161,953
Loan and other receivables	*(d)*	Loans and receivables	Amortised cost	247,134	229,457

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

	Note	**Effect on investment reserve** *HK$'000*	**Effect on FVTOCI reserve** *HK$'000*	**Effect on accumulated losses** *HK$'000*	**Effect on non-controlling interests** *HK$'000*
Opening balance — HKAS 39		294,059	–	(1,577,261)	1,173,644
Reclassify non-trading equity investments from available-for-sale financial assets to financial assets at FVTOCI	*(a)*	(292,784)	292,784	–	–
Reclassify non-trading equity investments from available-for-sale financial assets to financial assets at FVTPL	*(b)*	(1,275)	–	1,275	–
Increase in impairment losses for trade and bills receivables	*(c)*	–	–	(18,179)	(13,871)
Increase in impairment losses for loan and other receivables	*(d)*	–	–	(12,928)	(4,749)
Total impact		(294,059)	292,784	(29,832)	(18,620)
Opening balance — HKFRS 9		–	292,784	(1,607,093)	1,155,024

(ii) Impact of ECL model

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

	Note	**Trade and bills receivables** *HK$'000*	**Loan and other receivables** *HK$'000*
Impairment allowance at 31 March 2018 under HKAS 39		4,957	195,660
Additional allowance for impairment recognised at 1 April 2018 on balances as at 31 March 2018	*(c), (d)*	32,050	17,677
Impairment allowance at 1 April 2018 under HKFRS 9		37,007	213,337

Notes:

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

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

(c) Trade and bills receivables that were classified as loans and receivables under HKAS 39 are now classified as financial assets at amortised cost. An increase of approximately HK$32,050,000 in the allowance for impairment of these receivables was recognised in opening accumulated losses and non-controlling interests, in aggregate, at 1 April 2018 on transition to HKFRS 9.

(d) Loan and other receivables that were classified as loans and receivables under HKAS 39 are now classified as financial assets at amortised cost. An increase of approximately HK$17,677,000 in the allowance for impairment of these receivables was recognised in opening accumulated losses and non-controlling interests, in aggregate, at 1 April 2018 on transition to HKFRS 9.

Impairment losses related to trade and bills receivables and loan and other receivables are presented separately in the consolidated statement of profit or loss. As a result, the Group reclassified impairment losses amounting to approximately HK$25,243,000, recognised under HKAS 39, from "Other operating expenses" to "Impairment losses for loan and other receivables" in the consolidated statement of profit or loss for the year ended 31 March 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 April 2018.

HKFRS 15 Revenue from contracts with customers

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group trades iron ore and raw materials, clinker, cement and other building materials. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customers' specifications with no alternative use. Taking into the consideration of relevant terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives an upfront payment for different properties from customers for the sale of properties and such amount will be treated as the deposits from customers after signing the sale and purchase agreement. However, depending on the market conditions, the Group may offer customers a discount compared to the listed sale price, provided that the customers agree to pay the rest of the consideration earlier. Such advance payment schemes result in contract liabilities being recognised throughout the construction period for the full amount of the contract price. In assessing whether such advance payment schemes include a significant financing component, the Group has considered the length of time between the payment date and the completion date of legal assignment based on typical arrangements entered into with customers. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers. For other contracts where such advance payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. Such adjustment will result in interest expense being accrued by the Group to reflect the effect of the financing benefits obtained from the customers during the period between the payment date and the completion date of legal assignment or the date when the properties is accepted by the customer, with a corresponding increase in revenue recognised from the sale of properties when control of the completed property is transferred to the customer.

The adoption of HKFRS 15 has had no significant impact on the opening accumulated losses as at 1 April 2018. No interest was adjusted for the effects of financing component as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

For the year ended 31 March 2019, the effect of financing component in relation to the consideration received from customers in advance for the sale of properties of approximately HK$85,105,000 was adjusted to receipts in advance, and the corresponding amount of finance costs was capitalised and recorded in properties for sale under development.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from rental income.

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that interim financial report.

HKFRS 16 Leases

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

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's land costs payable for the properties under development for sale, office premises and staff quarters are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its land costs payable for the properties under development for sale, office premises and staff quarters amounted to HK$26,491,000 as at 31 March 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. REVENUE

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
— Recognised at point in time		
Mining and trading of iron ore and raw materials	**1,538,279**	2,876,008
Sales of properties	**89,050**	921,883
Trading of clinker, cement and other building materials	**618,161**	619,201
	2,245,490	4,417,092
Revenue from other sources:		
Rental income	**85,478**	62,728
	2,330,968	4,479,820

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income on:		
Bank deposits	**5,724**	3,128
Consideration receivable	**–**	13,609
Total interest income	**5,724**	16,737
Agency income	**755**	9,078
Commission received	**3,523**	3,576
Despatch income	**4,789**	2,749
Dividend income	**1,794**	2,344
Consulting services	**49**	452
Others	**10,628**	14,446
	27,262	49,382

6. 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.

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, impairment losses on available-for-sale financial assets, prepayments, trade and bills receivables and loan and other receivables, losses on early redemption of convertible bonds, gains on modification of terms of convertible bonds and guaranteed notes, fair value losses/gains on derivative financial instruments, investment properties and financial assets at FVTPL, net loss on disposals of financial assets at FVTPL, finance costs, income tax credit/expense and other corporate income and expenses.

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

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

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 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	**4,082**	**29,974**	**113**	**2,690**	**36,859**
Income tax expense/(credit)	**30,595**	**(109,830)**	**448**	**(11,550)**	**(90,337)**
Other material non-cash item:					
Allowance for inventories	**18,217**	**(13,436)**	**–**	**5,645**	**10,426**

	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 2018					
Revenue from external customers	984,611	2,876,008	613,427	5,774	4,479,820
Intersegment revenue	600	–	–	–	600
Segment profit/(loss)	163,110	(224,806)	1,127	(56,268)	(116,837)
Other information:					
Interest income	1,817	1,233	9	66	3,125
Interest expense	11,901	88,349	1,171	3,046	104,467
Depreciation	4,487	141,926	161	2,419	148,993
Income tax expense/(credit)	54,879	(65,371)	1,014	(10,151)	(19,629)
Other material non-cash item:					
Allowance for inventories	–	18,187	–	–	18,187

Geographical information:

	Revenue For the year ended 31 March		Non-current assets As at 31 March	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China (the "PRC")	**1,728,176**	3,863,281	**2,113,034**	2,640,017
Macau	**–**	–	**8**	312,015
Malaysia	**34,326**	71,023	**626,001**	1,174,404
Taiwan	**238,577**	193,997	**–**	–
Others	**329,889**	351,519	**104,028**	126,908
	2,330,968	4,479,820	**2,843,071**	4,253,344

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

Revenue from major customers:

	2019	2018
Mining and trading of iron ore and raw materials segment	***HK$'000***	*HK$'000*
Customer a*	**143,648**	N/A
Customer b*	**122,488**	N/A
Customer c*	**104,504**	727,584

	2019	2018
Trading of clinker, cement and other building materials segment	***HK$'000***	*HK$'000*
Customer d	**249,825**	179,073

* Customer a, b and c contribute less than 10% of the total revenue of the Group during the year ended 31 March 2019.

7. INCOME TAX CREDIT

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Provision for the year	**955**	672
(Over)/under-provision in prior years	**(507)**	342
	448	1,014
Overseas Income tax		
Provision for the year	**–**	950
Overprovision in prior years	**(806)**	–
	(806)	950
PRC Corporate Income Tax ("CIT")		
Provision for the year	**2,899**	47,692
Underprovision in prior years	**45,014**	162
	47,913	47,854
PRC Land Appreciation Tax ("LAT")		
Provision for the year	**24,529**	14,102
Deferred tax	**(162,421)**	(83,549)
	(90,337)	(19,629)

Hong Kong Profits Tax is provided at 16.5% (2018: 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% (2018: 25%) during the year ended 31 March 2019.

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

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	Note	2019 HK$'000	2018 HK$'000
Allowance for inventories (included in cost of inventories sold)		**10,426**	18,187
Auditor's remuneration		**3,866**	3,742
Bad debts		**2,804**	298
Cost of inventories sold		**2,187,302**	4,038,269
Exchange losses, net		**41,454**	2,632
Impairment loss on:			
Property, plant and equipment#	*(a)*	**111,537**	144,550
Other intangible assets#	*(a)*	**559,259**	487,807
Available-for-sale financial assets#		**–**	33,327
Prepayments	*(b)*	**350,403**	–
Losses on disposals of property, plant and equipment		**532**	239
Direct operating expenses of investment properties that generate rental income		**9,709**	21,050
Operating lease charges in respect of land and buildings		**7,577**	7,627

Included in other operating expenses.

Notes:

(a) Impairment on property, plant and equipment and other intangible assets

Impairment review of iron ore mining operation

The planned resumption of the Group's iron ore mining operations in Malaysia was further deferred until 2020 due to the continued instability in global iron ore prices in 2019. In addition, the operational mining scheme of an ore mine expired during the year without being renewed as the Directors considered the project no longer feasible due to unresolved disputes with a mining owners. Further operating costs in Malaysia continued to increase due to local inflation and continuous depreciation of local currency. After considering these impairment indicators, the Group carried out an impairment review of Billion Win Capital Limited ("Billion Win") which is considered as a cash-generating unit ("CGU") of the iron ore mining operation in Malaysia, including other intangible assets and property, plant and equipment, by comparing the carrying amounts with its recoverable amount by reference to the valuation report prepared by Roma Appraisals Limited ("Roma"), an independent professional valuer. As a result, impairment losses of approximately HK$459,642,000 (2018: HK$420,604,000) and HK$109,735,000 (2018: HK$114,037,000) for other intangible assets and property, plant and equipment, respectively, were recognised in profit or loss during the year ended 31 March 2019.

The recoverable amount of the Billion Win of approximately HK$642,494,000 (2018: HK$1,260,480,000) has been determined from fair value less costs of disposal using the income-based approach (2018: value in use), being the 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 18.11% (2018: 17.88%).

During the Year, the iron ore price continued to be unstable and the iron ore mining operations of United Goalink Limited ("UGL"), which is considered as a CGU of the iron ore mining 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 its iron ore mining operations in Brazil by disposing all of the Group's stake interest in UGL. Subsequent to the end of the reporting period, an equity transfer agreement ("GPL Equity Transfer Agreement") was entered into to dispose of the iron ore mining operation in Brazil at a consideration of approximately HK$35,100,000. The carrying amounts of other intangible assets and property, plant and equipment of the UGL was thus compared to the recoverable amount by reference to the consideration and as a result, impairment loss of approximately HK$53,419,000 for other intangible assets was recognised in profit or loss during the Year.

At 31 March 2018, the Group carried out an impairment review for the iron ore mining operations of UGL which was considered as a CGU of the iron ore operation in Brazil, including other intangible assets and property, plant and equipment, by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma. As a result, impairment losses of approximately HK$26,600,000 and HK$28,116,000 for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss during the year ended 31 March 2018.

At 31 March 2018, the recoverable amount of the UGL as at 31 March 2018 of approximately HK$12,605,000 had been determined based on the fair value less cost of disposal using the market-based approach calculated based on the average price-to-sales ratio of several companies listed on the stock exchange of Brazil after considering a 15.9% discount on lack of marketability and a 26.0% controlling premium.

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 2019 to 2023 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 2020 to the end of the expected life of the mines.

Impairment review of granite mining operation

During the Year, 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 granite mining operation, which is considered as 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.

As at 31 March 2018, having regard to the change in production plan of granite products during the year ended 31 March 2018, the Group carried out an impairment review of granite mining operation by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma. As a result, impairment losses of approximately HK$40,603,000 and HK$2,397,000 for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss during the year ended 31 March 2018.

As at 31 March 2019, the recoverable amount of the granite mining operation of approximately HK$18,644,000 (2018: HK$82,563,000) has been determined from fair value less costs of disposal 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 14.88%.

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.

(b) Impairment on prepayments

As at 31 March 2018, the Group had entered into an off-take agreement (the "Off-take Agreement") with a pig iron supplier and had prepaid approximately HK$312,000,000, which were expected to be recovered from pig iron to be delivered to the Group.

The Off-take Agreement would expire by the end of June 2019 but pursuant to the Off-take Agreement, the pig iron supplier would be granted further extension if the pig iron supplier 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 has commenced. As the pig iron supplier could not fulfil its obligations before the expiry of the Off-take Agreement by the end of June 2019, the Group has taken steps to recover the prepayment.

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 is negligible and full provision of approximately HK$312,000,000 (2018: HK$Nil) against the prepayment was recognised in profit or loss during the Year.

9. DIVIDENDS

The Directors do not recommend the payment of final dividend for the Year (2018: Nil).

10. 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$1,829,400,000 (2018: HK$961,012,000); and (ii) the weighted average number of ordinary shares of 1,310,759,532 (2018: 1,236,519,903, as adjusted to reflect the share consolidation and rights issue on 25 February 2019 and 30 May 2019 respectively) in issue during the year ended 31 March 2019, as adjusted to reflect the share consolidation and rights issue on 25 February 2019 and 30 May 2019 respectively.

(b) Diluted loss per share

The exercise of the Group's outstanding convertible bonds for the years ended 31 March 2018 and 2019 would be anti-dilutive.

There was no dilutive potential ordinary shares for the Company's share options during the years ended 31 March 2018 and 2019.

11. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade and bills receivables	**222,343**	198,960
Less: Allowance for doubtful debts	**(57,370)**	(4,957)
	164,973	194,003

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 (2018: 0 to 90) days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**161,682**	40,266
91 to 180 days	**1,280**	65,044
181 to 365 days	**2,011**	54,016
Over 1 year	**–**	34,677
	164,973	194,003

12. 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:

	2019	2018
	HK$'000	*HK$'000*
Not yet due	**348,238**	344,928
Due within 3 months or on demand	**190,619**	68,316
Due after 3 months	**277,339**	110,416
	816,196	523,660

13. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the GPL Equity Transfer Agreement dated 3 April 2019 entered into between UGL and Globest Resources Limited ("GRL") (both indirect non wholly-owned subsidiaries of the Company, collectively the "Vendors"), Goldcoltan Minerais Ltda and Light Engenharia E Comercio Eireli, the Vendors disposed of the entire equity interests in Globest Participacees Ltda ("GPL") at a consideration of approximately US$4,500,000 (equivalent to approximately HK$35,100,000). The Group anticipates that the disposal will be completed by the end of 2019 but GPL is not classified as held for sale at the end of the reporting period because certain conditions precedent in the GPL Equity Transfer Agreement have not yet been fulfilled.

(b) 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 interest in Dali Gangxing Property Company Limited* (大理港興置業有限公司, "Dali Gangxing"), a joint venture of the Group, at a cash consideration of RMB24,000,000 (equivalent to approximately HK$27,360,000) (the "Dali Gangxing Disposal"). The Dali Gangxing Disposal was completed on 15 May 2019 and the Group continued to own 30% equity interests in Dali Gangxing.

(c) 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 Real Estate Development Co., Ltd.* (宿遷勝達房地產發展有限公司, "Suqian Shengda"), an indirect non-wholly owned subsidiary of the Company, at a consideration of RMB25,000,000 (equivalent to approximately HK$28,500,000), which shall be settled by releasing and discharging the outstanding debts in the amount of RMB25,000,000 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 consolidated financial statements of the Group and became an associate of the Group.

(d) 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 net proceed of approximately HK$6,300,000 will be used for general working capital purposes. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

(e) Subsequent to the reporting date, the Group did not pay principal and interest of approximately HK$418,210,000 in accordance with the repayment schedules or repayment on demand clause set out in the borrowing agreements of certain Cross-default Borrowings, bank borrowings and other borrowings with carrying amounts of approximately HK$292,620,000, HK$150,527,000 and HK$119,860,000 as at 31 March 2019. Demand letters from legal representatives of property constructors and lenders for repayment of certain construction costs, Cross-default Borrowings, bank borrowings and other borrowings with amounts of approximately HK$608,949,000, HK$131,863,000, HK$154,603,000 and HK$106,625,000 respectively were received. Agreements with repayment schedules were entered into with the property constructors. Negotiations with lenders are underway but no extensions to the repayment dates of Cross-default Borrowings, bank borrowings and other borrowings have been obtained from the lenders up to the date of this announcement.

* *For identification purpose only*

(f) On 15 July 2019, the Company and a potential investor (the "Potential Investor") entered into a non-legally binding letter of intent for a restructuring plan (the "Restructuring Plan"), pursuant to which:

(i) the Company will enter into a Bermuda scheme of arrangement whereby a new holding company (the "New Holdco") will be incorporated to acquire the Company;

(ii) the listing of the Company will be transferred to the New Holdco;

(iii) all existing shareholders of the Company will exchange their shares in the Company for shares in New Holdco;

(iv) the Potential Investor will inject cash of up to approximately HK$50,000,000 and an income-generating assets valued at no less than HK$50,000,000 to be agreed into the New Holdco (collectively the "Investment"); and

(v) following the completion of the Investment, the Potential Investor will become the controlling shareholder of the New Holdco.

Upon completion of the Restructuring Plan, the Potential Investor and its associates is expected to control no less than 50% of the voting rights of the New Holdco while the existing shareholders of the Company is expected to control no more than 50% of the voting rights of the New Holdco. A 120-day exclusivity period has been granted during which the Company will negotiate exclusively with the Potential Investor.

EXTRACTS OF THE INDEPENDENT AUDITOR'S REPORT

The section below sets out an extract of the report by RSM Hong Kong, the auditor of the Company, regarding the consolidated financial statements of the Group for the Year:

DISCLAIMER OF OPINION

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

Multiple Uncertainties Related to Going Concern

As described in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately HK$1,934,696,000 during the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,390,825,000. As at the same date, the Group's total borrowings amounted to approximately HK$2,233,576,000, of which current borrowings amounted to approximately HK$1,836,443,000, while its cash and cash equivalents amounted to approximately HK$219,613,000 only.

During the year ended 31 March 2019, the Group did not pay bond principal repayments of approximately HK$16,000,000 in accordance with the repayment schedules set out in the bond agreement. As a result of these non-payments, bonds with a carrying amount of approximately HK$142,000,000 (the "Default Bonds") at 31 March 2019 became immediately repayable and were classified as current liabilities, details of which are set out in note 44 to the consolidated financial statements. The directors are negotiating with the bondholders but no remedies in respect of the Default Bonds have been agreed with the bondholders up to the date of this report.

The non-payments on the Default Bonds constitute or have become events of default under the borrowing agreements of certain borrowings (the "Cross-defaults") with carrying amount of approximately HK$1,133,822,000 (the "Cross-default Borrowings") as at 31 March 2019. As a consequence of the Cross-defaults, Cross-default Borrowings became immediately repayable and were classified as current liabilities, details of which are set out in notes 36, 42 and 44 to the consolidated financial statements. The directors are negotiating with the lenders but no remedies in respect of the Cross-defaults have been agreed with the lenders up to the date of this report.

Furthermore, as at 31 March 2019, included in the Cross-default Borrowings are certain borrowings with carrying amounts of approximately HK$1,028,947,000, the Group did not meet certain financial ratios as set out in the covenants of these borrowing agreements, details of which are set out in notes 36, 42 and 44 to the consolidated financial statements. No waivers in respect of the breach of the financial covenants of these borrowings have been obtained from the lenders up to the date of this report.

Subsequent to the reporting date the Group did not pay principal and interest of approximately HK$418,210,000 in accordance with the repayment schedules or repayment on demand clause set out in the borrowing agreements of certain Cross-default Borrowings, bank borrowings and other borrowings with carrying amounts of approximately HK$292,620,000, HK$150,527,000 and HK$119,860,000 as at 31 March 2019. Demand letters from legal representatives of property constructors and lenders for repayment of certain construction costs, Cross-default Borrowings, bank borrowings and other borrowings with amounts of approximately HK$608,949,000, HK$131,863,000, HK$154,603,000 and HK$106,625,000 respectively were received. Agreements with repayment schedules were entered into with the property constructors. Negotiations with lenders are underway but no extensions to the repayment dates of Cross-default Borrowings, bank borrowings and other borrowings have been obtained from the lenders up to the date of this report.

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 lenders for the renewal of or extension for repayment for those borrowings that are scheduled for repayment (either based on the original agreements or the existing arrangements) within the next twelve months from the date of this report, including those principals and interests that are already overdue; (ii) additional new sources of financing as and when needed; (iii) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and deferring capital expenditure for the Group's projects held on hand so as to generate adequate net cash inflows; (iv) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's property development projects such that no further actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis; and (v) 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. Should the Group fail to achieve the above mentioned 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.

RESULTS OVERVIEW

Results and Financial Overview

For the Year, the Group recorded a net loss of approximately HK$1,935 million, compared with the net loss of approximately HK$989 million for the Previous Financial Year.

The loss for the Year was mainly attributable to impairment losses of approximately HK$457 million, in aggregate, on prepayments and loan and other receivables. Other factors that also contributed to the loss for the Year are the further impairment losses of approximately HK$671 million, in aggregate, on property, plant and equipment and other intangible assets, compared with that of HK$632 million for the Previous Financial Year, and the fair value loss of approximately HK$216 million on the financial assets at fair value through profit or loss FVTPL, compared with the fair value loss of approximately HK$9 million for the Previous Financial Year.

During the Year, the Group suspended its business of iron ore mining and processing to minimise operating loss and only maintained its iron ore trading operations on a small scale as it was shifting the focus of its business to property investment and development. In the Previous Financial Year, the Group's iron ore trading business had already diversified into the trade in other raw materials such as manganese in order to mitigate the impact of temporary reduction in the Group's iron ore trading activities and to diversify the business risk associated with the Group's operating environment. Such business performed well and contributed approximately HK$510 million to the Group's revenue. As a result, revenue of the Group decreased by 48% to approximately HK$2,331 million, mainly from the decrease in revenue of approximately HK$1,338 million from the business of mining and trading of iron ore and other raw materials due to the above-mentioned strategic changes.

As for the Group's property business, the revenue this Year was mainly from the delivery of the remaining residential units and shopping units in the first phase of the Group's 昌興壹城 ("One City") in Binhai county, Yancheng city, Jiangsu province, the PRC to the buyers. The revenue had decreased by HK$833 million or 90% to HK$89 million since majority of the residential units in the first phase of the property project had already been delivered to the buyers in the Previous Financial Year. Revenue and profit from sales at some of the Group's property projects are expected to be recognised in the second half of 2019 when they are completed for delivery to the buyers. Meanwhile, the Group continued to record steady rental income from an investment property in Guangzhou city, Guangdong province, the PRC.

To honour large amount of short-term financial obligations, the Group continued its effort to raise fund through disposal of certain assets, such as 銀海大廈 ("Silver Bay Plaza") in Guangzhou, equity stakes in some property projects in Suqian, Jiangsu province and Xuyi county of Huaian city.

As at 31 March 2019, the Group's total borrowings amounted to approximately HK$2,234 million and the Group's current liabilities exceeded its current assets by approximately HK$1,391 million.

During the Year, the Group did not make bond principal repayments of approximately HK$16 million according to the scheduled repayment dates. As a result of these non-repayment, certain bonds with a carrying amount of approximately HK$142 million became immediately repayable as at year end. The non-repayment of the said bonds had become events of defaults under the borrowing agreements of certain borrowings with carrying amount of approximately HK$1,134 million.

In addition, included in the Cross-default Borrowings are certain borrowings with carrying amount of approximately HK$1,029 million where the Group did not meet certain financial covenants as set out in the concerned borrowing agreements. Waivers for breach of the financial covenants have yet to be obtained from the lenders up to the date of this announcement.

Although no remedies have been agreed with the above bondholders and lenders up to the date of this announcement, the Group is in active negotiation with them for renewal and extension of the principals and interest that remain overdue as at the date of this announcement and also for the waiver of the financial covenants. The Directors are confident that the bondholders and the lenders will not enforce their rights of requesting immediate repayment and agreements will be reached in due course. Up to the date of this announcement, no lender has taken further legal actions to recover its loan. In addition, the Directors wish to point out that as at the date of this announcement the Group is carrying on its businesses as usual and that the Directors consider that, unless the lenders take action to wind-up the Company, the current financial position of the Group does not prevent the Group from operating in its normal and usual course of business.

Basic loss per share was 139.57 HK cents for the Year, compared with the basic loss of 77.72 HK cents (Restated) per share for the Previous Financial Year.

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

BUSINESS REVIEW

China's Property Market

The Chinese government was aiming to ensure sufficient housing supply and to curb speculative investment. Its stringent regulation of the property market that started in 2017 continued well into 2018. Under the principle that "housing is for living in, not for speculation", numerous policies and rules for regulating the real estate market had been introduced nationwide. Moreover, the outbreak of China's trade disputes with the United States of America and the former's resultant economic slowdown also probably dampened home buyers' sentiment in the second half of 2018.

According to the National Bureau of Statistics of China, growth in sales of commodity properties in terms of gross floor area ("GFA") decelerated drastically to 1.3% in 2018 from 7.7% in 2017. The value of commodity property transactions in the country grew by 12.2% to approximately RMB14.9973 trillion in 2018. The growth rate was 1.5 percentage points lower than that in 2017.

Real Estate Investment and Development

In view of the need to increase its liquidity so as to honour its financial obligations, the Group continued sales efforts at its property projects and disposed of an investment property and equity stakes in some property projects.

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

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

   In Binhai county of Yancheng city, Jiangsu province, the Group is now developing residential and commercial properties 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 2019, all of the 11 blocks of apartment buildings, 93% of the 40 townhouses and over 80% of 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 home buyers. During the Year, revenue of RMB40 million (equivalent to approximately HK$46 million) was recognised.

   The second phase of One City will comprise residential properties of 11 blocks of apartment buildings and 32 townhouses as well as a shopping street. Residential units in the first 8 blocks of apartment buildings in the second phase were presold and will be delivered to buyers by the end of 2019.

2. *Suzhou City, Jiangsu Province*

   In Xishan Island, Wuzhong District, Suzhou city, Jiangsu province of the PRC, the Group, through a 55%-owned company called 蘇州市嘉欣房地產開發有限公司 (Suzhou Jiaxin Real Estate Development Company Limited*), is developing a deluxe property project called 復園 ("Fu Yuan") in two phases, which comprises 51 villas and a deluxe hotel.

   As of 31 March 2019, several villas in the first phase of the project had been sold and delivered to the buyers. The second phase of the project and the deluxe hotel are currently under construction.

* *For identification purposes only*

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 owned a piece of land in the heart of the CBD of West Jakarta, Republic of Indonesia ("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 2019.

Disposal of an investment property and operation of another investment property in Guangzhou

4. *Guangzhou City, Guangdong Province*

In November 2018, the Group disposed of certain units in an investment property, Silver Bay Plaza in Guangzhou, Guangdong province for a consideration of 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.

Meanwhile, the Group continues to hold 55% equity interest in a commercial and residential property called 東方文德廣場 ("Oriental Landmark") through its indirect wholly-owned subsidiary, Bliss Hero Investment Limited. The shopping mall continued to generate stable rental income for the Group and had an occupancy rate of 90% during the Year.

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

5. *Suqian City, Jiangsu Province*

On 10 May 2019, the Group sold 21.72% equity stake in Suqian Shengda to a creditor Zhejiang Kunyuan, thus decreasing its own equity stake in Suqian Shengda to 48.28%.

Suqian Shengda owns a residential project called 江山一品 ("Imperial Land"), in which it has a land of an aggregate site area of approximately 45,214 square metres ("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 second phase of Imperial Land. The second phase of the project has a planned GFA of approximately 140,000 sq.m., and will include 4 blocks of residential buildings, an apartment building, a commercial building and car parking spaces.

During the Year, the Group commenced the development of the second phase of the project. Two blocks of residential buildings was put up for presale in the fourth quarter of 2018 and over 60% of the units were presold.

* *For identification purposes only*

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

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

Xuyi Changsheng 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 237,742 sq.m.

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

In August 2018, the Group introduced two strategic investors into 汝南中得置業有限公司 (Runan Zhongde Properties Co., Ltd*, "Runan Zhongde"), thus decreasing its equity stake in Runan Zhongde to 13% from 26%. Runan Zhongde plans to develop residential and commercial properties on two parcels of land of an aggregate site area of approximately 140 mu (approximately 93,333 sq.m.) in Runan county, Zhumadian city, Henan province of the PRC.

8. *Dali City, Yunnan Province*

On 17 May 2019, the Group sold 20% equity stake in Dali Gangxing, a company that engages in property development and owns a residential site of 31,208.34 sq.m. in Heqing county, Dali city, Yunnan province, to Changxing Tianyue. Upon the completion of the deal, the Group's equity interest in Dali Gangxing will decrease to 30% from 50% while Changxing Tianyue's equity stake in that company will increase to 70% from 50%.

9. *Dongguan City, Guangdong Province*

On 13 March 2018, the Company sold its equity interests in a redevelopment project in Dongguan city, Guangdong province to 萬科企業股份有限公司 (China Vanke Co., Ltd.) for a consideration of RMB830 million (equivalent to approximately HK$946 million). Up to the date of this announcement, the transaction was not yet completed but the Group has already received the installments of approximately RMB415 million (equivalent to approximately HK$497 million). Out of the consideration of RMB830 million (equivalent to approximately HK$946 million), RMB581 million (equivalent to approximately HK$662 million) is attributable to the Group in proportion to its equity stake upon the completion of the transaction.

Mining and Trading of Iron Ore and Raw Materials

The Group sources iron ore mainly from third parties, and also used to produce the commodity at its wholly-owned mine in Sri Jaya, State of Pahang, Malaysia (the "Malaysia Mine"), which has a total mining area of approximately 420 acres and total probable reserve of 94.5 megatonnes ("Mt") and mainly at an ore processing plants (the "Sri Jaya Plant"), which is adjacent to the Malaysia Mine. In view of the recent financial distress of the Group, the large operating cash requirements and the unstable price of iron ore, the planned resumption of the

* *For identification purposes only*

Group's iron ore mining operations in Malaysia was further deferred until 2020. Meanwhile, the operational mining scheme of an ore mine expired during the Year without being renewed as the Directors considered the project no longer feasible due to unresolved disputes with a mining owner, and the operating costs in Malaysia continued to increase due to local inflation and continuous depreciation of local currency. The Group reassessed the recoverable amounts of the iron ore mining operations in Malaysia in accordance with the applicable accounting standard, and impairment losses on the said operation was resulted. Further details of the impairment are discussed under the section headed "Financial Review".

In April 2019, the Group disposed of its entire equity stake in its 85%-held mine in Ceará, Brazil ("Brazil Mine") for 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. As the result of the disposal, impairment losses are recognised on its Brazil according to the applicable accounting standard. Further details of the impairment are discussed under the section headed "Financial Review".

The volume of the Group's iron ore trading business decreased by 47% to HK$1,538 million during the Year.

Clinker and Cement Trading Business and Operation

The Group is one of the leading trading organizations in Asia specializing in clinker, cement, granulated blast furnace slag (GBFS). The Group sourced its materials predominantly from the Far East and South East Asia and supplied such materials to its customers in North America and Asia Pacific region during the 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 market for their products. We strive to bring together a wide network of our customers and our established relationships with suppliers to create the best outcome or solution for both our customers and suppliers. Our customer base covers cement plants, cement grinding mill operators, cement terminal operators and construction material trading agents.

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

Indonesia Conch is a company incorporated in Indonesia and Indonesia Conch Group operates a cement plant in South Kalimantan, Indonesia. The cement plant is equipped with a grinding mill station, coal-fired power plant and two clinker cement production lines. Each clinker cement production line has a capacity to produce 3,200 tonnes of clinker per day. Indonesia Conch Group also owns two sets of cement grinding mills and a private jetty near Port of Merak and Jakarta-Banten Highway. The jetty consists of five berths, of which two each has a total capacity of 50,000 tonnes in deadweight tonnage.

During the Year, in view of continuous increasing operation costs as the result of the local inflation and the depreciation of the local currency and the decrease in expected growth of operation, which reflected the latest market expectation, the Group reassessed the value of the Group's investment in Indonesia Conch. As a result, unrealised fair value loss on the said investment was recognised according to the applicable accounting standard. Further details of the remeasurement of the Indonesia Conch, which is classified as financial assets at FVTPL, are discussed under the section headed "Financial Review".

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"). 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 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, representing (1) approximately 6.88% of the existing issued share capital of the Company of 12,746,160,027 shares as at the date entered into the Second Amendment Deed, and (ii) approximately 6.44% of the issued share capital of the Company of 13,623,660,027 shares as enlarged by 877,500,000 shares to be issued upon full conversion the CCB Convertible Bonds, assuming no further change in the share capital of the Company from the date entered into the Second Amendment Deed and up to the date of the allotment and issue of CCB Conversion Shares.

As a result of the Share Consolidation becoming effective on 25 February 2019, the conversion price of the outstanding CCB Convertible Bonds, being initially at HK$0.16 per Pre-consolidated Share (subject to adjustment), was adjusted in accordance with the terms and conditions of the CCB Convertible Bonds to HK$1.6 per Consolidated Share. 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 becoming 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 with an aggregate principal amount of HK$30 million at the conversion price of HK$0.06 (the "Conversion Price") per share of the Company (the "Conversion Share") (the "Convertible Bonds") on a best effort basis from 24 October 2018 to 8 November 2018. The Convertible Bonds were successfully placed to not less than six independent third parties on 8 November 2018.

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

As a result of the Share Consolidation becoming effective on 25 February 2019, the conversion price of the outstanding Convertible Bonds, being initially at HK$0.06 per Pre-consolidated Share (subject to adjustment), was adjusted in accordance with the terms and conditions of the Convertible Bonds to HK$0.6 per Consolidated Share. 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, 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. 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.

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

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 announcement.

Results of Operations

For the Year, revenue decreased to approximately HK$2,331 million from approximately HK$4,480 million for the Previous Financial Year. The Group's gross profit decreased by 84% to approximately HK$45 million for the Year from approximately HK$280 million for the Previous Financial Year. The decrease in both revenue and the gross profit was mainly due to the combined effects of deceased revenue from iron ore trading segment and less property units were handed over to buyer during the Year, while offset by the increase in the revenue from the trading of other material such as manganese, which was a new business that started in the first quarter of 2018.

The Group's selling and distribution costs (excluding depreciation) were approximately HK$74 million for the Year as compared to approximately HK$97 million for the Previous Financial Year. It represented about 3.2% of the revenue for the Year, compared to 2.2% 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$244 million which slightly increased from that of the Previous Financial Year of HK$222 million.

The Group recorded an impairment loss of approximately HK$671 million (the Previous Financial Year: HK$632 million) on other intangible assets and property, plant and equipment for its iron ore and granite mining operations after the review of the recoverable amounts of the CGUs of the respective operations 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 8 to the consolidated financial statements in this announcement.

The Group also recorded impairments of approximately HK$350 million (the Previous Financial Year: Nil) and HK$106 million (the Previous Financial Year: HK$25 million), respectively, on its prepayments and loan and other receivables. Details of the above impairments were also disclosed in note 8 to the consolidated financial statements in this announcement.

The finance costs were approximately HK$336 million (of which approximately HK$94 million were capitalised) for the Year, which increased from approximately HK$219 million (of which approximately HK$3 million were capitalised) for the Previous Financial Year.

The fair value loss on the financial assets at FVTPL was mainly attributable to the reclassification of the Group's investment in 25% equity stake in Indonesia Conch as financial assets at FVTPL from available-for-sale financial assets upon the initial application of the Hong Kong Financial Reporting Standard ("HKFRS") 9. The fair value loss of HK$214 million was recorded after the remeasurement of Indonesia Conch according to the applicable accounting standards with reference to the valuation conducted by an independent professional valuer. The fair value loss mainly reflected recent changes in market and economic conditions of the Indonesia.

Loss attributable to the owners of the Company for the Year was approximately HK$1,829 million, compared with a net loss of approximately HK$961 million for the Previous Financial Year. The increase in loss was mainly due to the following reasons:

1. Decrease in revenue of HK$833 million generated from the sale of properties;

2. Impairment loss of approximately HK$671 million (the Previous Financial Year: HK$632 million) on other intangible assets and property, plant and equipment for its iron ore and granite mining operations during the Year;

3. Impairments of approximately HK$350 million (2018: Nil) and HK$106 million (2018: HK$25 million), respectively, on its prepayments and loan and other receivables; and

4. Unrealised fair value loss on financial assets at FVTPL of HK$216 million.

The basic loss per share for the Year was 139.57 HK cents, compared with the basic loss per share of 77.72 HK cents (Restated) for the Previous Financial Year.

Material Acquisition, Disposal and Other Transactions

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

On 13 March 2018, Greater Sino Limited, Honwill Limited ("Honwill"), both subsidiaries of the Company, and 東莞市丹新置業有限公司 (Dongguan City Danxin Property Company Limited*), the joint venture partner of the Company, entered into the co-operation agreement with 東莞市萬科房地產有限公司 (Dongguan Vanke Real Estate Company Limited*) and Hybest (BVI) Company Limited, both subsidiaries of China Vanke Co., Ltd., to sell their interests of the property development project in Dongguan city, Guangdong province, the PRC (the "Redevelopment Project") at a consideration of RMB830 million (equivalent to approximately HK$946 million) (subject to adjustments). The disposal of the Redevelopment Project will be completed by transferring 52.7% of the effective equity interests in 東莞市敬培實業有限公司 (Dongguan Honwill Limited) and its subsidiary, 東莞市丹興實業有限公司 (Dongguan City Danxing Industrial Company Limited) through disposal of its certain equity interests in Honwill. For detail, please refer to the announcement of the Company dated 13 March 2018 and the circular of the Company dated 24 May 2018.

Up to the date of this announcement, the disposal of the interests in the Redevelopment Project has not been completed.

(b) *Exercise of Put Option*

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

On 9 April 2018, Rui Sheng exercised the HT Put Option and the total repurchase price of the HT Subscription Shares of HK$115 million was payable by Hao Tian Development partly by way of deduction of the indebtedness owed by the Group to Hao Tian and partly by way of cash. For further detail, please refer to the announcements of the Company dated 5 April 2015 and 9 April 2018.

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

On 7 August 2018, Zhejiang Changxing, an indirect wholly-owned subsidiary of the Company, entered into a co-operation agreement with 長興民發投資有限公司 (Zhangxing Min Fa Investment Co., Ltd*), to ultimately acquire 26% equity interests in Runan Zhongde, at a consideration up to RMB2.6 million (equivalent to approximately HK$3.0 million) and the provision of the shareholder's loan in the sum of RMB49.4 million (equivalent to approximately HK$56.3 million). Runan Zhongde has signed land transfer agreements with the Runan Municipal Bureau of Land and Resources in respect of two parcels of land of an aggregate site area of approximately 140 mu (approximately 93,333 sq.m.) located at (i) Ru Ning Da Jie and Qing Yuan Road; and (ii) Qing Yuan Road and Pei Gong Road, Runan county, Zhumadian city, Henan province of the PRC. Runan Zhongde has obtained construction land use planning permit in respect of the Runan Lands and intends to develop the Runan Lands into residential and commercial properties.

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

* *For identification purposes only*

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

On 30 August 2018 and 8 March 2019, 廣州富春東方地產投資有限公司 (Guangzhou Fuchun Dongfang Real Estate Investment Company Limited*) ("Fuchun Dongfang"), a 55%-owned subsidiary of the Company, pledged certain units of Oriental Landmark, for the benefit of a non-controlling shareholder of Fuchun Dongfang, as security for the loans taken by the non-controlling shareholder of Fuchun Dongfang and its subsidiary. For details about the arrangement, please refer to the announcements of the Company dated 30 August 2018 and 29 March 2019 and the circular of the Company dated 24 May 2019.

(e) *Disposal of certain units in Silver Bay Plaza*

On 12 November 2018, the Company, through an indirect wholly-owned subsidiary, entered into a sale and purchase agreement with a purchaser, pursuant to which the Company agreed to sell certain units in the Silver Bay Plaza at a consideration of RMB92.7 million (equivalent to approximately HK$105.7 million). The disposal of the certain units in the Silver Bay Plaza allows the Group to reduce its gearing and strengthen its financial position. The disposal has been completed in April 2019. For details, please refer to the announcement of the Company dated 12 November 2018.

(f) *Disposal of equity interests in GPL*

On 3 April 2019, UGL and GRL (each an indirect wholly-owned subsidiary of the Company) and Goldcoltan Minerais Ltda and Light Engenharia E Comercio Eireli (both companies incorporated in Brazil) entered into the GPL Equity Transfer Agreement to dispose of the equity interests in GPL, a company incorporated in Brazil with limited liability and is owned as to approximately 75.56% and 24.44% equity interest by UGL and GRL, respectively for the consideration in the aggregate sum of US$4.5 million (equivalent to HK$35.1 million), subject to and upon the terms of the GPL Equity Transfer Agreement. For more information about this transaction, please refer to the announcement of the Company dated 3 April 2019.

(g) *Disposal of equity interests in Dali Gangxing*

On 25 April 2019, Zhejiang Changxing entered into a sale and purchase agreement with Changxing Tianyue, to dispose of 20% equity interests of a joint venture company, Dali Gangxing at a consideration of RMB24 million (equivalent to approximately HK$27.36 million). The disposal of the 20% equity interests has been completed on 15 May 2019. For more information of this transaction, please refer to the announcement of the Company dated 24 June 2019.

* *For identification purposes only*

(h) *Disposal of equity interests in Suqian Shengda*

On 10 May 2019, Zhejiang Changxing entered into a sale and purchase agreement with Zhejiang Kunyuan, to dispose of 21.72% equity interests of a subsidiary, Suqian Shengda, at a consideration of RMB25 million (equivalent to approximately HK$28.5 million). The disposal of the 21.72% equity interests has been completed on 17 May 2019. For more information of this transaction, please refer to the announcement of the Company dated 24 June 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group recorded a shareholders' deficit of approximately of HK$113 million as at 31 March 2019, against a positive equity attributable to owners of the Company of approximately HK$1,964 million as at 31 March 2018. As at 31 March 2019, the Group had current assets of approximately HK$4,382 million (2018: HK$4,537 million) and current liabilities of approximately HK$5,773 million (2018: HK$4,426 million). The current ratio was 0.76 as at 31 March 2019 as compared to 1.03 as at 31 March 2018. 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 2019, the Group had outstanding debts (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds) of approximately HK$2,234 million (2018: HK$2,859 million, including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds). As at 31 March 2019, the Group maintained bank and cash balances of approximately HK$220 million (2018: HK$255 million), whilst the pledged deposits amounted to approximately HK$48 million (2018: HK$356 million).

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 45% as at 31 March 2018 to 69% as at 31 March 2019.

During the Year, as set out in the section headed "Going Concern Basis" in note 2 to the consolidated financial statements in this announcement, 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 announcement, 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. Subsequent to the end of the reporting period and up to the date of this announcement, the Company raised additional capital of approximately HK$6,300,000 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 investment properties for a consideration of approximately HK$108,000,000; of which the whole proceeds would be used for settlement of bank borrowings of approximately HK$103,740,000;

(f) seeking potential investors willing to invest new cash and assets in the Group; 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. For details of the LOI, please refer to the announcement of the Company on 15 July 2019.

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

Share Consolidation and Change of Board Lot Size

On 30 October 2018, the Company put forward a proposal to the shareholders of the Company (the "Shareholders") to effect a share consolidation on the basis that every ten issued and unissued shares of the Company of par value of HK$0.01 each (the "Pre-consolidated Shares") be consolidated into one consolidated share of par value of HK$0.1 each (the "Consolidated Share" or the "Share") (the "Share Consolidation").

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

On 22 February 2019, the Company announced that the SGM approved the Share Consolidation and Change in Board Lot Size, which took effect on 25 February 2019. Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank pari passu in all respects with each other.

For further details, please refer to the announcements of the Company dated 30 October 2018, 20 December 2018, 3 January 2019 and 22 February 2019; and the circular of the Company dated 18 January 2019.

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 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, all of which were intended to be used for general working capital.

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.

Repurchase of shares

The Company repurchased 3,080,000 Pre-consolidated Shares of HK$0.01 each at prices ranging from HK$0.036 to HK$0.04 per Pre-consolidated Share on the Stock Exchange (the "Repurchases") and subsequently cancelled during the Year. The total consideration (including transaction costs) of the Repurchases was approximately HK$118,000.

FOREIGN EXCHANGE EXPOSURE

The trading in the clinker and cement and trading in iron ore and other raw materials are conducted predominantly in US$. The granite mining and production business and the property development business in the PRC are conducted in RMB. 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 2019, the Group's banking facilities were secured by:

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

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

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries of the Group;

(e) personal guarantee executed by Mr. Wong and directors of subsidiaries;

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

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

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

COMMITMENTS

As at 31 March 2019, the Group had the following commitments:

(a) Operating lease commitments — as lessee

The Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**16,607**	67,366
In the second to fifth years, inclusive	**9,884**	1,441
	26,491	68,807

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$10 million (2018: HK$62 million) and rentals payable by the Group for the office premises and staff quarters of approximately HK$17 million (2018: HK$7 million). Leases are negotiated for a term of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Operating lease commitments — as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 9 years (2018: 1 to 10 years), with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**70,263**	83,698
In the second to fifth years, inclusive	**182,033**	240,415
After five years	**151,186**	180,612
	403,482	504,725

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2019, the Group had a total of 240 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

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

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

OUTLOOK

Sentiments of both the capital market and businesses have been affected by the prospect of a prolonged trade war between China and the United States of America and the former's decelerating economic growth. As a result, it has become more difficult to raise funds, not to say to do so on favourable terms. In fact, financing costs have increased significantly.

Under these economic conditions, the Group has set itself the task of restoring its financial health. To honour its short-term financial obligations, it will seek to raise capital by continuing its sales efforts at some of its property projects and by disposing of some assets such as equity interests in some of such projects or its other businesses. It will also try to recover prepayments made and loans granted to other companies. Meanwhile, it will also step up the effort to reduce the operating costs.

Looking ahead, the Group will explore more other means of increasing liquidity to meet its financial obligations while improving the operations of its existing businesses.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, the Company endeavours to comply with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company considers that it has complied with the CG Code during the Year, except for one non-compliance that is discussed as follows.

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 failing this 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 27 September 2018 (the "AGM") and SGM due to other important business engagements. Mr. Kong Siu Keung, was an executive director of the Company on the date of AGM and SGM, attended the AGM and SGM and was delegated to make himself available to answer questions if raised at the meetings. The absence of the chairman of the Company in the AGM and SGM constituted a deviation from the CG Code.

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:

	2019	2018
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities utilised by purchasers	**277,719**	341,029

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

As at 31 March 2019, 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:

	2019	2018
	HK$'000	*HK$'000*
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	**907,717**	898,326

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.

As at 31 March 2019, 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.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company repurchased 3,080,000 Pre-consolidated Shares on the Stock Exchange during the Year. The total consideration (including transaction costs) of the Repurchases were HK$117,540. All of the repurchased Shares were cancelled during the Year. Particulars of the Repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Pre-consolidated Share Highest	Purchase price per Pre-consolidated Share Lowest	Aggregate consideration
		HK$	*HK$*	*HK$*
December 2018	3,080,000	0.040	0.036	117,540

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

AUDIT COMMITTEE

During the Year, the Company has an 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 31 March 2019, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (Chairman of the Audit Committee) who resigned on 25 May 2019, Mr. Yung Ho who resigned on 8 July 2019 and Mr. Ma Jianwu who resigned on 8 July 2019. With effect from 8 July 2019, Mr. Zhao Gen has been appointed as the Chairman of the Audit Committee and Mr. Chan Kai Nang and Mr. Guan Guisen has been appointed as members of the Audit Committee.

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 recommend to the Board on the re-appointment of RSM Hong Kong as External Auditor;

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

4. to discuss with external internal control advisor of the Company (the "IC Advisor") on their independence and the nature and scope of the internal control review and recommend to the Board on the appointment of ZHONGHUI ANDA Risk Services Limited as internal control advisor;

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

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

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.

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 from the IC Advisor 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 paper accounting records are maintained. In addition, the Board considered that resources, qualification and experience of staff responsible for the Company's accounting, internal audit and financial reporting function, their training and budget are adequate.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidation statement of profit or loss and other comprehensive income, and related notes thereto for the Year have been agreed by the Group's External Auditor, RSM Hong Kong, to the amounts set out in the Group's draft audited consolidated financial statements for the Year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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

Hong Kong, 18 July 2019

As at the date of this announcement, the executive Directors are Mr. Wong Ben Koon (Chairman), Ms. Gloria Wong, Mr. Xie Qiangming (Chief Executive Officer), Mr. Nie Qiaoming and Mr. Ma Xin; and the independent non-executive Directors are Mr. Chan Kai Nang, Mr. Zhao Gen and Mr. Guan Guisen.