



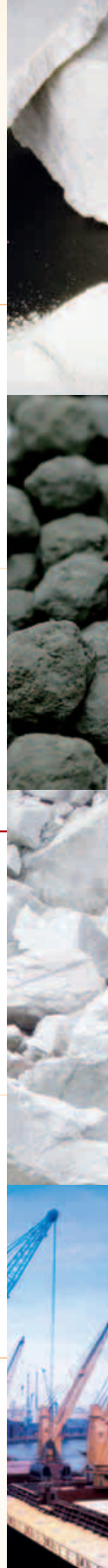
Prosperity International Holdings (H.K.) Limited  
昌興國際控股(香港)有限公司

*(Incorporated in Bermuda with limited liability)*  
Stock code: 803

Expansion to Accelerate

**GROWTH**

Interim Report 2010



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. WONG Ben Koon, Chairman  
 Mr. SUN Yong Sen, Deputy Chairman  
 Mr. KONG Siu Keung

#### Independent Non-executive Directors

Mr. MO Kwok Choi  
 Mr. YUEN Kim Hung, Michael  
 Mr. YUNG Ho

### QUALIFIED ACCOUNTANT

Mr. KONG Siu Keung, FCPA, FCCA

### COMPANY SECRETARY

Mr. KONG Siu Keung, FCPA, FCCA

### AUTHORISED REPRESENTATIVES

Mr. WONG Ben Koon  
 Mr. KONG Siu Keung

### AUDIT COMMITTEE

Mr. MO Kwok Choi, Chairman  
 Mr. YUEN Kim Hung, Michael  
 Mr. YUNG Ho

### REMUNERATION COMMITTEE

Mr. YUEN Kim Hung, Michael, Chairman  
 Mr. YUNG Ho  
 Mr. MO Kwok Choi

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 1801-6  
 18th Floor  
 Tower 2  
 The Gateway  
 25 Canton Road,  
 Tsim Sha Tsui,  
 Kowloon  
 Hong Kong

### REGISTERED OFFICE

Clarendon House  
 2 Church Street  
 Hamilton HM 11  
 Bermuda

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited  
 Bank of Bermuda Building  
 6 Front Street  
 Hamilton HM 11  
 Bermuda

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Tengis Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## **STOCK CODE**

803

## **INDEPENDENT AUDITOR**

RSM Nelson Wheeler  
Certified Public Accountants  
29th Floor  
Caroline Centre  
Lee Gardens Two  
28 Yun Ping Road  
Hong Kong

## **SOLICITORS**

Hogan & Hartson  
21st Floor  
Two Pacific Place  
88 Queensway  
Hong Kong

Stephensen Harwood & Lo  
35th Floor  
Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

## **PRINCIPAL BANKERS**

Industrial and Commercial Bank of China  
(Asia) Limited  
Standard Chartered Bank  
(Hong Kong) Limited  
Hang Seng Bank Limited  
DBS Bank (Hong Kong) Limited  
Australia and New Zealand Banking  
Group Limited  
Rabobank International  
Taishin International Bank Co. Ltd  
Fubon Bank (Hong Kong) Limited  
China Construction Bank  
Bank of China Limited

## **COMPANY WEBSITE ADDRESS**

[www.pihl-hk.com](http://www.pihl-hk.com)

## INTERIM RESULTS FOR FISCAL YEAR 2010

### FINANCIAL HIGHLIGHTS

The financial highlights of Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2009 (the "Relevant Period") are summarized as follows:

- The unaudited consolidated turnover for the Relevant Period was approximately HK\$409,591,000;
- The unaudited consolidated net profit attributable to equity holders of the Company for the Relevant Period was approximately HK\$20.6 million, representing an increase of approximately 87% as compared with the corresponding period last year;
- Basic earnings per share for the Relevant Period amounted to approximately HK0.88 cents, representing an increase of approximately 60% as compared with the corresponding period last year;
- The directors of the Company (the "Directors") do not recommend the payment of any interim dividend for the Relevant Period.

The unaudited consolidated results of the Group for the six months ended 30 September 2009 and comparisons with the results for the corresponding period last year are set out in the accompanying table.

## FINANCIAL SUMMARY

Turnover for the Relevant Period amounted to HK\$409,591,000 (2008: HK\$439,980,000). The turnover was mainly attributable to the trading of clinker and cement. After the acquisition of Prosperity Minerals Holdings Limited (“Prosperity Minerals”) on 24 September 2009, the sales of clinker and cement in the PRC and trading of iron ore contributed HK\$125,675,000 to the turnover of the Group during the Relevant Period. The details of the acquisition are disclosed in the section headed “Very Substantial Acquisition and Connected Party Transaction” on page 6 of this report.

Net profit attributable to the Company’s shareholders for the Relevant Period amounted to HK\$20,557,000 (2008: HK\$10,996,000), equivalent to basic earnings per share of HK0.88 cents (2008: HK0.55 cents) and diluted earnings per share of HK0.87 cents (2008: HK0.52 cents).

As at 30 September 2009, the Group’s equity attributable to the Company’s shareholders amounted to HK\$1,805,328,000. The dramatic increase of HK\$1,644,431,000 over the figure as at 31 March 2009 is due to the abovementioned acquisition.

## BUSINESS REVIEW

### Clinker and Cement Trading Business

The exports of clinker and cement from the PRC were severely affected by the weak international market demand brought by the global financial turmoil. During the Relevant Period, the global demand for clinker and cement declined substantially, especially in Europe and the United States of America.

However, leveraging on the extensive experience and expertise of the Group's management, the strong sales network in the region and adopting the flexible pricing strategies, the Group was able to maintain its market position with a steady growth in the profit margin.

During the first half of fiscal year 2010, the Group purchased and sold approximately 706,000 tonnes of clinker and cement, representing a decrease of approximately 30% as compared with the corresponding period last year. However, the segment result increased from HK\$11,899,000 to HK\$23,345,000 with the improving profit margin.

### Granite Material Production

We have stepped into the granite production business through acquiring Xiang Lu Shan Granite Mining Site in Guangxi Province, the PRC. The mining permit of Xiang Lu Shan Granite Mining Site was renewed with the Ministry of Land and Resources of the PRC in October 2008 for ten years, which allows the production from this site of up to 40,000 m<sup>3</sup> (equivalent to approximately 102,000 tonnes) of granite products per annum. For the Relevant Period, it contributed approximately HK\$8,138,000 to the Group's turnover.

In relation to the planned feldspar powder plant, the pre-construction site preparation works were in progress smoothly during the Relevant Period. The plant is expected to commence production in the middle of 2010.

### **Operation of Public Port and Other Related Facilities Business**

A joint venture company was established with Anhui Conch Venture Investment Company Limited in October 2006, in which the Group owns 25% of its stake. The joint venture will be engaged in the operation of the public port and the provision of warehousing services in Jiangsu Province, the PRC. A slag powder production plant with a target production capacity of 1.5 million tonnes per year is planned to be constructed.

The relevant licenses of the port have been granted by the government authorities. The construction of the port facilities and the slag powder production plant is estimated to commence by early 2010 and 2011 respectively.

### **Very Substantial Acquisition and Connected Party Transaction**

Referring to the announcement dated 24 July 2009 and the circular dated 27 August 2009, the Board entered into an acquisition agreement ("Acquisition Agreement") among the Company and vendors whereby the Company proposed to acquire the 73,000,000 ordinary shares (approximately 54.28%) of GBP 0.01 each in the capital of Prosperity Minerals, a company listed on the Alternative Investment Market of the London Stock Exchange plc. at a consideration of HK\$1,621,863,240, which was satisfied entirely by the allotment and issue of 3,243,726,480 ordinary shares of the Company and credited as fully paid to the vendors. The vendors were Mr. Wong Ben Koon, the chairman and executive director of the Company, and the investment vehicles controlled by him. On 14 September 2009, the independent shareholders at the special general meeting approved the Acquisition Agreement and the transactions contemplated thereunder and the said acquisition was completed on 24 September 2009.

Prosperity Minerals is a large cement operator in the People's Republic of China (the "PRC") and focus on the manufacture and sale of clinker and cement in the PRC. Currently, Prosperity Minerals hold equity interests in six existing clinker and cement manufacturing companies and invested in four Greenfield projects in connection with the construction of clinker and cement production lines. Also, it is a major iron ore importer in the PRC.

## Clinker and Cement Manufacturing Business

After the acquisition of Prosperity Minerals, the Group had equity interests in 6 cement plants with the total gross annual production capacity of clinker and cement of approximately 22 million tonnes. The designed saleable capacities of each plant were as follows:

Name of plant	Location	Group's effective interest	Percentage interest held by subsidiary	Current total capacity
Yingde Dragon Mountain Cement Co., Limited	Yingde, Guangdong Province	54.28%	100%	5.9 million tonnes
Prosperity Conch Cement Co., Limited	Yingde, Guangdong Province	13.57%	25%	7.9 million tonnes
Anhui Chaodong Cement Co., Limited	Chaohu, Anhui Province	17.94%	33.06%	3.4 million tonnes
Guangzhou K.Wah Nanfang Cement Ltd	Guangzhou, Guangdong Province	21.71%	40%	0.8 million tonnes
Yunnan Kungang & K. Wah Construction Materials Co. Ltd.	Anning, Yunnan Province	16.28%	30%	2.7 million tonnes
Baoshan Kungang & K. Wah Cement Construction Materials Co. Ltd.	Baoshan, Yunnan Province	16.28%	30%	1.8 million tonnes



In the meantime, the Group acquired and invested in four greenfield projects in Chongqing Direct Municipal City, Liaoning Province, Guizhou Province and Sichuan Province, the PRC. The details of the greenfield projects were as follows:

<b>Name of subsidiary</b>	<b>Location</b>	<b>Group's effective interest</b>	<b>Percentage of interest held by subsidiary</b>	<b>Planned capacity</b>	<b>Expected timetable to commence operation</b>
Chongqing Changxing Cement Company Limited	Chongqing Direct Municipal City	54.28%	100%	2 million tonnes	End of 2010
Liaoning Prosperity Cement Company Limited	Dengta, Liaoning Province	40.71%	75%	2 million tonnes	End of 2010
Guizhou Anshun Changxing Cement Co., Limited	Guiyang, Guizhou Province	54.28%	100%	2 million tonnes	End of 2010
Guangan Changxing Cement Co., Limited	Guangan, Sichuan Province	54.28%	100%	2 million tonnes	End of 2011

### **Iron Ore Trading**

The acquisition of Prosperity Minerals also brought the Group becoming one of the dominant iron ore importers in the PRC. The Group will maintain its prudent risk management policy by engaging only into back-to-back transactions and holding no inventory, and pursuing to secure the suppliers and customers on a long term basis.

## POST BALANCE SHEET EVENT

On 11 December 2009, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into among the Prosperity Minerals, Pro-Rise Business Limited ("Pro-Rise"), a wholly owned subsidiary of Prosperity Minerals, and TCC International Holdings Limited (the "Acquirer") pursuant to which, subject to fulfilment of various conditions precedent, Pro-Rise would dispose of its entire interests in Upper Value Investments Limited ("Upper Value"), an indirectly wholly owned subsidiary of Prosperity Minerals, and its subsidiaries except Prosperity Minerals Investment Limited, which holds 33.06% of Anhui Chaodong Cement Co., Ltd. and Prosperity Minerals Management Limited, which carries out certain administrative functions of the Group (the "Disposal Group") to the Acquirer together with certain shareholder loan payable by the Disposal Group (the "Disposal"). Upper Value holds directly and indirectly certain equity interests in companies principally engaged in the business of the manufacture and sale of clinker and cement in the PRC. The aggregate consideration for the Disposal, which is payable in cash, is HK\$3.80 billion, subject to adjustments for outstanding shareholders' loans granted to the Upper Value, its subsidiaries and associates. The details of the Sale and Purchase Agreement and the Disposal were disclosed in the Company's announcement dated 21 December 2009.

## LIQUIDITY AND FINANCIAL RESOURCE

As at 30 September 2009, the Group's total cash balance was HK\$362,937,000 (31 March 2009: HK\$98,857,000) and total borrowings were HK\$2,111,670,000 (31 March 2009: HK\$53,973,000).

Gearing ratio as at 30 September 2009, calculated on the basis of total interest bearing debts divided by shareholder's equity, was 67% (31 March 2009: 25%).

## OUTLOOK

Looking ahead, the trading of clinker and cement business and trading of iron ore business will continue to be the core income contributors to the Group. Meanwhile, the Group will continue its efforts to reinforce its position in the global cement industry by exploring new markets and boosting sales in existing markets. The successful acquisition of Prosperity Minerals in July 2009 not only enhanced the Group's capital base but also the Group's market position in the industry. After thorough consideration to the interests of the Company's shareholders and in view of the net proceeds attributable to the Company from the Disposal, the Group believes the Disposal is at the right opportunity which will bring good returns to the shareholders and ample capital resources for the future development of the Group.

Regarding the production of granite materials, the Group is ready to commence the production of the dimension stone. In the meantime, the feldspar power plant is expected to commence production in the middle of 2010. For the port operation, the construction is expected to commence shortly and we are looking forward to the fruitful returns from this investment.

In view of the rebound of the global economy and the strong demand for construction minerals, the Group actively seeks the development opportunities to further explore the mineral material projects in Asia and the PRC, including investment in current mineral extraction projects and acquisition of mining and exploration rights. Leveraged on our team's professional experience, we are confident that we are in the right path in becoming one of the leading construction material suppliers in Asia.

## CONDENSED CONSOLIDATED INCOME STATEMENT

The board of directors of the Company (the "Board") is pleased to announce the condensed consolidated results of the Group for the six months ended 30 September 2009, together with the comparative figures for the corresponding period last year, as follows:

	Note	For the six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Turnover</b>	4	<b>409,591</b>	439,980
Cost of goods sold		<b>(361,962)</b>	(410,242)
<b>Gross profit</b>		<b>47,629</b>	29,738
Other income	5	<b>2,934</b>	3,987
Selling and distribution costs		<b>(10,709)</b>	(13,324)
Administrative expenses		<b>(15,910)</b>	(8,956)
Share of profits less losses of associates		<b>1,384</b>	—
Finance costs	7	<b>(4,360)</b>	(413)
<b>Profit before tax</b>		<b>20,968</b>	11,032
Income tax expense	8	<b>(365)</b>	(180)
<b>Profit for the period</b>	9	<b>20,603</b>	10,852
Attributable to:			
Equity holders of the Company		<b>20,557</b>	10,996
Minority interests		<b>46</b>	(144)
		<b>20,603</b>	10,852
<b>Earnings per share</b>			
– basic	10	<b>HK0.88 cents</b>	HK0.55 cents
– diluted	10	<b>HK0.87 cents</b>	HK0.52 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>For the six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>20,603</b>	10,852
Other comprehensive income:		
Exchange differences	<b>377</b>	152
<b>Total comprehensive income for the period</b>	<b>20,980</b>	11,004
Total comprehensive income attributable to:		
Equity holders of the Company	<b>20,784</b>	11,148
Minority interests	<b>196</b>	(144)
	<b>20,980</b>	11,004

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2009 (Unaudited) <i>HK\$'000</i>	As at 31 March 2009 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	1,761,379	957
Goodwill		535,519	—
Lease prepayments		551,551	—
Interests in a jointly controlled entity	13	85,600	—
Interests in associates	14	1,136,012	28,120
Intangible assets		539,267	192,640
Amount due from a minority shareholder		16,272	—
Deferred tax assets		882	—
Non current prepayments		262,038	6,771
		<b>4,888,520</b>	<b>228,488</b>
<b>Current assets</b>			
Inventories		82,705	—
Trade and bills receivables	15	738,648	25,742
Prepayments, deposits and other receivables		439,997	21,951
Current tax assets		431	496
Pledged bank deposits		27,266	15,389
Bank and cash balances		335,671	83,468
		<b>1,624,718</b>	<b>147,046</b>
<b>Total assets</b>		<b>6,513,238</b>	<b>375,534</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	16	54,877	21,760
Reserves		1,750,451	139,137
Equity attributable to equity holders of the Company		<b>1,805,328</b>	160,897
Minority interests		1,330,230	56,244
<b>Total equity</b>		<b>3,135,558</b>	<b>217,141</b>

		<b>As at 30 September 2009 (Unaudited) HK\$'000</b>	As at 31 March 2009 (Audited) HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	17	<b>590,445</b>	29,621
Long term payable		<b>16,272</b>	—
Obligations under finance leases		<b>492</b>	—
Deferred tax liabilities		<b>242,669</b>	48,160
		<hr/> <b>849,878</b> <hr/>	<hr/> 77,781 <hr/>
<b>Current liabilities</b>			
Trade and bills payables	18	<b>582,432</b>	15,063
Other payables and deposits received		<b>412,525</b>	41,050
Income tax payable		<b>11,266</b>	—
Bank borrowings	17	<b>683,845</b>	24,352
Secured note	19	<b>837,380</b>	—
Current portion of obligations under finance leases		<b>354</b>	147
		<hr/> <b>2,527,802</b> <hr/>	<hr/> 80,612 <hr/>
<b>Total liabilities</b>		<hr/> <b>3,377,680</b> <hr/>	<hr/> 158,393 <hr/>
<b>Total equity and liabilities</b>		<hr/> <b>6,513,238</b> <hr/>	<hr/> 375,534 <hr/>
<b>Net current (liabilities)/assets</b>		<hr/> <b>(903,084)</b> <hr/>	<hr/> 66,434 <hr/>
<b>Total assets less current liabilities</b>		<hr/> <b>3,985,436</b> <hr/>	<hr/> 294,922 <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in the shareholders' equity of the Group for the Relevant Period are as follows:

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2009	21,760	67,090	2,752	14,878	2,049	50	52,318	160,897	56,244	217,141
Translation differences	—	—	227	—	—	—	—	227	150	377
Profit for the period	—	—	—	—	—	—	20,557	20,557	46	20,603
Total comprehensive income for the period	—	—	227	—	—	—	20,557	20,784	196	20,980
Issue of shares upon exercise of share options	680	1,496	—	—	(392)	—	—	1,784	—	1,784
Issue of shares upon acquisition of subsidiaries (note 20)	32,437	1,589,426	—	—	—	—	—	1,621,863	—	1,621,863
Acquisition of subsidiaries (note 20)	—	—	—	—	—	—	—	—	1,273,790	1,273,790
At 30 September 2009	54,877	1,658,012	2,979	14,878	1,657	50	72,875	1,805,328	1,330,230	3,135,558
	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2008	20,012	48,837	2,640	14,878	1,933	50	27,745	116,095	57,713	173,808
Translation differences	—	—	152	—	—	—	—	152	—	152
Profit for the period	—	—	—	—	—	—	10,996	10,996	(144)	10,852
Total comprehensive income for the period	—	—	152	—	—	—	10,996	11,148	(144)	11,004
At 30 September 2008	20,012	48,837	2,792	14,878	1,933	50	38,741	127,243	57,569	184,812



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	<b>(105,771)</b>	(6,034)
Net cash generated from investing activities	<b>313,094</b>	2,895
Net cash generated from financing activities	<b>44,477</b>	25,151
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>251,800</b>	22,012
Effect of foreign exchange rate changes	<b>403</b>	—
Cash and cash equivalents at beginning of the period	<b>83,468</b>	42,164
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>335,671</b>	64,176
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is Suites 1801-6, 18/F., Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and applicable disclosures required by Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and with HKAS 34 Interim Financial Reporting.

The interim report has been prepared on the going concern basis. The Group's current liabilities exceeded its current assets by HK\$903,084,000 as at 30 September 2009. Based on the future projections of the Group's profit and cash inflow from operations and the ability of the Group to obtain continued bank financing to finance its operations, and the expectation to receive HK\$3.8 billion after the completion of the disposal of the cement operations by Prosperity Minerals (see note 22), the Company's directors have prepared the report on a going concern basis.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) - Int 13	Customer Loyalty Programmes
HK (IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure, HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The adoption of the other new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new or revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of the other new and revised standards amendments or interpretations will have no material impact on the results and the financial positions of the Group.

#### 4. TURNOVER

The Group was principally engaged in the manufacturing and sales of clinker and cement, selling of granite products, trading of clinker and building materials and trading of iron ore during the Relevant Period. The Group's turnover represents the sales of goods to customers, net of discount and returns.

#### 5. OTHER INCOME

	For the six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Commission received	413	839
Despatch income	1,123	1,690
Interest income	49	164
Net foreign exchange gains	—	80
Others	1,349	1,214
	<u>2,934</u>	<u>3,987</u>

#### 6. SEGMENT INFORMATION

On adoption of HKFRS 8 "Operating Segment", it requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers that are the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The accounting policies of the operating segments are the same as those described in the principal accounting policies.

For management purpose, the Group's business activities are broadly categorized into the following four major business segments:

- (i) Manufacture and sales of clinker and cement in the PRC
- (ii) Trading of iron ore
- (iii) Trading of clinker, cement and building materials
- (iv) Granite and granite products – mining and processing of granite and selling of granite products.

## Six months ended 30 September:

	Manufacture and sales of clinker and cement		Trading of iron ore		Trading of clinker, cement and other building materials		Granite and granite products		Corporate and unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
<b>TURNOVER</b>	24,063	—	101,612	—	274,622	439,980	9,294	—	—	—	409,591	439,980
Segment results	6,261	—	3,038	—	23,345	11,899	173	—	—	—	32,817	11,899
Unallocated expenses											(10,423)	(4,441)
Other income											2,934	3,987
Finance costs											(4,360)	(413)
Income tax expense											(365)	(180)
Profit for the period											20,603	10,852
<b>ASSETS</b>												
Segment assets	4,324,479	—	610,639	—	185,971	107,553	217,682	202,754	—	—	5,338,771	310,307
Interests in an associates	1,107,892	—	—	—	—	—	—	—	28,120	28,074	1,136,012	28,074
Interest in a jointly controlled entity	85,600	—	—	—	—	—	—	—	—	—	85,600	—
Unallocated assets											1,637,101	2,373
Elimination of inter-segments											(1,684,246)	—
Total assets											6,513,238	340,754

## 7. FINANCE COSTS

	For the six months ended 30 September	
	2009 <i>HKS'000</i>	2008 <i>HKS'000</i>
Interests on bank loans	4,345	403
Finance lease charges	15	10
	<u>4,360</u>	<u>413</u>

## 8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax – current	<b>365</b>	180

Hong Kong Profits Tax has been provided at a rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the six months ended 30 September 2008 and 30 September 2009. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

## 9. PROFIT FOR THE PERIOD

	For the six months ended 30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	<b>1,650</b>	104
Amortisation	<b>207</b>	—
Salaries, bonus, allowances and other costs	<b>7,699</b>	5,002
Retirement benefits scheme contributions	<b>233</b>	232
	<b>7,932</b>	5,234

## 10. EARNINGS PER SHARE

### *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 September 2009 of approximately HK\$20,557,000 (six months ended 30 September 2008: approximately HK\$10,996,000) and the weighted average number of ordinary shares of 2,334,309,395 (six months ended 30 September 2008: 2,001,171,060) in issue during the six months ended 30 September 2009.

### *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 September 2009 of approximately HK\$20,557,000 (six months ended 30 September 2008: approximately HK\$10,996,000) and the weighted average number of ordinary shares for the six months ended 30 September 2009 of 2,372,284,859 (six months ended 30 September 2008: 2,127,710,385), being the weighted average number of ordinary shares of 2,334,309,395 in issue during the six months ended 30 September 2009 (six months ended 30 September 2008: 2,001,171,060) used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 37,975,464 (six months ended 30 September 2008: 126,539,325) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the six months ended 30 September 2009.

## 11. DIVIDEND

No interim dividend has been declared by the Board for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

## 12. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, additions to fixed assets amounted to approximately HK\$1,781,902,000 of which HK\$1,780,124,000 was acquired through acquisition of Prosperity Minerals on 24 September 2009 (see note 20). The fixed assets disposed during the Relevant Period amounted to approximately HK\$71,000 for the same period.

### 13. INTEREST IN A JOINTLY CONTROLLED ENTITY

	As at 30 September 2009 <i>HK\$'000</i>	As at 31 March 2009 <i>HK\$'000</i>
Share of net assets	—	—
Amount due from a jointly controlled entity	<u>85,600</u>	<u>—</u>
	<u><b>85,600</b></u>	<u>—</u>

The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment. The amount due from a jointly controlled entity as at 30 September 2009 are not expected to be recovered within one year.

Set out below are the particulars of the jointly controlled entity:

Name	Place of incorporation	Particulars of registered capital	Group's effective interest	Percentage of interest held by subsidiary	Principal activities
Guangzhou K. Wah Nanfang Cement Ltd.	The PRC	RMB100,000,000	21.71%	40%	Manufacture of cement

The interest in Guangzhou K. Wah Nanfang Cement Ltd was acquired indirectly through the acquisition of Prosperity Minerals on 24 September 2009 (see note 20).

### 14. INTERESTS IN ASSOCIATES

	As at 30 September 2009 <i>HK\$'000</i>	As at 31 March 2009 <i>HK\$'000</i>
Share of net assets other than goodwill	<b>1,079,820</b>	27,779
Goodwill	<b>46,004</b>	341
Financial guarantee issued	<u>10,188</u>	<u>—</u>
	<u><b>1,136,012</b></u>	<u>28,120</u>



Details of the Group's associates at 30 September 2009 are as follows:

<b>Name</b>	<b>Place of incorporation</b>	<b>Particulars of registered capital</b>	<b>Group's effective interest</b>	<b>Percentage of interest held by subsidiary</b>	<b>Principal activities</b>
Jiangdu Haichang Port Industrial Company Limited	The PRC	RMB220,500,000	25%	25%	Not yet commenced business
Anhui Chaodong Cement Co., Ltd (Note)	The PRC	RMB242,000,000	17.94%	33.06%	Manufacturing and sale of clinker and cement
Prosperity Conch Cement Co., Ltd. (Note)	The PRC	RMB580,000,000	13.57%	25%	Manufacturing and sale of clinker and cement
Yunnan Kungang & K. Wah Construction Materials Co., Ltd (Note)	The PRC	RMB825,000,000	16.28%	30%	Manufacturing and sale of clinker and cement
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. (Note)	The PRC	RMB316,250,000	16.28%	30%	Manufacturing and sale of clinker and cement

Note: The interest in these associates was acquired indirectly through the acquisition of Prosperity Minerals on 24 September 2009 (see note 20).

## 15. TRADE AND BILLS RECEIVABLES

The Group's credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	<b>As at 30 September 2009 HK\$'000</b>	As at 31 March 2009 HK\$'000
0 to 90 days	<b>738,648</b>	25,742

## 16. SHARE CAPITAL

	Note	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 (31 March 2009: HK\$0.01) each			
At 31 March 2009 and 30 September 2009		<b>10,000,000,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.01 (31 March 2009: HK\$0.01) each			
At 31 March 2009		<b>2,175,981,060</b>	<b>21,760</b>
Issue of new shares upon exercise of share options	(a)	<b>68,000,000</b>	<b>680</b>
Issue of shares for acquisition of Prosperity Minerals (see note 20)	(b)	<b>3,243,726,480</b>	<b>32,437</b>
At 30 September 2009		<b>5,487,707,540</b>	<b>54,877</b>

- (a) During the period ended 30 September 2009, options were exercised to subscribe for 68,000,000 ordinary shares of the Company at a consideration of HK\$1,784,000, of which HK\$680,000 was credited to share capital, HK\$1,496,000 was credited to share premium account and the balance of HK\$392,000 has been transferred from share-based payment reserve to share premium account.
- (b) On 24 September 2009, 3,243,726,480 new ordinary shares of HK\$0.01 each were issued at approximately HK\$0.5 per share as the consideration for acquisition of 73,000,000 ordinary shares of Prosperity Minerals. The premium on the issue of shares of approximately HK\$1,589,426,000 was credited to the Company's share premium account.

## 17. BANK BORROWINGS

	<b>As at 30 September 2009 HK\$'000</b>	As at 31 March 2009 HK\$'000
Bank loans	<b>1,274,290</b>	53,973

The carrying amounts of the bank loans are denominated in the following currencies:

	<b>HK\$ HK\$'000</b>	<b>US\$ HK\$'000</b>	<b>RMB HK\$'000</b>	<b>Total HK\$'000</b>
As at 30 September 2009	281,500	261,961	730,829	1,274,290
As at 31 March 2009	30,035	23,938	—	53,973

## 18. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	<b>As at 30 September 2009 HK\$'000</b>	As at 31 March 2009 HK\$'000
0 to 90 days	<b>582,133</b>	14,649
91 to 180 days	<b>13</b>	188
181 to 365 days	<b>286</b>	226
	<hr/> <b>582,432</b> <hr/>	<hr/> 15,063 <hr/>

## 19. SECURED NOTE

Upper Value Investments Ltd, a wholly owned subsidiary of the Prosperity Minerals, which was acquired by the Company on 24 September 2009 (see note 20), had issued US\$100,000,000 redeemable notes (the "Note") to certain institutional investors for the acquisition of clinker and cement plants in the PRC ("Acquired Assets") on 9 May 2008 (the "Issue Date"). The Note is guaranteed by Prosperity Minerals and the Company's subsidiaries, Prosperity Cement Investment Ltd and Prosperity Minerals Macau Commercial Offshore Limited and is secured by charges over the shares in, and fixed and floating charges over the assets of the Company's subsidiaries which will hold the Acquired Assets.

In conjunction with the issuance of the Note, 1,000 warrants were granted to these institutional investors to subscribe for 12,905,639 ordinary shares in Prosperity Minerals at an exercise price, representing a 10% premium to the volume weighted average price per share, over the five trading days immediately preceding the Issue Date, subject to anti-dilution adjustments and strike price resets under certain circumstances. The warrants are exercisable at any time up to five years after the Issue Date.

The Note carries interest at a rate of 10% per annum payable semi-annually and repayable by four installments.

Under the terms of the Sale and Purchase Agreement on 11 December 2009 (see note 20), the Group will dispose of its entire equity interest in Upper Value together with all its third party debts (including the Note) to the Acquirer. If the holders of the Note decide to seek repayment of the note upon the completion of the Sale and Purchase Agreement, the outstanding amount of the Note will be paid by Upper Value (and be funded by the Acquirer). Otherwise, the Acquirer will guarantee the Note in place of the Company.

## 20. ACQUISITION OF SUBSIDIARIES

On 24 September 2009, the Group acquired 73,000,000 ordinary shares (approximately 54.28%) of the equity interests of Prosperity Minerals, an investment holding company incorporated in Jersey and whose shares are admitted to trading on the Alternative Investment Market of the London Stock Exchange plc.. Prosperity Minerals and its subsidiaries (“PMHL Group”) is a large cement operator in the PRC and focus on the manufacture and sale of clinker and cement. In addition, it is also a major iron ore trader in the PRC. The consideration, before expenses, of approximately HK\$1,621,863,240 was satisfied by the allotment and issue of an aggregate of 3,243,726,480 new ordinary shares of HK\$0.01 each of the Company at an issue price of approximately HK\$0.5 per share.

	<b>Acquiree’s carrying amount before combination</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Net assets acquired:			
Property, plant and equipment	1,674,436	85,884	1,760,320
Intangible assets	129,277	217,495	346,772
Lease prepayment	221,818	329,795	551,613
Interest in a jointly controlled entity	85,600	—	85,600
Interests in associates	1,041,169	65,339	1,106,508
Goodwill	338,607	—	338,607
Deferred tax assets	882	—	882
Inventories	82,705	—	82,705
Prepayment, trade and other receivables	1,275,202	—	1,275,202
Pledged bank deposits	13,377	—	13,377
Cash and cash equivalents	314,988	—	314,988
Bank loans	(1,173,963)	—	(1,173,963)
Trade and other payables	(949,052)	—	(949,052)
Income tax payable	(10,966)	—	(10,966)
Secured Note	(837,380)	—	(837,380)
Deferred tax liabilities	(35,793)	(158,716)	(194,509)
	<hr/>	<hr/>	<hr/>
Net assets	2,170,907	539,797	2,710,704
Minority interests			(1,273,790)
Goodwill arising on acquisition			196,912
			<hr/>
Total consideration			<u>1,633,826</u>

	<b>Acquiree's carrying amount before combination</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total consideration, satisfied by			
Share consideration, at fair value			1,621,863
Direct cost relating to the acquisition			11,963
			<u>1,633,826</u>
Net cash inflow arising on acquisition			
Direct cost relating to the acquisition			(1,616)
Bank and cash balances acquired			314,988
			<u>313,372</u>

The adoption of approximately HK\$0.5 per shares as the fair value of the shares to be issued by the Company at the date of exchange was based on the fair value assessment by the board of Directors, taking into consideration of all aspects of acquisition and significant factors influencing the negotiations. The board of directors considered the published price at the date of exchange of the shares issued for acquisition is not a suitable indicator of fair value of the shares due to the speculations of the shares of Company in the market once after the release of the news regarding the acquisition of Prosperity Minerals on or before the completion of the acquisition.

PMHL Group contributed a profit of HK\$1,852,000 to the condensed consolidated profit of the Group since the date of acquisition.

If the acquisition has been completed on 1 April 2009, the total Group turnover would have been increased by approximately HK\$3,833,084,000 and profit for the period would have been decreased by approximately HK\$14,196,000. The proforma information is for illustrative purpose only and is not necessarily an indicative turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor it is intended to be a projection of future results.

## 21. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following material related party transactions:

	<b>30 September 2009 HK\$'000</b>	30 September 2008 HK\$'000
(a) Rental expenses paid to Prosperity Materials (International) Limited ("PMIL")*	<b>361</b>	361

\* The Group shared the office premises rented by PMIL. The rental expenses were charged in proportion to the area of office premises utilised by the Group on the rental of the office premises.

Mr. Wong Ben Koon ("Mr. Wong") and a former director of the Company, Madam Hon Ching Fong are also the directors of and have beneficial interest in PMIL.

(b) Compensation of key management personnel

	<b>30 September 2009 HK\$'000</b>	30 September 2008 HK\$'000
Directors' fees	<b>180</b>	180
Basic salaries, allowances and benefits in kind	<b>2,460</b>	2,419
Retirement benefits scheme contributions	<b>105</b>	123
	<b>2,745</b>	2,722

## 22. POST BALANCE SHEET EVENT

On 11 December 2009, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into between the Prosperity Minerals, Pro-Rise Business Limited ("Pro-Rise"), a wholly owned subsidiary of Prosperity Minerals, and TCC International Holdings Limited (the "Acquirer") pursuant to which, subject to fulfilment of various conditions precedent, Pro-Rise would dispose of its entire interests in Upper Value Investments Limited ("Upper Value"), an indirectly wholly owned subsidiary of Prosperity Minerals, and its subsidiaries except Prosperity Minerals Investment Limited, which holds 33.06% of Anhui Chaodong Cement Co., Ltd. and Prosperity Minerals Management Limited, which carries out certain administrative functions of the Group (the "Disposal Group") to the Acquirer together with certain shareholder loan payable by the Disposal Group (the "Disposal"). Upper Value holds directly and indirectly certain equity interests in companies principally engaged in the business of the manufacture and sale of clinker and cement in the PRC. The aggregate consideration for the Disposal, which is payable in cash, is HK\$3.80 billion, subject to adjustments for outstanding shareholders' loans granted to the Upper Value, its subsidiaries and associates.

## 23. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation.

## HUMAN RESOURCES

As at 30 September 2009, the Group had a total of 1,514 staff members, 1,466 of them based in the PRC and 48 based in Hong Kong.

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

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



## CONTINGENT LIABILITIES

As at 30 September 2009, the Group did not have any significant contingent liabilities (31 March 2009: Nil).

## CHARGE ON GROUP ASSETS

The following assets held by the Group were pledged to banks to secure banking facilities granted to the Group and the Note as set out in note 17 and note 19 to the condensed consolidated financial statements respectively:

- (a) pledged bank deposits of approximately HK\$27.3 million (31 March 2009: approximately HK\$15.4 million);
- (b) 100% equity interest in Sharp Advance International Limited (“Sharp Advance”), an indirect wholly-owned subsidiary of the Company;
- (c) 60% equity interest in WM Aalbrightt Investment Holdings (Hong Kong) Limited, an indirectly 60% owned subsidiary of the Company;
- (d) property, plant and equipment in which their carrying amount as at 30 September 2009 was HK\$437,853,000 (31 March 2009: nil);
- (e) mining rights in which their carrying amount as at 30 September 2009 was 285,217,000 (31 March 2009: nil);
- (f) land used rights in which their carrying amount as at 30 September 2009 was 316,054,000 (31 March 2009: nil);
- (g) charge over the shares in, and fixed and floating charges over the assets of Upper Value’s wholly owned subsidiaries which will hold the Acquired Assets as set forth in note 19 to the condensed consolidated financial statements (31 March 2009: nil).

## COMMITMENTS

As at 30 September 2009, the Group had the following commitments:

### (a) Operating lease commitments – as lessee

As at 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at 30 September 2009 HK\$'000</b>	As at 31 March 2009 HK\$'000
Within one year	<b>84</b>	53

Operating lease payments represent rentals payable by the Group for an office premises. Leases are negotiated for a term of one year and rentals are fixed over the lease terms and do not include contingent rentals.

### (b) Capital and other commitments

	<b>As at 30 September 2009 HK\$'000</b>	As at 31 March 2009 HK\$'000
Contracted but not provided for acquisition of property, plant and equipment	<b>1,339,289</b>	3,528
Capital contributions to an associate	<b>34,401</b>	—

## PURCHASE, REDEMPTION OR SALE 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 six months ended 30 September 2009.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Mode Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse	Total	
Mr. Wong	1,357,123,699	2,719,629,841	17,000,000	4,093,753,540	74.60%
		(Note)			

*Note:*

Mr. Wong is interested in 319,176,000 shares of the Company through his interests in Well Success Group Limited ("Well Success"), which is owned as to 31.47% by Mr. Wong, 10.13% by Mr. Ng Hon Fai (formerly a Director) and 58.4% by Advance Success Limited ("Advance Success"). Advance Success is equally owned by Mr. Wong and Madam Hon Ching Fong (formerly a Director) ("Madam Hon"). Mr. Wong is the sole director of Advance Success. In addition, Mr. Wong is interested in 2,155,933,029 shares, 122,260,406 shares and 122,260,406 shares through his interest in Prosperity Minerals Group Limited ("PMGL"), Max Start Holdings Limited ("Max Start") and Max Will Profits Limited ("Max Will") respectively, and each of which is owned beneficially as to 65% by Mr. Wong.

**(b) Long positions in share options**

Number of share options held by the Directors and chief executive of the Company as at 30 September 2009:

<b>Name</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Mr. Wong	60,000,000	60,000,000
Dr. Jiang, Brent Zhiwei	30,000,000	30,000,000
	90,000,000	90,000,000
	90,000,000	90,000,000

The details of share options held by the Directors and chief executive of the Company are disclosed in the section headed "DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY" below.

Mr. Wong has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company.

Save as disclosed above, as at 30 September 2009, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save for the share options holdings disclosed above, at no time during the Relevant Period 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 August 2003 (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, Directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Old Scheme was terminated upon the transfer of the listing of the Company's shares on to the Growth Enterprise Market to the Main Board of the Stock Exchange on 18 December 2008. The options outstanding as at 18 December 2008 previously granted but unexercised under the Old Scheme remain valid and exercisable in accordance with their terms of grant.

A new share option scheme (the "New Scheme") was subsequently adopted following the approval of the shareholders of the Company in accordance with Listing Rules at the annual general meeting of the Company held on 25 September 2009. No option has been granted under the New Scheme.

Details of the shares options granted under the Old Scheme and outstanding during the Relevant Period are as follows:

Name or category of participant	Number of share options outstanding as at 1 April 2009	Granted/ exercised during the Relevant Period	Number of options outstanding as at 30 September 2009	Date of grant of share options	Exercise period	Exercise price of share options HK\$	Closing price of the shares immediately before date of grant of share options HK\$
<b>Directors</b>							
Mr. Kong Siu Keung	24,000,000	(24,000,000)	—	30 July 2004	28 December 2005 to 27 June 2014	0.023	0.023
Mr. Wong	60,000,000	—	60,000,000	14 August 2006	28 June 2007 to 27 June 2016	0.078	0.068
	<u>84,000,000</u>	<u>(24,000,000)</u>	<u>60,000,000</u>				
<b>Other employees</b>							
2004 options	24,000,000	(24,000,000)	—	30 July 2004	28 December 2005 to 27 June 2014	0.023	0.023
2005 options	20,000,000	(20,000,000)	—	28 July 2005	28 December 2006 to 27 June 2015	0.034	0.034
2007 options	30,000,000	—	30,000,000	20 August 2007	21 June 2008 to 20 June 2017	0.093	0.098
	<u>74,000,000</u>	<u>(44,000,000)</u>	<u>30,000,000</u>				
	<u>158,000,000</u>	<u>(68,000,000)</u>	<u>90,000,000</u>				

Save for the above, no share option was granted, exercised, cancelled or lapsed under the Old Scheme and the New Scheme during the Relevant Period.

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

So far as is known to any Director or chief executive of the Company, as at 30 September 2009, 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	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Well Success	(a)	Directly beneficially owned	319,176,000	5.82%
Advance Success	(a) & (b)	Through Well Success	319,176,000	5.82%
Madam Hon	(a) & (b)	Through Well Success and Advance Success	319,176,000	
		(c) Through PMGL	2,155,933,029	
	(c) Through Max Start	122,260,406		
	(c) Through Max Will	122,260,406		
			2,719,629,841	49.56%
Ms. Shing Shing Wai	(d)	Interest of substantial shareholder's spouse	4,076,753,540	
		Directly beneficially owned	17,000,000	
		4,093,753,540	74.60%	
PMGL	(c)	Directly beneficially owned	2,155,933,029	39.29%

Notes:

- (a) The entire issued share capital of Well Success is beneficially owned as to 31.47% by Mr. Wong, as to 10.13% by Mr. Ng Hon Fai (formerly a director of the Company), and as to 58.4% by Advance Success. Advance Success is deemed to be interested in the same number of shares in which Well Success is interested under the SFO.
- (b) Advance Success is equally owned by Mr. Wong and Madam Hon. Mr. Wong is the sole director of Advance Success. Each of Mr. Wong and Madam Hon is deemed to be interested in the same number of shares in which Advance Success is interested under the SFO. The interests of Mr. Wong in the shares of the Company is disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" above.
- (c) The entire issued share capital of PMGL, Max Will and Max Start are beneficially owned and as to 65% by Mr. Wong and as to 35% by Madam Hon.
- (d) 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. The figures refer to the same shares.

Save as disclosed above, as at 30 September 2009, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) of interests or short positions in the shares or underlying shares of the Company held by them which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Mo Kwok Choi (chairman of the audit committee), Mr. Yuen Kim Hung, Michael and Mr. Yung Ho.

The main duties of the audit committee are to review the half-yearly and annual financial information of the Group and oversee the Group's financial reporting system and internal control procedures.

The audit committee held one meeting during the Relevant Period. The audit committee has reviewed the Group's unaudited interim report for the six months ended 30 September 2009.



## DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

### (a) Loan Agreement with Fubon Bank (Hong Kong) Limited

On 1 August 2008, Sharp Advance International Limited (“Sharp Advance”), an indirect wholly-owned subsidiary of the Company, entered into a loan facility agreement (the “Loan Agreement”) with Fubon Bank (Hong Kong) Limited (“Fubon Bank”) for a three-year term loan of HK\$30,000,000.

As a condition precedent to Fubon Bank making the loan available to Sharp Advance, Mr. Wong, a Director and the controlling shareholder of the Company, is required to provide a guarantee and indemnity in favour of Fubon Bank (the “Guarantee”). Pursuant to the terms of the Guarantee, specific performance obligations are imposed on Mr. Wong during the term of the loan, among other things, to (1) continue to act as a Director and controlling shareholder of the Company; and (2) procure that the Company will continue to directly or indirectly hold the entire issued share capital of Sharp Advance and Prosperity Cement (Asia) Limited (“Prosperity Cement”), both indirect wholly-owned subsidiaries of the Company.

Non-compliance with the aforesaid obligations by Mr. Wong will constitute an event of default under the Loan Agreement, upon the occurrence of which Fubon Bank shall have the right to declare the loan terminated whereupon the obligations of Fubon Bank to make further advances shall immediately cease and to declare the loan, accrued interest and all other sums owing under the Loan Agreement to be immediately due and payable or Fubon Bank may take any action, exercise any right or pursue other remedies conferred on Fubon Bank or by any applicable law or regulation or otherwise as a consequence of such event of default. The obligations under the Guarantee have been complied with.

**(b) Facility Agreements with Hang Seng Bank Limited**

- (I) On 4 August 2008, the Company entered into a term facility agreement (the "Term Facility Agreement") with Hang Seng Bank Limited ("HS Bank") for a two-year term loan facility of US\$4,100,000 (equivalent to approximately HK\$31,980,000 based on the exchange rate of US\$1: HK\$7.8).
- (II) On 4 August 2008, Prosperity Cement, an indirect wholly-owned subsidiary of the Company, entered into a trade facility agreement (the "Trade Facility Agreement") with HS Bank. Pursuant to the Trade Facility Agreement, a trade facility of HK\$60,000,000 was made available to Prosperity Cement for the issuance of documentary credits, trust receipt facility and issuance of standby documentary credits. On 7 January 2009, the terms of the Trade Facility Agreement were amended by the following agreements:
  - (IIa) Prosperity Cement entered into a trade facility agreement (the "Prosperity Cement Trade Facility Agreement") with HS Bank. Pursuant to the Prosperity Cement Trade Facility Agreement, a trade facility of HK\$44,400,000 was made available to Prosperity Cement for the issuance of documentary credits, trust receipt facility and issuance of standby documentary credits; and
  - (IIb) Prosperity Cement (Asia) Limited – Macao Commercial Offshore ("PCAL – MCO"), an indirect wholly-owned subsidiary of the Company, entered into a trade facility agreement (the "MCO Trade Facility Agreement") with HS Bank. Pursuant to the MCO Trade Facility Agreement, a trade facility of US\$2,000,000 (equivalent to approximately HK\$15,600,000 based on the exchange rate of US\$1: HK\$7.8) was made available to PCAL – MCO for the issuance of documentary credits, trust receipt facility and issuance of standby documentary credits.

Pursuant to the terms of the Term Facility Agreement, the Prosperity Cement Trade Facility Agreement and the MCO Trade Facility Agreement, the Company, Prosperity Cement and PCAL – MCO have undertaken, among other things, to procure Mr. Wong, a Director and the controlling shareholder of the Company, to continue to be the Director and the controlling shareholder of the Company. Any default under the term loan facility and/or the trade facility which is significant to the operations of the Company when such undertaking is breached. The obligations under the Term Facility Agreement, the Prosperity Cement Trade Facility Agreement and the MCO Trade Facility Agreement have been complied with.

## DISCLOSURE UNDER RULE 13.19 OF THE LISTING RULES

Certain of the Group's banking facilities and the Note are subject to the fulfillment of covenants which are commonly found in lending agreements with financial institutions. As at 30 September 2009, the Group had breached certain covenants relating to several bank loan facilities and the Note which required the Group to maintain certain pre-agreed financial ratios. Included in the amount utilised were HK\$16,667,000 and HK\$528,980,000 which, in accordance with the terms of the banking facilities and Note respectively, were scheduled to be repaid after one year from the balance sheet date, but were classified as current liabilities in the condensed consolidated balance sheet as at 30 September 2009 as the Group did not have the unconditional right at the balance sheet date to defer settlement for at least the next twelve months as a result of the breach of those financial covenants.

Regarding the bank loans of which the covenants had been breached, the management is in the process of negotiating the relevant waivers with the banks. In addition, under the terms of the Sale and Purchase Agreement as mentioned in the note 22 to the financial statements, the Group will dispose of its entire equity interest in Upper Value together with all its third party debts (including the Note) to the Acquirer. If the holders of the Note decide to seek repayment of the note upon the completion of the Sale and Purchase Agreement, the outstanding amount of the Note will be paid by Upper Value (and be funded by the Acquirer). Otherwise, the Acquirer will guarantee the Note in place of the Company.

## CORPORATE GOVERNANCE

In the opinion of the Directors, during the Relevant Period, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the “CG Code”) except the following:

### Communications with shareholders

Under the CG Code, the chairman of the Board should attend the annual general meeting and arrange for the chairman of each of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at any general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders’ approval.

Whilst the Board endeavours to maintain an on-going dialogue with its shareholders, the chairman of the Company and the chairman of audit committee may not always be able to attend general meetings due to other important business engagements. Mr. Kong Siu Keung, being an executive Director, attended the annual general meeting of the Company on 25 September 2009 and was delegated to make himself available to answer questions if raised at the meeting. Mr. Yuen Kim Hung, Michael, a member of the audit committee, was delegated to attend the same general meeting to answer questions if raised at the meeting. The absence of the chairman of the Company in the annual general meeting and the absence of the chairman of audit committee in the annual general meeting constituted a deviation from the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the required standard of dealings as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions.

Having made specific enquiry with all the Directors, each of them confirms that he has complied in full with the required standard of dealings regarding directors' securities transactions throughout the Relevant Period.

### APPRECIATION

On behalf of the Company, I would like to express my sincere gratitude to our shareholders and business partners for their confidence and loyal support to the Group. In addition, I would like to take this opportunity to thank the management and all staff members for their dedication and valuable contribution. As we enter into the second half of the financial year 2010, we look forward to achieving continued growth for the Group.

By order of the Board

**Prosperity International Holdings (H.K.) Limited**

**Wong Ben Koon**

*Chairman*

Hong Kong, 30 December 2009

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

#### **Executive Directors**

Mr. Wong Ben Koon (*Chairman*)

Mr. Sun Yong Sen (*Deputy Chairman*)

Mr. Kong Siu Keung

#### **Independent Non-Executive Directors**

Mr. Mo Kwok Choi

Mr. Yuen Kim Hung, Michael

Mr. Yung Ho