PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED

昌興國際控股(香港)有限公司*

(Incorporated in Bermuda with limited liability)

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Stock Code: 803)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the "Board" or "Directors") of the 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 2020 (the "Year") together with the comparative figures for the year ended 31 March 2019 (the "Previous Financial Year"), which have been reviewed by the Company's audit committee (the "Audit Committee").

Reference is made to the announcement of the Company dated 30 June 2020 (the "Preliminary Results Announcement") in relation to the unaudited annual results of the Group for the year ended 31 March 2020. As certain changes have been made to the unaudited financial information of the Group for the year as contained in the Preliminary Results Announcement, the differences between the unaudited financial information and the audited financial information contained in this announcement are set out in the section headed "Differences between the Unaudited and Audited Annual Results for the Year" in this announcement.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	4	**1,950,281**	2,330,968
Cost of goods sold		**(1,511,549)**	(2,285,881)
Gross profit		**438,732**	45,087
Other income	5	**20,859**	27,262
Impairment losses for prepayments		**(47,748)**	(350,403)
Reversal of impairment losses/(impairment losses) for trade and bills receivables		**25,600**	(20,364)
Impairment losses for loan and other receivables		**(36,992)**	(106,237)
Selling and distribution costs		**(38,025)**	(74,289)
Administrative expenses		**(167,115)**	(244,487)
Depreciation		**(18,054)**	(36,830)
Other operating expenses		**(124,975)**	(670,796)
Profit/(loss) from operations		**52,282**	(1,431,057)
Finance costs		**(526,811)**	(242,888)
Share of losses of associates		**(13,309)**	(825)
Share of loss of a joint venture		**(933)**	(115)
Loss on early extinguishment of bank and other borrowings		**(1,705)**	–
Loss on modification to lease term		**(1,728)**	–
Gains on modification of terms of convertible bonds and guaranteed notes		**–**	17,828
Net loss on disposals of financial assets at fair value through profit or loss		**(10,927)**	(5,008)
Fair value losses on financial assets at fair value through profit or loss		**(56,029)**	(216,448)
Fair value losses on derivative financial instruments		**(2,218)**	–
Fair value gains/(losses) on investment properties		**14,004**	(146,520)
Gain on disposal of an associate		**3,773**	–
Gain on disposals of subsidiaries, net		**49,788**	–
Gain on disposal of a joint venture		**3,014**	–
Loss before tax		**(490,799)**	(2,025,033)
Income tax (expenses)/credit	7	**(65,495)**	90,337
Loss for the year	8	**(556,294)**	(1,934,696)
Attributable to:			
Owners of the Company		**(481,992)**	(1,829,401)
Non-controlling interests		**(74,302)**	(105,295)
		(556,294)	(1,934,696)
Loss per share			
— basic (HK cents)	10(a)	**(36.17)**	(139.57)
— 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 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**126,639**	260,681
Investment properties		**1,960,264**	2,023,712
Right-of-use assets		**25,637**	–
Other intangible assets		**488,623**	558,678
Investments in associates		**101,737**	19,915
Investment in a joint venture		**–**	69,799
Financial assets at fair value through profit or loss		**86,000**	142,000
Deferred tax assets		**91,300**	98,045
		2,880,200	3,172,830
Current assets			
Inventories		**2,842,709**	3,125,451
Financial assets at fair value through profit or loss		**8**	10,904
Financial assets at fair value through other comprehensive income		**73,878**	199,594
Trade and bills receivables	*11*	**44,943**	164,973
Prepayments, deposits and other receivables		**287,638**	504,760
Current tax assets		**270**	49
Pledged deposits		**–**	48,374
Bank and cash balances		**222,759**	219,613
		3,472,205	4,273,718
Assets classified as held for sale		**18,967**	108,018
		3,491,172	4,381,736
TOTAL ASSETS		**6,371,372**	7,554,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital		**134,365**	127,431
Reserves		**(848,654)**	(240,349)
Equity attributable to owners of the Company		**(714,289)**	(112,918)
Non-controlling interests		**889,559**	1,009,856
Total equity		**175,270**	896,938
Non-current liabilities			
Bank borrowings		**50,206**	89,025
Lease liabilities		**20**	–
Other loans and payables		**–**	338,761
Other borrowings		**6,359**	30,063
Deferred tax liabilities		**422,841**	427,218
		479,426	885,067
Current liabilities			
Trade and bills payables	*12*	**689,931**	816,196
Other payables and deposits received		**2,553,820**	2,581,305
Current portion of bank borrowings		**876,034**	1,030,760
Other loans		**290,813**	–
Other borrowings		**276,775**	299,792
Convertible bonds		**30,000**	174,424
Guaranteed notes		**140,400**	145,954
Current portion of bonds		**332,400**	185,500
Current portion of lease liabilities		**705**	–
Current portion of finance lease payables		**–**	13
Current tax liabilities		**525,798**	538,617
		5,716,676	5,772,561
Total liabilities		**6,196,102**	6,657,628
TOTAL EQUITY AND LIABILITIES		**6,371,372**	7,554,566
Net current liabilities		**(2,225,504)**	(1,390,825)
Total assets less current liabilities		**654,696**	1,782,005

NOTES

For the year ended 31 March 2020

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 Units 1405–1407, Dominion Centre 43–59 Queen's Road East, Wan Chai, 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

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

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

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

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

In addition, on 8 June 2020, an individual payables of the Group had filed a lawsuit against a subsidiary of the Group via the People's Court of Wuzhong District, Suzhou Province. The claimed amount is approximately HK$85,937,000.

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

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

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

(e) During the year ended 31 March 2020 and up to the date of this announcement, the Group received demand letters from legal representatives of other lenders for repayment of principal of bonds and borrowings under the Default Sums, the claimed amounts are approximately HK$140,400,000 and HK$481,293,000 respectively and its related interests of bonds and borrowings of approximately HK$156,781,000 and HK$208,570,000 respectively.

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

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

In view of these circumstances, the directors of the Company have, during the year and up to the date of the approval of these consolidated financial statements, taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group and to restructure its financial obligations:

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

(b) raising of additional capital from the public market. During the year ended 31 March 2020, the Company raised additional capital of approximately HK$6,300,000 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 Guangzhou Fuchun Dongfang Real Estate Investment Company Limited ("Guangzhou Fuchun") for a cash consideration of approximately RMB547,000,000 (equivalent to approximately HK$610,000,000); of which the entire proceeds would be used for settlement of bank borrowings upon the completion of disposal;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HKFRS 16 Leases

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

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

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

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

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

(i) New definition of a lease

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

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

(ii) Lessee accounting and transitional impact

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

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

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

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

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

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

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

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

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

(iv) Leasehold investment property

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

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

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

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

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

4. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
— Recognised at point in time		
Mining and trading of iron ore and raw materials	**625,756**	1,538,279
Sales of properties	**805,258**	89,050
Trading of clinker, cement and other building materials	**443,999**	618,161
	1,875,013	2,245,490
Revenue from other sources:		
Rental income	**75,268**	85,478
	1,950,281	2,330,968

5. OTHER INCOME

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

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/reversal of impairment losses on prepayments, trade and bills receivables and loan and other receivables, losses/gains on modification of terms of convertible bonds and guaranteed notes and lease term, loss on early extinguishment of bank and other borrowings fair value losses/gains on investment properties and financial assets at fair value through profit or loss ("FVTPL"), gain on disposal of subsidiaries, an associate and a joint venture, 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 2020					
Revenue from external customers	**880,523**	**625,759**	**443,098**	**901**	**1,950,281**
Intersegment revenue	**300**	**–**	**–**	**–**	**300**
Segment profit/(loss)	**316,180**	**16,284**	**4,601**	**(52,822)**	**284,243**
Other information:					
Interest income	**932**	**1,007**	**10**	**2**	**1,951**
Interest expense	**144,518**	**82,686**	**1,055**	**298,552**	**526,811**
Depreciation	**6,604**	**10,153**	**96**	**1,201**	**18,054**
Income tax expense/(credit)	**71,579**	**(6,728)**	**644**	**–**	**65,495**
Other material non-cash item:					
(Reversal of allowance)/allowance for inventories	**(287)**	**(55,179)**	**–**	**24,402**	**(31,064)**

	Real estate investment and development *HK$'000*	Mining and trading of iron ore and raw materials *HK$'000*	Trading of clinker, cement and other building materials *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Year ended 31 March 2019					
Revenue from external customers	174,528	1,538,279	614,572	3,589	2,330,968
Intersegment revenue	600	–	–	–	600
Segment (loss)/profit	(97,539)	(146,668)	3,157	(45,095)	(286,145)
Other information:					
Interest income	621	5,072	27	4	5,724
Interest expense	64,850	89,532	1,913	86,593	242,888
Depreciation	4,082	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/(reversal of allowance) for inventories	18,217	(13,436)	–	5,645	10,426

Geographical information:

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

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

Revenue from major customer:

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

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

7. INCOME TAX EXPENSE/(CREDIT)

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Provision for the year	**1,420**	955
Over-provision in prior years	**(776)**	(507)
	644	448
Overseas Income tax		
Overprovision in prior years	**–**	(806)
PRC Corporate Income Tax ("CIT")		
Provision for the year	**44,778**	2,899
Underprovision in prior years	**2,583**	45,014
	47,361	47,913

	2020	2019
	HK$'000	*HK$'000*
PRC Land Appreciation Tax ("LAT")		
Provision for the year	**3,066**	24,529
Over-provision in prior years	**(4,287)**	–
	(1,221)	24,529
Deferred tax	**18,711**	(162,421)
	65,495	(90,337)

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25% and profits above that amount will be subject to the tax rate at 16.5%.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the companies operate, based on existing regulation, interpretation and practices in respect thereof.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to CIT at a rate of 25% (2019: 25%) during the year ended 31 March 2020.

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/(crediting) the following:

	2020	2019
	HK$'000	*HK$'000*
(Reversal of allowance)/allowance for inventories (included in cost of inventories sold)	**(31,064)**	10,426
Auditor's remuneration	**3,072**	3,866
Bad debts	**–**	2,804
Cost of inventories sold	**1,478,993**	2,187,302
Depreciation on property, plant and equipment	**14,299**	36,830
Depreciation on right-of-use assets	**3,755**	–
Exchange losses, net	**9,160**	41,454
Impairment loss on:		
Property, plant and equipment#	**82,330**	111,537
Other intangible assets#	**42,645**	559,259
(Gains)/losses on disposals of property, plant and equipment	**(535)**	532
Direct operating expenses of investment properties that generate rental income	**7,377**	9,709
Operating lease charges in respect of land and buildings	**–**	7,577

Included in other operating expenses.

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 2021 due to the Group experience in financial difficulties. The Group was unable to afford the high mining operating cost as a result. After considering this impairment indicator, the Group carried out an impairment review of the iron ore mining and trading operations of Billion Win Capital Limited ("Billion Win") which is considered as a CGU of the iron ore mining operation in Malaysia, including other intangible assets and property, plant and equipment, by comparing the carrying amount with its recoverable amount by reference to the valuation report prepared by Roma Appraisals Limited ("Roma"), an independent professional valuer. As the result, impairment losses of approximately HK$25,617,000 (2019: HK$459,642,000) and HK$5,537,000 (2019: HK$109,735,000) for other intangible assets and property, plant and equipment, respectively, were recognised in profit or loss during the year ended 31 March 2020.

The recoverable amount of the CGU of approximately HK$652,080,000 (2019: HK$642,494,000) has been determined from fair value less costs of disposal using the income-based approach (level 3 fair value measurements), being estimated future cash flows of the mining operation of Billion Win, which were prepared with reference to the report prepared by Blackstone Mining Associates Limited as disclosed in the circular of the Company dated 30 August 2014 and updated with the latest mining plan of the mine in Malaysia which has a mine life of approximately 19 years, discounted to their present value using a pre-tax discount rate of 20.40% (2019: 20.86%).

During the year ended 31 March 2019, the iron ore price continued to be unstable and the iron ore mining and trading operations of United Goalink Limited ("UGL"), which is considered as a CGU of the iron ore operation in Brazil, remained suspended. Taking into account the increasingly challenging business environment and the uncertainties of the prospect of the mining business in Brazil, the Group decided to dispose of the iron ore mining and trading operations of UGL. On 3 April 2019, an equity transfer agreement was entered into to dispose of the iron ore operation in Brazil at a consideration of approximately US$4,500,000 (equivalent to approximately HK$35,100,000). Due to certain conditions precedent in the agreement are not fulfilled, the iron ore operation in Brazil is not classified as held for sale at the end of the reporting period. The carrying amount of other intangible asset of the CGU was thus compared to the recoverable amount by reference to the consideration and as a result, impairment loss of approximately HK$17,028,000 (2019: HK$53,419,000) for other intangible assets was recognised in profit or loss during the year ended 31 March 2020.

The key assumptions for the impairment test of Billion Win include the iron ore prices, operating costs, as well as the inflation rate over the expected life of the mines. Selling prices for iron ore and forecast inflation rates were based on external sources and adjustments were made for the expected quality of the forecast production.

Management has estimated the long-term forecast selling prices for iron ore with reference to the market consensus on forecast price of 62% grade iron ore from 2020 to 2024 from Bloomberg, and inflation rate of 3.0%, which was sourced from International Monetary Fund ("IMF") was applied to selling price thereafter to the end of the expected life of the mines.

As for the operating costs, the management of the Company has made its estimation based on the latest operation condition of iron ore mines, and applying the long term inflation rate of Malaysia, which was sourced from IMF, from 2021 to the end of the expected life of the mines.

Impairment review of granite mining operation

During the year ended 31 March 2019, the mining permit for granite mining operation expired and the Group applied for renewal. Due to changes of national regulations regarding the granite mining operations, more stringent policies and requirements were implemented by the PRC government, the renewal of mining permit requires considerable cost. After considering the financial resources of the Group and the feasibility of successful renewal, the Group decided to terminate the renewal of mining permit. As a result, the Group carried out an impairment review of grante mining operation, which is considered as a CGU, including other intangible assets and property, plant and equipment, by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma and impairment losses of approximately HK$46,198,000 and HK$1,802,000 for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss during the year ended 31 March 2019.

At 31 March 2019, the recoverable amount of the granite mining operation of approximately HK$18,644,000 had been determined from fair value less costs of disposal using the income-based approach (level 3 fair value measurements), being estimated future cash flows of the granite mining operation, which were prepared with reference to the mining plan covering the expected life of the operation up to 2035, discounted to their present value using a pre-tax discount rate of 17.51%.

The key assumptions for the impairment test include the production plan of granite products as well as the inflation rates over the expected life of the mine. Management has estimated the long term forecast production plan for granite products with reference to the management expectation on the market performance, and inflation rate of 3% was applied from 2024 to the end of the expected life of the mine. The inflation rate, which was sourced from IMF, represented long term inflation rate of the PRC where the ultimate customers located.

(b) Impairment losses for prepayments

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

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

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

The recovery of the prepayments for purchase of pig iron depends on the repayment ability of Blackrock and the result of future actions taken, including but not limited to legal proceedings. Management considered that the recoverable amount was negligible and full provision of approximately HK$312,000,000 against the prepayments was recognised in profit or loss during the Previous Financial Year.

Subsequent to the reporting period, on 7 May 2020, the Group instructed its solicitor to issue letter to terminate the Off-take Agreement and demand full refund of the prepayments. On 11 May 2020, Blackrock was served a writ of summons issued in the Court of First Instance of the High Court of Hong Kong, with Prosperity Materials MCO as the plaintiff and Blackrock as the defendant for the recovery of whole prepayment made to Blackrock. The claimed amount included (1) the prepayment of approximately US$40,000,000; (2) interest at rate and period as the court thinks fit; and (3) ancillary reliefs and costs. As at the date of this results announcement, the legal proceedings in respect of the claims against Blackrock is still ongoing. Management considered that the recoverable amount was negligible and no reversal of provision was made during the Year.

9. DIVIDENDS

The Board does not recommend the payment of final dividend for the Year (2019: 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$481,992,000 (2019: HK$1,829,401,000); and (ii) the weighted average number of ordinary shares of 1,332,471,206 (2019: 1,310,759,532) as adjusted to reflect the rights issue on 30 May 2019.

(b) Diluted loss per share

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

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

11. TRADE AND BILLS RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade and bills receivables	**71,708**	222,343
Less: Allowance for doubtful debts	**(26,765)**	(57,370)
	44,943	164,973

In relation to the trading of clinker, cement and other building materials and iron ore and raw materials, the Group receives from each customer an irrevocable documentary credit issued at sight by a bank undertaking payment to the Group upon the presentation of relevant documents as required by the issuing bank. The Group's credit terms generally range from 0 to 90 (2019: 0 to 90) days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**44,943**	161,682
91 to 180 days	**–**	1,280
181 to 365 days	**–**	2,011
	44,943	164,973

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:

	2020	2019
	HK$'000	*HK$'000*
Not yet due	**268,170**	348,238
Due within 3 months or on demand	**159,071**	190,619
Due after 3 months	**262,690**	277,339
	689,931	816,196

13. EVENTS AFTER THE REPORTING PERIOD

(a) Since the outbreak of novel coronavirus, the prevention and control of the novel coronavirus has been going on throughout the globe. The novel coronavirus has brought additional uncertainties for the Group. The Group expects that the novel coronavirus may pose an impact that might not be reasonably estimated at this stage. The Board will continue to assess the impact of the novel coronavirus on the Group's operations and financial performance and closely monitor the Group's exposures to the risks and uncertainties in connection with the novel coronavirus. The Group will take appropriate measures as necessary. Up to the date of this results announcement, the assessment is still in progress.

(b) Pursuant to an order made by the Bermuda Court dated 11 June 2020 (the "Replacement Order"), (i) Mr. Mat Clingerman of KRyS Global in Bermuda ("Mr. Clingerman") has been appointed to replace Mr. Roy Bailey of Ernst & Young Bermuda ("Mr. Bailey") as one of the JPLs of the Company; (ii) Ms. Kong Sze Man Simone and Mr. Ho Man Kit both of Manifest Asia Limited (appointed on 29 November 2019), and Mr. Clingerman shall from the date of the Replacement Order be the three JPLs of the Company; and (iii) Mr. Bailey was released from his role and all liabilities in relation to, and in his duties as, one of the JPLs under the appointment order. For further details, please refer to the Company's announcement dated 15 June 2020.

(c) For the litigation events after the reporting period, please refer to the section headed "LEGAL PROCEEDINGS".

Except as disclosed in this results announcement, there were no important events affecting the Group, which occurred after the end of the reporting period and up to the date of this results announcement.

DIFFERENCES BETWEEN THE UNAUDITED AND AUDITED ANNUAL RESULTS FOR THE YEAR

As the financial information included in the Preliminary Results Announcement has not been audited and not been agreed by the Company's external auditor, RSM Hong Kong, Certified Public Accountants ("RSM Hong Kong") as of the date of issuance but subsequent adjustments were made to such financial information, the shareholders and potential investors of the Company should be reminded that there are certain differences between the unaudited annual results and the audited annual results of the Group. Major details and reasons for the differences between these financial information are set out below, as required under Rule 13.49(3)(ii)(b) of the Listing Rules.

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2020

	Note	**Audited** *HK$'000*	Unaudited *HK$'000*	Difference *HK$'000*
Revenue		**1,950,281**	1,950,354	(73)
Cost of goods sold	*a, f*	**(1,511,549)**	(1,410,208)	(101,341)
Gross profit		**438,732**	540,146	(101,414)
Other income		**20,859**	22,351	(1,492)
Impairment losses for prepayments	*b*	**(47,746)**	(1,017)	(46,731)
Reversal of impairment losses/(impairment losses) for trade and bills receivables		**25,600**	25,600	–
Impairment losses for loan and other receivables	*b*	**(36,992)**	–	(36,992)
Selling and distribution costs		**(38,025)**	(39,904)	1,879
Administrative expenses		**(167,115)**	(170,116)	3,001
Depreciation		**(18,054)**	(18,377)	323
Other operating expenses	*c*	**(124,975)**	(76,791)	(48,184)
Profit/(loss) from operations		**52,282**	281,892	(229,610)
Finance costs	*a, c, d*	**(526,811)**	(584,308)	57,497
Share of gains/(losses) of associates		**(13,309)**	1,493	(14,802)
Share of loss of a joint venture		**(933)**	(6,545)	5,612
Loss on early extinguishment of bank and other borrowings		**(1,705)**	–	(1,705)
Loss on modification to lease term		**(1,728)**	–	(1,728)
Net loss on disposals of financial assets at fair value through profit or loss		**(10,927)**	(10,898)	(29)
Fair value losses on financial assets at fair value through profit or loss	*c*	**(56,029)**	(35,529)	(20,500)
Fair value losses on derivative financial instruments		**(2,218)**	(2,218)	–
Fair value gains/(losses) on investment properties		**14,004**	14,004	–
Gain on disposal of an associate		**3,773**	3,773	–
Gain/(losses) on disposals of subsidiaries, net	*c*	**49,788**	(12,224)	62,012
Gain on disposal of a joint venture		**3,014**	3,568	(554)

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2020 (Continued)

	Note	**Audited** *HK$'000*	Unaudited *HK$'000*	Difference *HK$'000*
Loss before tax		**(490,799)**	(346,992)	(143,807)
Income tax (expenses)/credit		**(65,495)**	(71,233)	5,738
Loss for the year		**(556,294)**	(418,225)	(138,069)
Attributable to:				
Owners of the Company		**(481,992)**	(370,380)	(111,612)
Non-controlling interests		**(74,302)**	(47,845)	(26,457)
		(556,294)	(418,225)	(138,069)
Loss for the year		**(556,294)**	(418,225)	(138,069)
Other comprehensive income:				
Item that will not be reclassified to profit or loss:				
Fair value changes of equity instruments at fair value through other comprehensive income		**(112,402)**	(118,122)	5,720
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	*e*	**(58,612)**	(345,900)	287,288
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**745**	(459)	1,204
Share of other comprehensive income of associates	*c*	**(3,930)**	–	(3,930)
		(61,797)	(346,359)	284,562
Other comprehensive income for the year, net of tax		**(174,199)**	(464,481)	290,282
Total comprehensive income for the year		**(730,493)**	(882,706)	152,213
Attributable to:				
Owners of the Company		**(607,707)**	(789,322)	181,615
Non-controlling interests		**(122,786)**	(93,384)	(29,402)
		(730,493)	(882,706)	152,213

Consolidated Statements of Financial Position as at 31 March 2020

	Note	**Audited** *HK$'000*	Unaudited *HK$'000*	Difference *HK$'000*
Non-current assets	*c*			
Property, plant and equipment		**126,639**	131,275	(4,636)
Investment properties		**1,960,264**	1,960,264	–
Right-of-use assets		**25,637**	25,617	20
Other intangible assets	*c*	**488,623**	531,327	(42,704)
Investments in associates		**101,737**	44,037	57,700
Investment in a joint venture		**–**	–	–
Financial assets at fair value through profit or loss	*c*	**86,000**	106,500	(20,500)
Deferred tax assets		**91,300**	91,300	–
		2,880,200	2,890,320	(10,120)
Current assets				
Inventories	*f*	**2,842,709**	2,862,578	(19,869)
Financial assets at fair value through profit or loss		**8**	8	–
Financial assets at fair value through other comprehensive income		**73,878**	73,878	–
Trade and bills receivables		**44,943**	44,943	–
Prepayments, deposits and other receivables	*b*	**287,638**	378,384	(90,746)
Current tax assets		**270**	20	250
Pledged deposits		**–**	–	–
Bank and cash balances		**222,759**	222,778	(19)
		3,472,205	3,582,589	(110,384)
Assets classified as held for sale		**18,967**	18,967	–
		3,491,172	3,601,556	(110,384)
TOTAL ASSETS		**6,371,372**	6,491,876	(120,504)
Capital and reserves				
Share capital		**134,365**	134,365	–
Reserves		**(848,654)**	(707,563)	(141,091)
Equity attributable to owners of the Company		**(714,289)**	(573,198)	(141,091)
Non-controlling interests		**889,559**	916,472	(26,913)
Total equity		**175,270**	343,274	(168,004)

Consolidated Statements of Financial Position as at 31 March 2020 (Continued)

	Note	**Audited** *HK$'000*	Unaudited *HK$'000*	Difference *HK$'000*
Non-current liabilities				
Bank borrowings	*g*	**50,206**	32,330	**17,876**
Lease liabilities		**20**	20	**–**
Other loans and payables	*g*	**–**	37,041	**(37,041)**
Other borrowings	*g*	**6,359**	17,876	**(11,517)**
Deferred tax liabilities		**422,841**	428,989	**(6,148)**
		479,426	516,256	**(36,830)**
Current liabilities				
Trade and bills payables		**689,931**	692,745	**(2,814)**
Other payables and deposits received	*d, g*	**2,553,820**	2,788,778	**(234,958)**
Current portion of bank borrowings		**876,034**	876,034	**–**
Other loans	*g*	**290,813**	–	**290,813**
Other borrowings	*g*	**276,775**	245,393	**31,382**
Convertible bonds	*g*	**30,000**	170,400	**(140,400)**
Guaranteed notes		**140,400**	140,400	**–**
Current portion of bonds	*g*	**332,400**	192,000	**140,400**
Current portion of lease liabilities		**705**	656	**49**
Current tax liabilities		**525,798**	525,940	**(142)**
		5,716,676	5,632,346	**84,330**
Total liabilities		**6,196,102**	6,148,602	**47,500**
TOTAL EQUITY AND LIABILITIES		**6,371,372**	6,491,876	**(120,504)**
Net current liabilities		**(2,225,504)**	(2,030,790)	**(194,714)**
Total assets less current liabilities		**654,696**	859,530	**(204,834)**

Notes:

(a) Represented the finance cost capitalised into property under development for sale.

(b) Mainly represented the recognition of expected credit loss on deposit and other receivables and impairment losses for prepayment of inventories for trading purpose upon completion of the assessment.

(c) Mainly represented the fair value adjustments as per the finalised valuation result in regards to property, plant and equipments, other intangible assets, financial assets at fair value through profit or loss and investments in associates.

(d) Represented the adjustment of understatement of finance costs.

(e) Mainly represented the adoption of incorrect exchange rate for translation of operation located in PRC.

(f) Represented the adjustment of impairment losses for property under development for sale.

(g) Represented the reallocation of accounts.

(h) Other differences represented insignificant reallocation and adjustments.

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 of 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

(1) Multiple Uncertainties Related to Going Concern

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

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

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

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

In addition, on 8 June 2020, an individual payable of the Group had filed a lawsuit against a subsidiary of the Group via the People's Court of Wuzhong District, Suzhou Province. The claimed amount is approximately HK$85,937,000.

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

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

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

(e) During the year ended 31 March 2020 and up to the date of this announcement, the Group received demand letters from legal representatives of other lenders for repayment of principal of bonds and borrowings under the Default Sums, the claimed amounts are approximately HK$140,400,000 and HK$481,293,000 respectively and its related interests of bonds and borrowings of approximately HK$156,781,000 and HK$208,570,000 respectively.

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

These events and conditions, together with other matters 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. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including:

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

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

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

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

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

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

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

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

(2) Impairment of properties under development for sale

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

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

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

RESULTS OVERVIEW

Results and Financial Overview

For the Year, the Group recorded a net loss of approximately HK$556 million, compared with the net loss of approximately HK$1,935 million for the Previous Financial Year.

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

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

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

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

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

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

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

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

BUSINESS REVIEW

Real Estate Investment and Development

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

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

As part of its ongoing efforts to repay short-term debts and improve liquidity, the Group signed an agreement on 3 September 2019 to sell its 55% equity interests in its indirect non-wholly owned subsidiary, 富春東方地產投資有限公司 (Fuchun Dongfang Real Estate Investment Company Limited*, "Fuchun Dongfang"), which hold a commercial and residential property called 東方文德廣場 ("Oriental Landmark") in Guangzhou City, Guangdong province, the PRC, for approximately RMB547 million to its non-controlling shareholder. Up to the date of this announcement, the disposal of Oriental Landmark is yet to complete. This disposal followed the Group's disposal of certain units in an investment property, 銀海大廈 ("Silver Bay Plaza"), in Guangzhou City, the PRC, for a consideration of approximately RMB92.7 million in November 2018. The disposal was completed in April 2019. The Group also sold entire or partial equity stakes in some property projects in Jiangsu, Guangdong, Henan and Yunnan Provinces, the PRC.

* *For identification purpose only*

China's Property Market

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

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

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

To raise fund for repayment of overdue debts, the Group continued sales efforts at its property projects and disposed of two investment properties and equity stakes in some property projects:

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

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

   One City is developed in two phases. As of 31 March 2020, most of the 11 blocks of apartment buildings, townhouses and the shopping spaces in the first phase of the project had been sold. All presold units of apartment buildings, townhouses and shopping spaces in phase one were delivered to the buyers.

   The second phase of One City will comprise residential properties of 11 blocks of apartment buildings and 32 townhouses as well as a shopping street. All the residential units in the apartment buildings, townhouses and retail spaces in the shopping street in the second phase had been presold. Specifically, the first eight blocks of apartment buildings and the townhouses were delivered to buyers during the Year. Of the residential units in the remaining three blocks of apartment buildings, 81% were already presold. Of the retail spaces in the shopping street, 20% were presold.

2. *Suzhou City, Jiangsu Province*

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

As of 31 March 2020, several villas in the first phase of the project had been sold and delivered to the buyers. The second phase of the project is completed. The deluxe hotel is currently under construction and the interior decoration is in progress.

3. *West Jakarta, Indonesia*

The Company, through an indirect wholly-owned subsidiary, holds an effective equity stake of 75% in an Indonesian incorporated company called PT. Tritama Barata Makmur, which owns a piece of land in the heart of the CBD of West Jakarta, Indonesia. The Group is building a condominium for residential and commercial uses on the site. Approximately 20% of the 208 residential units at the project were presold as at 31 March 2020.

Disposal of two investment properties in Guangzhou

Guangzhou City, Guangdong Province, the PRC

The Company had been holding a 55% equity interest in Oriental Landmark in Guangzhou City, Guangdong Province through Fuchun Dongfang, but signed an agreement on 3 September 2019 to sell such equity interest in Fuchun Dongfang for approximately RMB547 million to its non-controlling shareholder. The move was in line with the Group's strategy of increasing its liquidity to repay due and maturing debts. The transaction has yet to be completed. For details, please refer to the announcement of the Company dated 3 September 2019 and the circular of the Company dated 25 October 2019.

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

* *For identification purpose only*

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

1. *Suqian City, Jiangsu Province*

   On 10 May 2019, the Group through its indirect wholly-owned subsidiary 浙江昌興投資有限公司 (Zhejiang Changxing Investment Co., Ltd.*, "Zhejiang Changxing") sold a 21.72% equity stake in 宿遷勝達房地產開發有限公司 (Suqian Shengda Real Estate Development Co., Ltd.*, "Suqian Shengda") to a creditor 浙江坤元經貿有限公司 (Zhejiang Kunyuan Economics Trading Co., Ltd.*, "Zhejiang Kunyuan"), thus decreasing its own equity stake in Suqian Shengda from 70% to 48.28%.

   Suqian Shengda owns a residential project called 江山一品 ("Imperial Land"), in which it has a land of an aggregate site area of approximately 45,214 sq.m. in Suqian City, Jiangsu Province, the PRC, with certain residential units, shopping spaces and car parking spaces within the land.

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

   The Group commenced the development of the second phase of the project in the Previous Financial Year. Two blocks of residential buildings were put up for presale in the fourth quarter of 2018 and another two blocks were put up for presale during the Year. Approximately 90% of the residential units in the four blocks of residential buildings were presold.

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

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

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

   During the Year, the Group commenced the presale of two such residential buildings, and 62% of the flats in that two residential buildings were presold.

* *For identification purpose only*

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

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

4. *Dali City, Yunnan Province*

On 24 April 2019, the Group sold its 20% equity stake in 大理港興置業有限公司 (Dali Gangxing Property Company Ltd.*, "Dali Gangxing") for a consideration of RMB24 million (equivalent to approximately HK$27.9 million). Dali Gangxing engages in property development and owns a residential site of 31,208.34 sq.m. in Heqing County, Dali City, Yunnan Province, the PRC. For details, please refer to the announcement of the Company dated 24 June 2019.

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

5. *Dongguan City, Guangdong Province*

On 13 March 2018, the Company sold its equity interests in a redevelopment project in Dongguan City, Guangdong Province to 東莞市萬科房地產有限公司 (Dongguan Vanke Real Estate Company Limited*, "Dongguan Vanke") and Hybest (BVI) Company Limited through disposals of its entire equity interests of the subsidiaries, Honwill Limited ("Honwill") and 東莞市敬培實業有限公司 (Donggguan Honwill Limited*, "Dongguan Honwill") for a consideration of approximately RMB830 million (equivalent to approximately HK$946 million). Up to the date of this results announcement, the transaction has not been completed but the Group has already received the installments of approximately RMB415 million (equivalent to approximately HK$497 million). Out of the consideration of RMB830 million (equivalent to approximately HK$946 million), in which RMB581 million (equivalent to approximately HK$662 million) is attributable to the Group in proportion to its equity stake upon the completion of the transaction. For details, please refer to the announcement of the Company dated 13 March 2018 and the circular of the Company dated 24 May 2018.

* *For identification purpose only*

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

6. *Hangzhou City, Zhejiang Province*

On 23 March 2020, the Company, through its indirect wholly-owned subsidiary entered into a sale and purchase agreement to dispose certain properties in Hangzhou City, at a consideration in the aggregate sum of approximately RMB17 million (equivalent to approximately HK$18.9 million). The transaction was completed on 10 April 2020. The disposal represented a good opportunity for the Group to realise the properties' value at a reasonable price, particularly in view of the adverse impact of COVID-19 on the property market sentiment. The net proceeds was utilised for the repayment of an outstanding loan, thereby reducing the Group's liabilities and interest expenses. For details, please refer to the announcement of the Company dated 23 March 2020.

Mining and Trading of Iron Ore and Raw Materials

The Group used to source iron ore mainly from third parties and used to produce the commodity at its wholly-owned mine in Sri Jaya, State of Pahang, Malaysia (the "Malaysia Mine"), which has a total mining area of approximately 420 acres and total probable reserve of 94.5 megatonnes ("Mt") and mainly at an ore processing plant (the "Sri Jaya Plant"), which is adjacent to the Malaysia Mine. The Group had suspended the iron ore mining and processing operation since 2015 because of the drastic decline and the wild fluctuations and the growing operation cost in the iron ore price. The suspension of the operation continued as the Group was unable to raise the funds necessary to revive the mining operation. This, coupled with the recent financial distress of the Group and the large operating cash requirements for resuming the iron ore mining and processing business, compelled the Group to continue the suspension of such operations. Meanwhile, the operational mining scheme of the ore mine expired during the financial year ended 31 March 2019 without being renewed as the Directors considered the ore mine in concern was no longer feasible due to unresolved disputes with a mine owner. The Group reassessed the recoverable amounts of the iron ore mining operations in Malaysia in accordance with the applicable accounting standard, and the impairment loss on the said operation in Malaysia during the Year amounts to approximately HK$25,617,000.

In April 2019, the Group disposed of its entire equity stake in its 85%-held mine in Ceará, Brazil ("Brazil Mine") for approximately US$4.5 million (equivalent to approximately HK$35.1 million) because of the persistently low and unstable price of iron ore, the increasingly challenging business environment and the uncertainties of the prospect of the mining business in Brazil. For details, please refer to the announcement of the Company dated 3 April 2019. Up to the date of this announcement, the disposal of the Brazil Mine is yet to complete.

* *For identification purpose only*

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

The revenue of the Group's mining and iron ore and raw materials trading business decreased by 59.3% to HK$625.8 million during the Year.

Clinker and Cement Trading Business and Operation

The Group is a leading trading organisation in Asia specializing in clinker, cement, granulated blast furnace slag. The Group sourced its materials predominantly from the Far East and Southeast Asia and supplied such materials to its customers mainly in Asia Pacific during the Year.

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

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

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

During the Year under review, in view of the consistently increasing operating costs as a result of the local inflation in Indonesia, the depreciation of the local currency and the decrease in expected growth of the operation, which reflected the latest market expectations, the Group reassessed the value of its investment in Indonesia Conch. As a result, an unrealised fair value loss of approximately HK$56 million on the said investment was recognised according to the applicable accounting standard.

Issue of CCB Convertible Bonds and Guaranteed Notes

On 16 March 2016, the Company announced that it had entered into a subscription agreement (the "Subscription Agreement") with Cheer Hope Holdings Limited ("Cheer Hope") which was a subscriber, and Mr. Wong Ben Koon ("Mr. Wong") who was the guarantor, pursuant to which the Company conditionally agreed to issue the US$20 million (equivalent to approximately HK$156 million), 5% per annum convertible bonds (the "CCB Convertible Bonds") and US$20 million (equivalent to approximately HK$156 million), 5% per annum guaranteed notes (the "Guaranteed Notes"). 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 (the "Convertible Bonds") with an aggregate principal amount of HK$30 million at the conversion price of HK$0.06 (the "Conversion Price") per share of the Company (the "Conversion Share") on a best effort basis from 24 October 2018 to 8 November 2018. The Convertible Bonds were successfully placed to not less than six independent third parties on 8 November 2018.

Based on the initial Conversion Price of HK$0.06 per Conversion Share and assuming conversion of the Convertible Bonds in full, the Convertible Bonds will be convertible into 500,000,000 new Conversion Share, 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.

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

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

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 results announcement.

Results of Operations

For the Year, revenue decreased to approximately HK$1,950 million from approximately HK$2,331 million for the Previous Financial Year. The Group's gross profit increased by 8.7 times to approximately HK$438.7 million for the Year from approximately HK$45.1 million for the Previous Financial Year. The decrease in revenue was mainly due to the decrease in sales volume in mining and trading of iron ore and raw material segment during the Year. Increase in gross profit was mainly due to the increase in the sales in real estate investment and development segment from approximately HK$175 million for the Previous Financial Year to approximately HK$881 million for the Year that contributed to the increase in gross profit.

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

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

Further details of the methodology, key assumptions and parameters adopted in the valuation of the CGUs of the respective mining operations for the Year and the Previous Financial Year have been disclosed in note 8(a) in this results announcement.

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

The Group also recorded net impairment losses of approximately HK$59 million mainly for its expected credit loss on its prepayments, trade and bills receivables and loan and other receivables while comparing to that of the Previous Financial Year of HK$477 million. Details of the impairment losses for Previous Financial Year were also disclosed in note 8(b) in this results announcement.

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

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

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

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

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

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

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

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

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

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

Material Acquisition, Disposal and Other Transactions

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

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

(ii) Disposal of equity interest in Suqian Shengda

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

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

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

(iv) Disposal of equity interests in Fuchun Dongfang

On 3 September 2019, 廣州義德房地產開發有限公司 ("Guangzhou Bliss Hero Real Estate Development Limited*, "Guangzhou Bliss Hero"), an indirect wholly-owned subsidiary of the Company, Fuchun Investment and Fuchun Dongfang entered into an equity transfer agreement, pursuant to which Guangzhou Bliss Hero conditionally agreed to sell, and Fuchun Investment conditionally agreed to acquire, the 55% equity interests in Fuchun Dongfang at the consideration of approximately RMB547 million (equivalent to approximately HK$610 million). Further, on 21 January 2020, Guangzhou Bliss Hero, Fuchun Investment and Fuchun Dongfang entered into a supplemental agreement to postpone the payment of the second payment, the third payment and the fourth payment of the consideration. For details, please refer to the announcement of the Company dated 3 September 2019 and the circular dated 25 October 2019;

* *For identification purpose only*

(v) Disposal of equity interests in WM Aalbrightt Hong Kong

A sale and purchase agreement dated 30 September 2019 entered into between Sharp Advance and WM Aalbrightt, pursuant to which Sharp Advance agreed to sell and WM Aalbrightt agreed to purchase 60% of the issued shares of WM Aalbrightt Hong Kong at nil consideration and by releasing and discharging the inter-company loans within the Group and a loan owed by Sharp Advance to WM Aalbrightt as at 4 November 2019;

(vi) Disposal of equity interests in Dali Gangxing

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

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

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

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

(viii) An acquisition loan commercial properties mortgage agreement

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

* *For identification purpose only*

(ix) An acquisition loan car parks mortgage agreement

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

(x) Disposal of properties in Hangzhou City

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

(xi) Disposal of entire interests of GSI

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

* *For identification purpose only*

The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the Group's outstanding debts less bank and cash balances, while the total capital is calculated as total equity plus net debt. The gearing ratio of the Group increased from 69% as at 31 March 2019 to 91% as at 31 March 2020.

During the Year, as set out in the section headed "Going Concern Basis" in note 2 of this results 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 results 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. During the year ended 31 March 2020, 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 Fuchun Dongfang for a cash consideration of approximately RMB547 million (equivalent to approximately HK$610 million); of which the whole proceeds would be used for settlement of bank borrowings upon the completion of disposal;

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

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

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

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

CAPITAL STRUCTURE

Rights Issue

On 2 April 2019, the Company announced that it proposed to conduct a rights issue ("Rights Issue") to raise up to approximately HK$66.3 million by issuing up to 509,723,000 rights shares 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 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.

FOREIGN EXCHANGE EXPOSURE

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

CHARGE ON GROUP ASSETS

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

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

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

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries of the Group;

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

(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;

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

(i) changed over the bank deposit under the name of a Company's former director, namely, Ms. Gloria Wong.

COMMITMENTS

As at 31 March 2020, the Group had the following commitments:

Operating lease commitments — as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 9 years (2019: 1 to 10 years), with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

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

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

HUMAN RESOURCES AND REMUNERATION POLICY

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

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

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

OUTLOOK

Raising capital to repay the enormous amount of outstanding debts will remain the Group's first priority. The Group has already disposed of its equity stakes in certain businesses, properties or property development projects to relief the financial pressure and will continue with its sales efforts at some of such ongoing projects.

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

As to its iron ore mining and processing business in Malaysia, the Group will consider resuming the business when the iron ore price stabilises at a high enough level for it to be profitable and when the Group has restored its financial health.

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

The Group will continue to work hard to revive itself.

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 26 September 2019 (the "AGM") due to other important business engagements. Ms. Gloria Wong was an executive director of the Company on the date of AGM, attended the AGM and was appointed as the chairperson of the meeting and was delegated to make herself available to answer questions if raised at the meetings. The absence of the chairman of the Company in the AGM constituted a deviation from the CG Code. The Company believes such practice meets the same objective and no less exacting than those prescribed under the CG Code. On 12 November 2019, Mr. Wong attended the special general meeting, where the Company abided by the CG Code.

CONTINGENT LIABILITIES

Financial guarantees issued

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

	2020	2019
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities utilised by purchasers	**268,878**	277,719

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

As at 31 March 2020, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

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

	2020	2019
	HK$'000	*HK$'000*
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	**879,388**	907,717

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

As at 31 March 2020, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

(c) The Group provided security to a bank for acquisition loan facilities granted to Fuchun Investment in relation to the disposal of Fuchun Dongfang as follows:

	2020	2019
	HK$'000	*HK$'000*
Security given to a bank for acquisition loan facilities utilised by Fuchun Investment	**535,534**	–

Pursuant to the terms of the guarantees, if there are any defaults on the loans, the Group shall have the responsibility to repay the outstanding loan principals together with accrued interests and penalties owed by Fuchun Investment to the bank.

As at 31 March 2020, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 SALES OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

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

	Number of Shares and underlying Shares held, capacity and nature of interest					
Name of Director	**Directly beneficially owned**	**Through controlled corporation**	**Interest of Director's spouse**	**Number of underlying Shares held under equity derivatives**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wong	139,982,491	167,518,515 *(Note)*	2,264,000	–	309,765,006	23.05%
Mr. Xie Qiangming	208,597,022	–	–	–	208,597,022	15.52%

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

Save as disclosed above, as at 31 March 2020, so far as is known to any Directors of the Company, none of the Directors of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

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

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

Name or category of participant	Number of share options outstanding as at 1 April 2019	Adjustment results from Rights Issue during the Year	Reclassification during the period	Number of share options outstanding as at 31 March 2020	Date of grant of share options	Exercisable period	Exercise price of share options *HK$*	Closing price of the shares immediately before date of grant of share options *HK$*
Director								
Dr. Mao Shuzhong *(Note)*	3,000,000	542,700	(3,542,700)	–	6 April 2011	6 April 2012 to 5 April 2021	3.472 (2019: 4.1)	0.41
Mr. Liu Yongshun *(Note)*	1,500,000	271,350	(1,771,350)	–	6 April 2011	6 April 2012 to 5 April 2021	3.472 (2019: 4.1)	0.41
Ms. Gloria Wong *(Note)*	1,000,000	180,900	–	1,180,900	6 April 2011	6 April 2012 to 5 April 2021	3.472 (2019: 4.1)	0.41
Mr. Kong Siu Keung *(Note)*	1,000,000	180,900	(1,180,900)	–	6 April 2011	6 April 2012 to 5 April 2021	3.472 (2019: 4.1)	0.41
Other								
Other employees	2,280,000	412,452	1,180,900	3,873,352	6 April 2011	6 April 2012 to 5 April 2021	3.472 (2019: 4.1)	0.41
Third parties	–	–	5,314,050	5,314,050	6 April 2011	6 April 2012 to 5 April 2021	3.472 (2019: 4.1)	0.41
	8,780,000	1,588,302	–	10,368,302				

Note: Dr. Mao Shuzhong, Mr. Liu Yongshun and Mr. Kong Siu Keung resigned as a director of the Company on 8 July 2019. Mr. Kong Siu Keung resigned as a company secretary on 31 July 2020 and Ms. Gloria Wong resigned as a director on 5 August 2020.

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

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

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

Long positions:

Name	Capacity and nature of interest	Number of Shares	Total	Percentage of the Company's issued share capital
Ms. Shing Shing Wai	Interest of spouse *(Note 1)*	307,501,006		
	Beneficial owner	2,264,000		
		309,765,006	309,765,006	23.05%
Mr. Wang Yuhua	Beneficial owner	171,122,378	171,122,378	12.74%
Capital Growth *(Note 2)*	Interest in controlled corporation *(Note 3)*	167,518,515	167,518,515	12.47%
Elite Force *(Note 2)*	Beneficial owner *(Note 3)*	166,798,231	166,798,231	12.41%

Notes:

1. Ms. Shing Shing Wai is the spouse of Mr. Wong and the interests of each of Mr. Wong and Ms. Shing Shing Wai are deemed to be the interests of each other.

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

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

Save as disclosed above, as at 31 March 2020, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) of interests or short positions in the Shares or underlying Shares of the Company held by them which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

AUDIT COMMITTEE

During the Year, the Company has an audit committee (the "Audit Committee") with terms of reference aligned with the code provisions as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. During the Year, 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 and Mr. Chan Kai Nang who retired on 19 August 2019. With effect from 8 July 2019, Mr. Zhao Gen has been appointed as the chairman of the Audit Committee and with effect from 28 October 2019 and 8 July 2019, Mr. Yan Xiaotian and Mr. Guan Guisen have been appointed as members of the Audit Committee, respectively.

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:

(a) 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;

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

(c) 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;

(d) to discuss with the engagement of the internal audit team on the nature and scope of the internal control review; and

(e) 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.

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 opinion from the Audit Committee and 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.

LEGAL PROCEEDINGS

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

Prosperity Materials Macao Commercial Offshore Limited ("Prosperity Macao"), an indirect wholly-owned subsidiary of the Company and Fuchun Dongfang were served with a writ of summons issued in the Guangzhou Intermediate People's Court on 17 January 2020, in relation to the claim by Industrial and Commercial Bank of China (Asia) Limited (the "ICBC") as against Prosperity Macao, amongst others, for the outstanding loan amounts of a sum of HK$568,589,411.4 being the outstanding principal and interest due and certain sums in relation to the legal cost, litigation costs and maintenance cost to be borne by Fuchun Dongfang and Prosperity Macao collectively; and as against Fuchun Dongfang, amongst others, for the right to seize or the priority to the repayment after sale or auction of the pledged assets of Fuchun Dongfang in the event that Prosperity Macao fails to settle the claim amount. For details, please refer to the announcement of the Company dated 3 February 2020. The parties have reached a settlement agreement (the "Settlement Agreement") where Prosperity Macao shall repay the ICBC the principal and interest due plus the legal cost according to the payment schedule of the Settlement Agreement.

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

The Company was served with two writs of summons issued in the Court of First Instance of the High Court of Hong Kong on 22 November 2019, pursuant to which O-Bank Co., Ltd (formerly known as Industrial Bank of Taiwan Co., Ltd.) claimed against (i) Success Top Enterprise Limited ("Success Top"), an indirect wholly-owned subsidiary of the Company for banking facilities advanced to it which include, amongst others, the sum of US$2,145,560 being the outstanding principal and interest due and the interest on the principal sum of US$2,065,000 at the rate of 11.45% per annum of 360 days from 21 November 2019 to the date of judgement; (ii) and as against Prosperity Macao, amongst others, for the sum of US$15,255,579.85 being the outstanding principal and interest due, the respective interests at 8.37% per annum and 11.35% per annum of 360 days from 21 November 2019 to the date of judgement on the principal sum of US$8,415,748.11 and US$6,400,000 respectively. For details, please refer to the announcement of the Company dated 29 November 2019. The parties have reached the Settlement Agreement where Prosperity Macao and Success Top shall repay the O-Bank Co., Ltd the principal and interest due plus the legal cost according to the payment schedule of the Settlement Agreement.

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

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

* *For identification purpose only*

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

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

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

On 10 August 2020, the People's Court of Wuzhong District issued another summons to Suzhou Jiaxin, an indirect 55%-owned subsidiary of the Company, according to which the People's Court of Wuzhong District has accepted a claim filed by Shanghai Ershiye Construction Co., Ltd* (上海二十冶建設有限公司) (as the plaintiff) against Suzhou Jiaxin (as the defendant) over, among others, (i) the alleged unpaid outstanding balance of RMB36,773,832 under a construction contract and (ii) the alleged default interest of RMB640,757.84. For further details, please refer to the Company's announcement dated 13 August 2020.

Claim for the outstanding debts by other creditors

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this audited annual results announcement, the Company has maintained sufficient prescribed public float of the issued Shares as required under the Listing Rules.

* *For identification purpose only*

PUBLICATION OF THE ANNUAL REPORT

The annual report for the Year will be despatched to shareholders of the Company and published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.pihl-hk.com in due course.

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
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Wong Ben Koon
Chairman

Hong Kong, 17 August 2020

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