Strategies for Creating

VALUE

Annual Report 2010

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

Prosperity International Holdings (H.K.) Limited is a leading supplier of building materials and mineral resources in the region.

Prosperity International has expanded its business to (i) exploitation and production of mineral resources through the acquisition of a granite mining site and (ii) investing in a public port and warehouse and a production facility of slag powder in Jiangsu Province, the PRC. In September 2009, Prosperity International completed the acquisition of 54.28% interests in Prosperity Minerals Holdings Limited, successfully expanded its business to iron ore and mineral resources related businesses.

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BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Mr. SUN Yong Sen, Deputy *Chairman*
Dr. MAO Shuzhong (appointed on 6 January 2010)
Mr. Johannes Petrus MULDER (appointed on 1 June 2010)
Ms. Gloria WONG (appointed on 1 June 2010)
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

AUDITOR

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

SOLICITORS

Stephenson Harwood
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
Australia and New Zealand Banking Group Limited
BNP Paribas Fortis
Overseas-Chinese Banking Corporation Limited
Rabobank International
United Overseas Bank

COMPANY WEBSITE

www.pihl-hk.com

Milestones in 2010

September 2009

Completed the acquisition of Prosperity Minerals

November 2009

Commenced the construction of port and other related facilities in a public port located in Jiangsu Province, the PRC

April 2010

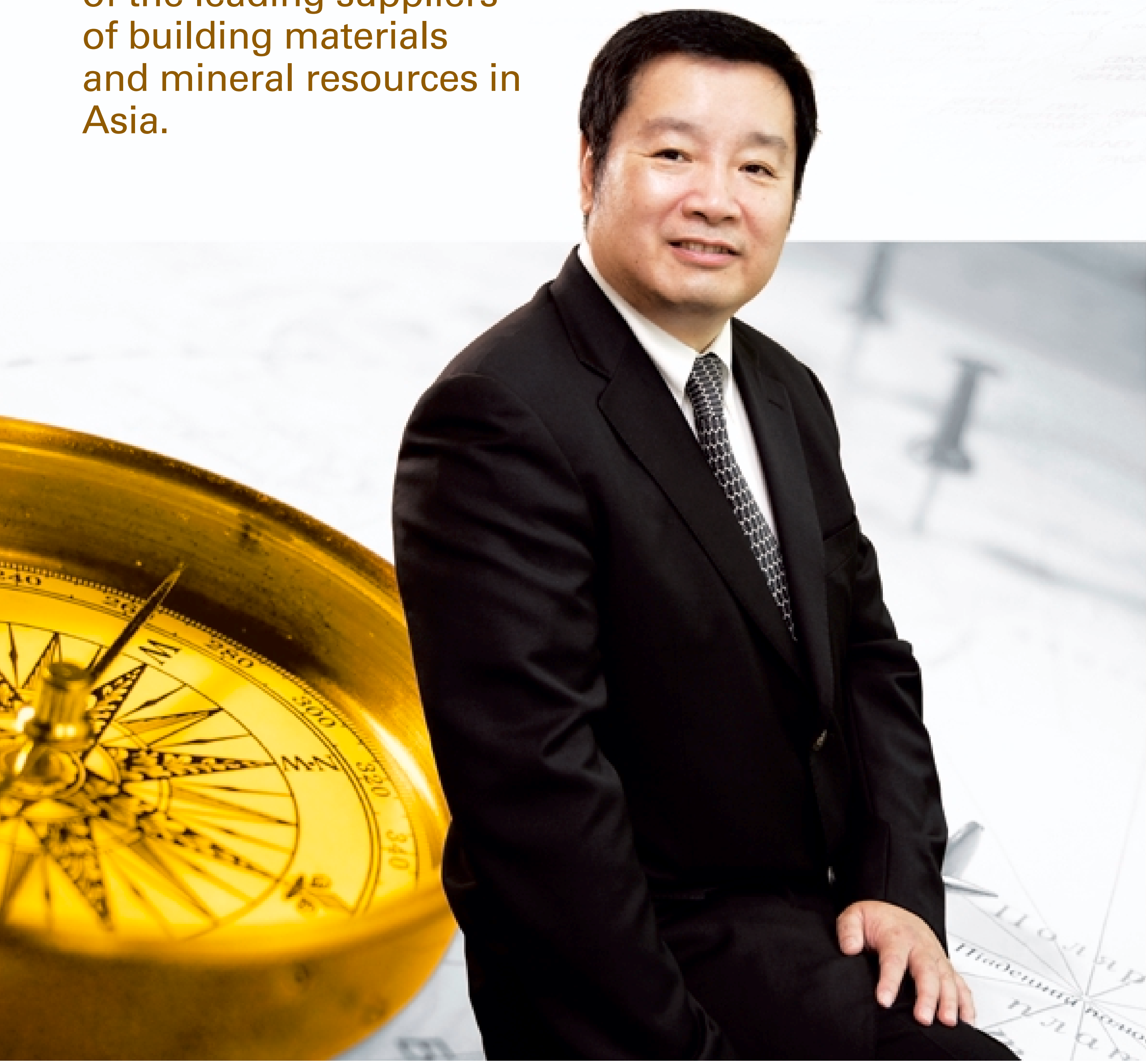
Prosperity Minerals completed the disposal of interests in majority of clinker and cement manufacturing plants for HK$3.8 billion in cash

June 2010

Commenced trial production of feldspar powder production plant in Xiang Lu Shan Mining Site located in Guangxi Province, the PRC

Chairman's Statement

We are on track in our pursuit of becoming one of the leading suppliers of building materials and mineral resources in Asia.



Dear Shareholders

I am pleased to present to you the annual report of Prosperity International Holdings (H.K.) Limited ("Prosperity International" or the "Company", together with its subsidiaries, collectively the "Group") for the year ended 31 March 2010 (the "Year").

RESULTS OVERVIEW

The Year had been another year of significance to the Group. We completed the acquisition of Prosperity Minerals Holdings Limited ("Prosperity Minerals") in September 2009, and completed the disposal of majority interests in clinker and cement manufacturing plants for a cash consideration of HK$3.8 billion ("the Discontinued Operation") as we proposed in December 2009. This enabled us to strengthen our capital base and cash position and capture the more promising investment opportunities, including mineral resources related businesses and property development in China.

It was also encouraging during this financial year that we had been able to continue to deliver significant growth in turnover and net profit despite weaknesses in demand in the international market. The Group saw its turnover from continuing operations increased by 226% to approximately HK$2,560 million from approximately HK$786 million in the preceding year. The turnover from the Discontinued Operation amounted to approximately HK$858 million for the Year.

Net profit attributable to owners of the Company for the Year, meanwhile, increased 133% to approximately HK$57.4 million from approximately HK$24.6 million in the preceding year.

BUSINESS REVIEW

Trading of Clinker and Cement

The performance of our clinker and cement trading business during the Year was a testament of our resilience and strength.

Leveraging on the expertise, experience and extensive sales network of the Group's management, we were still able to secure our export sales, despite the weaknesses in demand in the international market. This is a very respectable outcome considering the fact that our peers in the region were still struggling for survival.

The development of the clinker and cement trading segment was satisfactory. We adhered to our strategy of offering one-stop solutions to our customers; from sourcing products with reliable and consistent quality to assisting in logistics management.

This segment continued to be an important part of the Group as it constitutes the platform that supports further development of other building material businesses.

Granite Material Production

We conduct our granite material production through a 60%-owned subsidiary WM Aalbrightt Investment Holdings (Hong Kong) Limited (the "WM Aalbrightt") which indirectly owns a granite mining permit in Xiang Lu Shan Granite Mining Site in Guangxi Province, the PRC.

WM Aalbrightt secured from the Ministry of Land and Resources a renewal of this permit, allowing annual production of up to 40,000 m^3 of granite products, including high-quality white-color dimension stone and feldspar powder, for a period of 10 years.

Commencement of commercial production of granite materials proceeded during the Year as scheduled and we expect the demand in the PRC to continue, notably in the infrastructure sector and to a lesser extent, in the real estate market, despite recent government measures to cool down this sector.

We expect our new feldspar powder production plant to commence commercial production in late 2010. With the trial production already underway, further broadening of our construction materials product range is secured.

Operation of Public Port and Other Related Facilities

The Group's activities in public port operation and other related facilities are carried out through a 25%-owned joint venture with Anhui Conch Venture Investment Company Limited. This joint venture company will also provide warehousing services primarily for building materials to be distributed within Jiangsu Province, the PRC.

We went through great lengths to secure the relevant licenses for port operation during the Year. With necessary licenses for port operation already having been obtained during the Year, we could accelerate the construction process for the port and related facilities. We expect to commence the operation of public port and other related facilities by the end of 2011.

Prosperity Minerals Holdings Limited

During the Year, we completed an all-for-shares acquisition for a 54.28% interest in the AIM-listed Prosperity Minerals, as we proposed in April 2009. We also completed the disposal of Prosperity Minerals' interests in their majority clinker and cement manufacturing business in the PRC for a cash consideration of HK$3.8 billion in April 2010. As of the date of this report, an aggregate amount of HK$3.6 billion was received. The remaining balance of the consideration is expected to be received in July 2010.

These actions expanded the Group's capital base and strengthened its cash position, providing leeway for its expansion into the more promising investment opportunities, such as mineral resources related businesses and property development in China.

We are currently looking at an investment in a commercial building and a venture residential-commercial development project in Guangzhou, the PRC and a hot spring and resort project in Fujian Province, the PRC. To further strengthen the iron ore trading business, we established an iron ore master off-take agreement in May 2010 to secure reliable iron ore supply at competitive prices until March 2013.

We are confident that these actions can help bring better returns to our shareholders.

FUTURE PROSPECTS

With the recoveries in the major world economies remaining fragile, our operating environment will continue to be rather challenging. We will adhere strictly to our strategy of building a solid business foundation, including great products, strong core skills, clear strategies, a sound financial position and strong corporate culture to better prepare ourselves to reap the benefits from the expected forthcoming revival in demand.

We will continue our efforts in exploring new markets for our products, polishing our strengths in production and trading of other construction materials and identifying more promising opportunities in the mineral resources industry.

We are confident that our focus on mineral resources related business and our investment into the real estate industry in China will lead the fruitful returns for the Group. We are on track in our pursuit of becoming one of the leading suppliers of building materials and mineral resources in Asia.

APPRECIATION

On behalf of Prosperity International, I wish to thank wholeheartedly our shareholders and business partners for their continued trust and support to the Group. In addition, I would also like to take this opportunity to express my sincere gratitude to the management and all staff members for their unstinting dedication and enthusiasm in performing their responsibilities as well as their significant contributions throughout the Year. The Group will continue to develop a promising and sustainable business in both the local and global markets.

By order of the Board
Wong Ben Koon
Chairman

Hong Kong, 20 July 2010

Future Growth
STRATEGIES

We have now the muscle to strengthen existing businesses while venturing into new businesses with more promising returns.

OPERATING REVIEW

Trading of Clinker and Cement Business

Export of clinker and cement from the PRC during the year under review had been affected by weaknesses in demand in the international market in the aftermath of the global financial crisis.

Despite this difficult operating environment, the Group was still able to secure clinker and cement export sales orders and thereby reinforced its position in the market.

During the year under review, the Group sold clinker and cement aggregating approximately 1,509,000 tonnes, representing a 16% decline from that of the previous year.

This business segment generated revenue aggregating approximately to HK$495,157,000 (2009: HK$783,895,000), with segment profit of approximately HK$25,886,000 (2009: HK$35,315,000).

Granite Material Production

The Group made an inroad into the production of granite materials by acquiring Xiang Lu Shan Granite Mining Site in Guangxi Province, the PRC.

Following a renewal of the mining permit by Ministry of Land and Resources for this site in October 2008 for a period of ten years, the Group is in position to produce 40,000 m^3 (equivalent to approximately 102,000 tonnes) of granite products per annum. During the Year, this investment contributed revenue of approximately HK$8,291,000 to the Group's turnover.

The construction of a feldspar powder production plant was completed in mid 2010 and it has a designed production capacity of 100,000 tonnes per annum. Trial production for this plant has commenced and it is expected that the plant will be able to start commercial production in late 2010.

Operation of Public Port and Other Related Facilities Business

The Group engages in the operation of a public port and other related facilities through a 25%-owned joint venture unit with Anhui Conch Venture Investment Company Limited established in October 2006. This joint venture will also provide warehousing services primarily for building materials and raw materials distributed in Jiangsu Province, the PRC.

The public port is located in Jiangdu City of Jiangsu Province. The port is one of the few deep water ports along the Yangtze River Delta with nine berth docks in total (three for 70,000 tonnage vessels and six for 5,000 tonnage vessels) and a terminal storage area of approximately 360,000 m^2. The terminal can achieve massive throughput of 8 million tonnes per year.

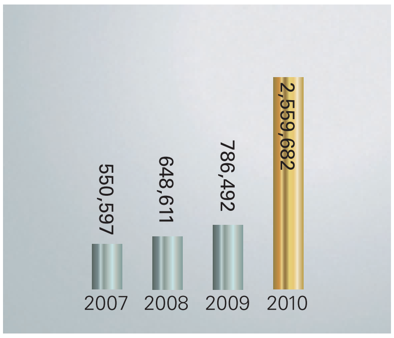
We have already obtained the necessary licenses for its operations from relevant government authorities for the operation of the public port. Construction of port facilities has commenced in November 2009. The public port and other related facilities are expected to commence commercial operation by the end of 2011.

The joint venture will also manufacture and sell slag powder, which can be used for cement production. Construction of slag powder production facilities, with an initial planned capacity of 1.5 million tonnes per year, is expected to commence by late 2011.

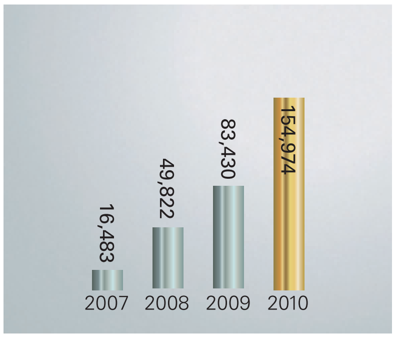
Prosperity Minerals Holdings Limited ("Prosperity Minerals")

On 24 September 2009, the Company completed an acquisition of 73,000,000 ordinary shares of GBP0.01 each (approximately 54.28%) in the capital of Prosperity Minerals, a company listed on the Alternative Investment Market of the London Stock Exchange plc., from Mr. Wong Ben Koon and his controlled companies, for approximately HK$1,621,863,000 in an all-shares transaction. Prosperity Minerals is a one of the major cement operators in China and focuses on the manufacture and sales of cement and clinker. It is also a major iron ore trader in China.

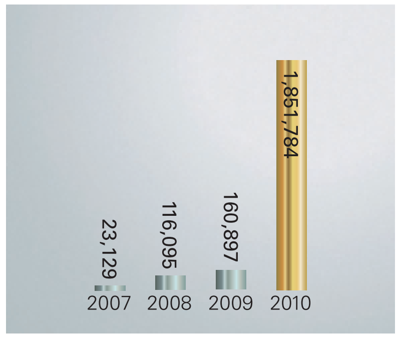
Turnover from continuing operations
For the year ended 31 March
HK$'000



Gross Profit
For the year ended 31 March
HK$'000



Total equity attributable to owners of the Company
As at 31 March
HK$'000



On 11 December 2009, Prosperity Minerals entered into an agreement to dispose its indirectly-held equity interests in the majority of cement and clinker manufacturing companies to an independent third-party, TCC International Holdings Limited, for HK$3.8 billion in cash (the "Disposal"). The Disposal was completed in April 2010 and it greatly assisted Prosperity Minerals to relieve its burden of committing capital resources continually in investment of new production facilities for these plants. Prosperity Minerals consequently are flexible to invest in other better-yielding businesses, namely concentrating its capital resources on iron-ore related businesses and venturing into other businesses with better prospects, in particular mineral resources.

Following completion of the Disposal, Prosperity Minerals now focuses on its iron ore trading business and its 33.06% investment in the Shanghai-listed Anhui Chaodong Cement Co., Ltd..

During the Year, Prosperity Minerals shipped a record tonnage of 7.9 million tonnes of iron ore, representing an 80% increase from the 4.4 million tonnes shipped in the previous year.

Prosperity Minerals also announced in May 2010 its plan to invest in a 28-floor commercial property SilverBay Plaza on Yangjiang Road Middle in Guangzhou, a 55% interest in a residential-commercial project Dongfang Wenda Plaza in Guangzhou and a proposed hot spring and resort development project in Fujian Province, the PRC.

To further strengthen its iron ore trading business, on 31 May 2010, Prosperity Minerals entered into a master off-take agreement with Grace Rise Pte Limited ("Grace Rise"), a limited company incorporated under the law of Singapore, with the maximum value of US$1,555 million (approximately HK$12 billion) so as to secure the reliable supply of iron ore, for loading at a Malaysian sea port, at a competitive price between 1 May 2010 to 31 March 2013. Mr. Wong Ben Koon, the chairman and executive director of the Company, has beneficial interests in Grace Rise.

During the Year, Prosperity Minerals contributed revenue of approximately HK$2,914,503,000 to the Group's revenue, with segment profit of approximately HK$187,997,000.

FINANCIAL REVIEW

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

Results

The Group recorded a turnover arising from continuing operations and net profit from continuing and discontinued operation (excluding the fair value loss on derivative financial instruments of approximately HK$77,064,000) of approximately HK$2,560 million and of approximately HK$174.6 million respectively during the Year.

The turnover from continuing operations for the Year increased by approximately 226%, mainly due to taking up the results of iron ore business of Prosperity Minerals which was acquired by the Company on 24 September 2009.

The selling and distribution costs from continuing operations for the Year represented the commission paid to sales agents and salaries and expenses incurred by the sales and marketing team to explore business opportunities with potential customers. The increase was mainly due to the increase in commission paid to sales agents to secure sales contracts and the increase in freight costs for delivering the cement and clinker and iron ores.

The administrative expenses from continuing operations mainly included remuneration of the directors of the Company and administrative personnel, and the legal and professional fees paid to external auditors, legal consultants and other professional parties. The increase during the Year was mainly due to the increase in remuneration paid to management and administrative staff and legal and professional fees paid to professional parties.

The derivative financial instruments represented 1,000 warrants granted by Prosperity Minerals to various institutional investors to subscribe for 12,905,639 ordinary shares of Prosperity Minerals in conjunction with the issuance of the US$100,000,000 redeemed notes to these institutional investors. The loss on re-measurement of derivative financial instruments to fair value amounted to approximately HK$77,064,000 (2009: Nil). Such loss was recognized as a result of the increase in published share price of Prosperity Minerals.

The finance costs from continuing operations for the Year represented the interest expenses incurred for the bank borrowings and financing offered by principal bankers. The increase in finance costs was due to the increase in bank borrowings during the Year.

The profit for the year from the discontinued operation (representing the cement and clinker manufacturing segment of Prosperity Minerals which entered into an agreement to dispose the same segment to a third party on 11 December 2009) amounted to approximately HK$142 million. The details of the disposal are disclosed in note 11 to the financial statements.

Net profit attributable to owners of the Company for the Year amounted to approximately HK$57.4 million, representing a significant growth of approximately 133% as compared with HK$24.6 million for the year ended 31 March 2009.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

During the Year, the Group generally financed its operations and settled its debts largely with cash generated from its operations and banking facilities provided by its principal bankers. As at 31 March 2010, the facilities offered by the banks to finance the business activities of the Group amounted to approximately HK$3,406 million.

As at 31 March 2010, the cash and bank balances including pledged bank deposits of the Group amounted to approximately HK$458.5 million. The increase in bank balances was resulted from the completion of acquisition of Prosperity Minerals on 24 September 2009 in conjunction with the strong cash inflow generated from its operations during the Year.

The Group's gearing ratio, measured in terms of total borrowings divided by shareholder's equity, was approximately 20% as at 31 March 2010 (31 March 2009: 34%).

FOREIGN EXCHANGE EXPOSURE

The trading of the clinker and cement business and trading of iron ore business are conducted predominately in US dollars. The granite mining and production business, the cement and clinker manufacturing business and the investment in the joint venture unit for public port operations are conducted in Renminbi. 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, the management will continue to monitor the relevant circumstances and will take such a measure if it is deemed prudent.

CONTINGENT LIABILITIES

As at 31 March 2010, the Company has issued corporate guarantees to various financial institutions for facilities of approximately HK$190 million (31 March 2009: approximately HK$266 million) granted to its subsidiaries. The Directors do not consider it probable that a claim will be made against the Company under any of the aforesaid guarantees. The maximum liabilities of the Company at the end of the reporting period under the aforesaid guarantees were approximately HK$84 million (31 March 2009: approximately HK$65 million).

The fair value of the aforesaid guarantees at date of inception is not material and is not recognised in the financial statements.

Save for the aforesaid, the Company did not have other significant contingent liabilities.

As at 31 March 2010, 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:

(a) the charge over certain bank deposits (note 26 to the financial statements), property, plant and equipment (note 17 to the financial statements), lease prepayments (note 18 to the financial statements) and mining rights (note 20 to the financial statements) of the Group;

(b) 60% equity interests in WM Aalbrightt, a 60% indirect owned subsidiary of the Group, and 100% equity interests in Sharp Advance International Limited ("Sharp Advance"), an indirect wholly-owned subsidiary of the Group; and

(c) all assets of Sharp Advance including interests in a subsidiary at cost of approximately HK$72 million, amounts due from fellow subsidiaries of approximately HK$0.5 million and bank deposits of approximately of HK$17,000; and

(d) 33.06% equity interest in Anhui Chaodong Cement Co., Ltd (note 22 to the financial statements).

COMMITMENTS

As at 31 March 2010, the Group had the following commitments:

(a) Operating lease commitments - as lessee

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

	2010 HK$'000	2009 HK$'000
Within one year	3,076	53
In the second to fifth years, inclusive	2,730	—
	5,806	53

Operating lease payments represent rentals payable by the Group for the office premises and a motor vehicle. Leases are negotiated for a term of one to three years, and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Capital and Other Commitments

	2010 HK$'000	2009 HK$'000
Contracted but not provided for acquisition of property, plant and equipment	4,134	3,528
Capital contribution to a subsidiary	262,080	—

(c) Purchase commitments

The Group entered into a raw materials supply contract with an iron ore supplier, with duration of seven years. Pursuant to the contract, the purchase prices are re-negotiated periodically on arm's length basis by reference to the prevailing market price of iron ore for shipment from similiar locations in the region. At 31 March 2010, the Group had purchase commitments in relation to the purchase of iron ore of 2,920,000 tonnes (2009: Nil) not provided for in the financial statements.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2010, the Group had a total of 2,436 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 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.

CAPITAL STRUCTURE

On 24 September 2009, 3,243,726,480 new ordinary shares of the Company of HK$0.01 each were allotted and issued at approximately HK$0.5 per share as the consideration for acquisition of 73,000,000 ordinary shares of GBP 0.01 each (approximately 54.28%) in the capital of Prosperity Minerals. In addition, 98,000,000 new ordinary shares of HK$0.01 each were issued upon the exercise of the share options by the Directors and employees of the Company during the Year.

FUTURE GROWTH STRATEGIES

Looking ahead, following the completion of the all-share Prosperity Minerals acquisition and the mainland cement plant interest disposal for cash, the Group's capital and cash positions are stronger than ever. It has now the muscle to strengthen its existing businesses while venturing into new businesses with more promising returns. The Group is on course to consolidate and actively expand its core businesses of iron ore trading and clinker and cement trading. These business units will continue to be the Group's major income sources. Meanwhile, efforts are being made to exploit better synergies between these two core businesses.

The Group will also capitalize on the bourgeoning recoveries to explore new markets and expand its foothold in existing markets, with an objective to reinforce its leading position in the iron ore trading and clinker and cement trading markets.

Meanwhile, it plans to expand its business cope to cover other construction materials and related ancillary services by devoting more attention to its existing granite and feldspar powder production operations and management of public port operations and other related facilities.

The Group will continue to identify opportunities to participate in mineral products in China and the rest of Asia through investments in existing operating mines and acquisition of more mining and extraction rights.

Eventually, The Group targets to evolve gradually into one of the leading suppliers of building materials and mineral sources in Asia with a solid business platform that promises to generate fruitful returns to shareholders.

Directors and Senior Management

DIRECTORS

Executive directors

Mr. WONG Ben Koon, aged 57, is one of the co-founders of the Group and the chairman of the Company. Mr. Wong is responsible for deriving the corporate culture and long term strategic plan of the Group. Mr. Wong has extensive experience in building materials and mineral resources industries in the PRC and global markets.

Mr. SUN Yong Sen, aged 64, has been appointed as an executive director and deputy chairman of the Company on 23 September 2008. Mr. Sun has in-depth and extensive experience in financial management, business development and project management in steel and energy industries.

Dr. MAO Shuzhong, aged 48, has been appointed as an executive director and chief executive officer of the Company on 6 January 2010. Dr. Mao has extensive experience in business management, organization structure and re-organisation, the management of mining iron ore, coal and various other metals, as well as marketing, sales and logistics. Prior to joining the Group, Dr. Mao was the vice chairman and president of Northtonhe Holdings Co. Ltd. from May 2006 to July 2008 and he was the managing director and principal of Auckland Institute of Education, New Zealand from October 2001 to April 2006. He obtained a doctor's degree in economics from Jiangxi University of Finance & Economics, China in 2009, a master's degree in business administration from New York Institute of Technology, U.S.A. in 1999 and a bachelor's degree of arts in English literature from Zhejiang University in Zhejiang, China in 1983.

Mr. Johannes Petrus MULDER, aged 63, has been appointed as an executive director of the Company on 1 June 2010. Mr. Mulder was appointed as an executive director of Prosperity Minerals Holdings Limited ("Prosperity Minerals"), a major subsidiary of the Company and its shares are currently listed on AIM of the London Stock Exchange plc., on 1 April 2007. Mr. Mulder has over 30 years of extensive international experience in the mining and steel industries in South Africa, Hong Kong and the PRC. Prior to joining Prosperity Minerals, he worked as a general manager and then manager of Business Development in South Africa for Exxaro Resources Limited (formerly known as Kumba Resources Limited). He also held senior positions in Kumba Resources, which is one of the leading iron ore companies in South Africa, including the Chief Representative of Kumba Resources, Beijing from 1997 to 2002, and a director and general manager of Kumba Hong Kong Ltd and a director of Kumba Hongye Zinc Company from 2003-2006. He holds a Bachelor's degree in Mining Engineering from the University of Pretoria, and a Bachelor's degree in Commerce (Business Economics, Economics, Industrial Psychology) and a Master's degree in Business Economics from the University of South Africa.

Ms. Gloria WONG, aged 27, has been appointed as an executive director of the Company on 1 June 2010. Ms. Wong has over 3 years' work experience and she is currently responsible for assisting in the implementation of decisions and policies relating the Group's overall business plan as approved by the Board from time to time. Ms. Wong graduated from Queen Mary, University of London with a Bachelor's degree in Economics and Finance and from King's College London with a Master's degree in International Management. Ms. Wong is the daughter of Mr. Wong Ben Koon.

Mr. KONG Siu Keung, aged 41, is an executive director and the chief financial officer of the Company. Mr. Kong holds a master's degree in business administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kong joined the Group in January 2004 and has over 17-year experience in finance and accounting field.

Independent non-executive directors

Mr. MO Kwok Choi, aged 75, was appointed as an independent non-executive director in October 2000. Mr. Mo has extensive experience in business management and he had served as a general manager of Nanjing Iron & Steel Group Import and Export Group Limited from 1984 to 1999. Mr. Mo is the chairman of the Audit Committee of the Company and a member of Remuneration Committee of the Company.

Mr. YUEN Kim Hung, Michael, aged 49, was appointed as an independent non-executive director in January 2002. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of Certified General Accountants Association of Canada. Mr. Yuen has over 16 years' experience in auditing, tax and accounting field. Mr. Yuen is the chairman of the Remuneration Committee of the Company and a member of the Audit Committee of the Company.

Mr. YUNG Ho, aged 65, was appointed as an independent non-executive director in September 2004. Mr. Yung has extensive experience in the industries of trading and property development in the PRC. Mr. Yung is a member of the Audit Committee of the Company and a member of the Remuneration Committee of the Company.

SENIOR MANAGEMENT

Mr. TOK Beng Tiong, aged 39, is an executive in charge of clinker and cement business. Mr. Tok obtained his bachelor's degree in Commerce from the University of New South Wales in Australia. Mr. Tok has over 12 years' experience in building material industry and relevant logistics management in the PRC and global markets.

Mr. Li Siu Ming Patrick, aged 47, is an executive director and the chief financial officer of Prosperity Minerals. He is responsible for the banking, treasury and accounting matters and supervises the finance and accounting staff of Prosperity Minerals. Patrick has more than 20 years' experience in the banking and financial services industry and acted as Head of Risk Management in the Global Commodities Group at Fortis Bank (Hong Kong and Shanghai) and as the Vice President for Finance of the Titan Petrochemicals Group Limited before joining Prosperity Minerals. Patrick obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1985 and a Bachelors degree in Law from Manchester Metropolitan University in 1996. Patrick has also obtained a post-graduate, diploma in Corporate Administration in 2000 and a master's degree in Professional Accounting from the Hong Kong Polytechnic University in 2001. Patrick is an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Ms. So Yuen Yee Selina, aged 48, is the general manager of Prosperity Mineral's iron ore business. She is responsible for the implementation and development of corporate strategy and company administration including the operation of trading activities in Prosperity Minerals. She began her career in 1981 with Robin Information Systems and subsequently took on various administrative positions with companies including Radofin Electronics (FE) Ltd, High Fashion Garments Ltd and Leshons Enterprises Ltd. Selina graduated from HKU Space with a Diploma in Marketing Management in 1998.

Mr. Yeung Hung Yuen Kenneth, aged 40, is the group financial controller of Prosperity Minerals. Mr. Yeung is responsible for overseeing all accounting and treasury functions and assists the chief financial officer of Prosperity Minerals in handling banking relationships and matters. Prior to joining Prosperity Minerals, he was the chief financial officer and company secretary of Ningbo Yidong Electronic Company Limited from 2003 to 2005, assisting in the company's initial public offering in Hong Kong in November 2003. He graduated from Hong Kong Polytechnic with a bachelor's degree in Business Studies in 1993. He is also a member of the Association of Chartered Certified Accounts and the Hong Kong Institute of Certified Public Accountants .

Mr. Tam Siu Wai, aged 62, is the deputy general manager of Prosperity Mineral's iron ore business. He graduated from the University of Guangzhou in 1978 and has more than 20 years' experience in the steel manufacturing industry. Mr. Tam began his career with Guangzhou Iron and Steel Corporation as a technician. He joined Prosperity Minerals in 1998 and is currently responsible for maintaining customer relations and implementing the iron ore trading business's marketing strategy.

Mr. Chu Kin Ming, aged 30, is the senior finance manager of the Group. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accounting. He joined the Group in June 2009 and he had over 7 years experience working in international accounting firms and a company listed in Hong Kong.

Corporate Governance Report

The Company is committed to ensuring a high standard of corporate governance in the interests of the shareholders and to maintaining high level of business ethics and corporate governance practices.

During the year ended 31 March 2010 (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 Rules Governing the Listing of Securities on the Stock Exchange (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 under the section "Communications with Shareholders" in this report. The board of directors of the Company (the "Board" or the "Directors") continues to review and update the practices from time to time to ensuring the compliance with the legal and commercial standards.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by the 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 ended 31 March 2010.

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 ("Relevant Employees") in respect of their dealings in securities of the Company. Having made specific enquiry with all the Relevant Employees, each of them confirmed that this policy has been complied in full throughout the Year.

THE BOARD

The Board comprises nine directors including six executive directors and three independent non-executive directors. The independent non-executive directors possess appropriate academic and professional qualifications or related financial and business management expertise and have brought a wide range of business and financial experience to the Board. The composition of the Board is set out below:

Executive directors:

Mr. Wong Ben Koon (Chairman of the Board)
Mr. Sun Yong Sen (Deputy Chairman of the Board)
Dr. Mao Shuzhong (Chief Executive Officer) (appointed on 6 January 2010)
Mr. Johannes Petrus Mulder (appointed on 1 June 2010)
Ms. Gloria Wong (appointed on 1 June 2010)
Mr. Kong Siu Keung

Independent non-executive directors:

Mr. Mo Kwok Choi (Chairman of Audit Committee and member of Remuneration Committee)
Mr. Yuen Kim Hung, Michael (member of Audit Committee and Chairman of Remuneration Committee)
Mr. Yung Ho (member of Audit Committee and Remuneration Committee)

The biographical details of the Directors are set out on pages 18 and 19 to this annual report.

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

There were 17 Board meetings held during the year ended 31 March 2010 and the attendance record of each Director at Board meetings is set out below:

Name of Directors	Attendance/ Number of Board Meetings
Mr. Wong Ben Koon	15/17
Mr. Sun Yong Sen	6/17
Dr. Mao Shuzhong (appointed on 6 January 2010)	3/4
Mr. Johannes Petrus Mulder (appointed on 1 June 2010)	N/A
Ms. Gloria Wong (appointed on 1 June 2010)	N/A
Mr. Kong Siu Keung	16/17
Mr. Mo Kwok Choi	6/17
Mr. Yuen Kim Hung, Michael	13/17
Mr. Yung Ho	15/17

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

Mr. Wong Ben Koon is controlling shareholder of the Company. His respective interests is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" in the Report of the Directors. Mr. Wong Ben Koon has beneficial interests in certain companies outside the Group. Transactions between these companies and the Group (if any) during the Year are disclosed in note 42 to the financial statements.

Save as disclosed above and in note 42 to the financial statements, there is no financial, business, family or other material or relevant relationship among the Directors or between the chairman and the chief executive officer.

The Board has adopted the recommended practice under the Listing Rules to appoint at least one-third of its Directors as independent non-executive Directors. All the independent non-executive Directors are appointed for a specific term and will be subject to retirement by rotation and re-election at the annual general meetings of the Company. The Company has received an annual written confirmation from each of the independent non-executive Directors of his independence. The Board considers that all the independent non-executive Directors are independent in accordance with the guidelines set out under the Listing Rules. The details of the service contract of each independent non-executive Director are disclosed in the section headed "Directors' Service Contracts" under the Report of the Directors.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Ben Koon is the chairman of the Company. Mr. Wong is responsible for deriving the corporate culture and long term strategic plan of the Group. Dr. Mao Shuzhong is the chief executive officer of the Company and he is responsible for the overall management of the Group, including strategic planning, business developments and operations.

AUDIT COMMITTEE

The Audit Committee 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 quarterly (if any), half-yearly and annual financial information of the Group and to oversee the Company's financial reporting system and internal control procedures.

The Audit Committee held two meetings during the Year and reviewed the financial results and reports, financial reporting and compliance procedures, risk management review and processes and the re-appointment of the external auditor. The Audit Committee did not take a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditor.

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

Name of Directors	Attendance/ Number of Audit Committee Meetings
Mr. Mo Kwok Choi	2/2
Mr. Yuen Kim Hung, Michael	2/2
Mr. Yung Ho	2/2

The audit committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 34 of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee was set up in March 2005 and is constituted by three independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (Chairman of the Remuneration Committee), Mr. Yung Ho and Mr. Mo Kwok Choi.

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

Two meetings had been held during the Year to discuss remuneration related matters. The Remuneration Committee made recommendations to the Board on bonus payments and increment in salary and housing allowance (if any) for the executive directors and senior management staff.

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

Name of Directors	Attendance/ Number of Remuneration Committee Meetings
Mr. Yuen Kim Hung, Michael	2/2
Mr. Yung Ho	2/2
Mr. Mo Kwok Choi	1/2

NOMINATION COMMITTEE

The Company does not have a nomination committee. The power to nominate or appoint additional directors is vested in the Board according to the bye-laws of the Company, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the bye-laws of the Company. The main criteria in selecting a candidate is whether he can add value to the management through his contributions in the relevant strategic business areas.

Where vacancies arise at the Board or whenever any member of the Board considers any qualified individual with relevant expertise and experience is likely to be invited to join the Board, the qualifications and experience of the proposed candidate(s) will be put forward to the Board for its consideration and approval. During the Year, the Board held one meeting to appoint a candidate to fill a casual vacancy of chief executive officer.

COMMUNICATIONS WITH SHAREHOLDERS

Under 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, 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 the executive director of the Company, attended the annual general meeting on 25 September 2009 and the special general meetings on 14 September 2009 and 19 February 2010 were delegated to make himself available to answer questions if raised at the meetings. Mr. Yuen Kim Hung, Michael, a member of audit committee, was delegated to attend the same general meetings to answer questions if raised at the meetings. The absence of the chairman of the Company and the chairman of the audit committee in the annual general meeting constituted a deviation from the CG Code.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. During the Year, the Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Group.

AUDITOR'S REMUNERATION

RSM Nelson Wheeler was appointed as the Company's external auditor. The external auditor is primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the Year, the total remuneration in respect of services provided by RSM Nelson Wheeler amounted to HK$3,538,000 of which HK$1,100,000 was incurred for statutory audit and HK$2,438,000 was incurred for non-audit services which mainly included tax advisory services and other professional services.

CONCLUSION

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

The board of directors of the Company (the "Board" or the "Directors") is pleased to present their report and the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 44 to the financial statements. The core business of the Group is the (i) trading of clinker, cement and other building materials; (ii) investment of granite material production; (iii) trading of iron ore; and (iv) investment of public port and other related facilities business in the PRC.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2010 are set out in the consolidated income statement on page 35 and the state of affairs of the Group as at 31 March 2010 are set out in the consolidated statement of financial position on pages 37 and 38.

The Directors recommend the payment of a final dividend of HK$2 cents per ordinary share in respect of the Year. Details of which are set out in note 15 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 March 2010 is set out on page 105. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 17 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2010 are set out in note 44 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year, together with the reasons therefor, are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR 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, respectively.

RESERVES

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 39 of the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended from time to time) amounted to approximately HK$60.0 million (2009: HK$24.2 million). The Company's share premium, in the amount of approximately HK$1,661.2 million as at 31 March 2010 (2009: HK$67.1 million), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for approximately 68% of total sales and sales to the largest customer included therein amounted to approximately 20% of total sales. The Group's five largest suppliers accounted for approximately 78% of total purchases for the Year and purchases from the largest supplier included therein amounted for approximately 57% of total purchases.

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

DIRECTORS

The Directors during the Year and as at date of this report are:

Executive Directors:

Mr. Wong Ben Koon
Mr. Sun Yong Sen
Dr. Mao Shuzhong (appointed on 6 January 2010)
Mr. Johannes Petrus Mulder (appointed on 1 June 2010)
Ms. Gloria Wong (appointed on 1 June 2010)
Mr. Kong Siu Keung

Independent non-executive Directors:

Mr. Mo Kwok Choi
Mr. Yuen Kim Hung, Michael
Mr. Yung Ho

In accordance with bye-law 87 of the Company's bye-laws, Mr. Kong Siu Keung and Mr. Yuen Kim Hung, Michael will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Pursuant to the bye-law 86(2) of the Company's bye-laws, Dr. Mao Shuzhong, Mr. Johannes Petrus Mulder and Ms. Gloria Wong will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 18 and 19 of this annual report.

CHANGE OF CHIEF EXECUTIVE OFFICER, APPOINTMENT OF EXECUTIVE DIRECTORS

Dr. Jiang Brent Zhiwei resigned as chief executive officer of the Company with effect from 26 November 2009 and Dr. Mao Shuzhong has been appointed as executive Director and chief executive officer of the Company on the 6 January 2010 to fill vacancy. Mr. Johannes Petrus Mulder and Ms. Gloria Wong have been appointed as executive Directors of the Company with effect from 1 June 2010.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Ben Koon entered into a service contract with the Company commencing from 1 July 2001 which will continue thereafter until terminated by not less than three months' prior notice in writing given by either party to the other.

Mr. Kong Siu Keung entered into a service contract with the Company commencing from 12 February 2004 which will continue thereafter until terminated by not less than three months' prior notice in writing given by either party to the other.

Mr. Sun Yong Sen entered into a service contract with the Company for a term of three years commencing from 23 September 2008. His appointment is subject to termination by, among other matters, either party giving not less than three months' written notice.

Dr. Mao Shuzhong entered into a service contract with the Company for a term of three years commencing from 6 January 2010. His appointment is subject to termination by, among other matters, either party giving not less than three months' written notice.

Mr. Johannes Petrus Mulder entered into a service contract with the Company for a term of three years commencing from 1 June 2010. His appointment is subject to termination by, among other matters, either party giving not less than three months' written notice.

Ms. Gloria Wong entered into a service contract with the Company for a term of three years commencing from 1 June 2010. Her appointment is subject to termination by, among other matters, either party giving not less than three months' written notice.

Mr. Mo Kwok Choi entered into a service contract with the Company for a term of two years commencing from 18 July 2009, subject to retirement by rotation and re-election at annual general meetings of the Company and is subject to termination by, among other matters, either party giving not less than two months' written notice.

Mr. Yuen Kim Hung, Michael entered into a service contract with the Company for a term of two years commencing from 31 December 2008, subject to retirement by rotation and re-election at annual general meetings of the Company and is subject to termination by, among other matters, either party giving not less than two months' written notice.

Mr. Yung Ho entered into a service contract with the Company for a term of two years commencing from 1 September 2008, subject to retirement by rotation and re-election at annual general meetings of the Company and is subject to termination by, among other matters, either party giving not less than one month's written notice.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract or an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 42 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party, and which subsisted at the end of the Year or at any time during the Year.

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

As at 31 March 2010, 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 its associated corporations which were required (a) 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) to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) to otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in shares and underlying shares of the Company

	Number of shares held, capacity and nature of interest					
Name of Director	Directly beneficially owned	Through controlled corporation	Number of underlying interest of director's spouse	shares held under equity derivatives	Total	Percentage of the Company's issued share capital
Mr. Wong Ben Koon ("Mr. Wong")	1,357,123,699	2,719,629,841 (Note)	17,000,000	60,000,000	4,153,753,540	75.28%

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 of the Company) and 58.4% by Advance Success Limited ("Advance Success"). Advance Success is equally owned by Mr. Wong and Madam Hon Ching Fong ("Madam Hon") (formerly a director of the Company). 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, Max Start Holdings Limited, Max Will Profits Limited, respectively, and each of which is owned as to 65% by Mr. Wong.

The details of share options held by the Directors and chief executive of the Company are disclosed in note 37 to the financial statements.

Save as disclosed above, as at 31 March 2010, 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 or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which was required (a) 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 in which he/she was taken or deemed to have under such provisions of the SFO) or (b) which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) which was required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The details of the Company's share option scheme, the share options outstanding and the movements during the Year are disclosed in note 37 to the financial statements. The share option scheme adopted by the Company on 25 August 2003 ("GEM Share Option Scheme") was terminated, upon the listing of the shares of the Company being transferred from GEM Board to the Main Board of the Stock Exchange on 18 December 2008. The share options granted under the GEM Share Option Scheme but unexercised will 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 the Listing Rules at the annual general meeting held on 25 September 2009. No option has been granted under the New Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Wong, directly and through his controlled associates, helds beneficial interests in Prosperity Minerals Holdings Limited ("Prosperity Minerals"). Mr. Wong is the chairman of the board of directors and chief executive officer of the Prosperity Minerals. Prosperity Minerals is a large cement operator in the PRC and focuses on the manufacture and sale of cement and clinker. On 24 September 2009, the Company completed the acquisition of 54.28% interest in Prosperity Minerals from Mr. Wong and his controlled associates (the "Acquisition"). As at 31 March 2010, the Prosperity Minerals indirectly holds interests in the following companies:

Yingde Dragon Mountain Cement Company Limited (note i)
Prosperity Conch Cement Company Limited (note i)
Anhui Chaodong Cement Company Limited (note i)
Guangzhou K.Wah Nanfang Cement Limited (note ii)
Liaoning Changqing Cement Company Limited (note i)
Chongqing Changxing Cement Company Limited (note i)
Yunnan Kungang & K. Wah Cement Construction Materials Company Limited (note i)
Baoshan Kungang & K. Wah Cement Construction Materials Company Limited (note i)
Guizhou Anshun Changxing Cement Company Limited (note i)

Notes:

(i) These companies (the "Cement Companies") are engaged in the manufacture, warehouse and sales of clinker and cement in the PRC. Mr. Wong is a director of Yingde Dragon Mountain Cement Company Limited, Prosperity Conch Cement Company Limited, Anhui Chaodong Cement Company Limited and Chongqing Changxing Cement Company Limited. Mr. Wong confirmed that, up to the date of this report, all the products of the Cement Companies were sold in domestic market in the PRC without any exports to overseas countries.

In view of the completely different target markets between the Group and the Cement Companies, the Board considers that there is no direct or indirect competition between the Group and the Cement Companies before the Acquisition.

(ii) Guangzhou K.Wah Nanfang Cement Limited ("GKWN") is a cement grinding mill located in Guangzhou City, the PRC. GKWN exports cement and therefore, competes or likely to compete, either directly or indirectly, with the business of the Group before the Acqusition pursuant to the Listing Rule.

During the period between 1 April 2009 and the completion date of the Acquisition on 24 September 2009, the abovementioned businesses are operated and managed by companies with independent management and administration. In addition, the majority of the members of the Board are different from the respective board of directors of Cement Companies and GKWN, and accordingly, the Group is capable of carrying on its business independently, and at arm's length from the competing businesses mentioned above.

On 30 April 2010, the Company disposed of its cement manufacturing business, excluding Anhui Chaodong Cement Company Limited, to an independent third party for a cash consideration of HK$3.8 billion.

Save as aforesaid, during the Year, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

During the period between 1 April 2009 and the completion date of the Acquisition on 24 September 2009, the Group did not have any transactions with the Cement Companies and GKWN.

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 2010, the following persons (other than the Directors or chief executive of the Company) had an interests or short position 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, who were directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Company:

Long positions in the shares and underlying shares of the Company:

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	5.78%
Advance Success	(a) & (b)	Interest of controlled corporation	319,176,000	5.78%
Madam Hon	(a), (b) & (c)	Interest of controlled corporation	2,719,629,841	49.30%
Ms. Shing Shing Wai	(d)	Interest of spouse	4,136,753,540	
		Directly beneficially owned	17,000,000	
			4,153,753,540	75.28%
Prosperity Minerals Group Limited	(c)	Directly beneficially owned	2,155,933,029	39.07%

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 of the Company in which Well Success was interested under the SFO.

(b) Advance Success is equally owned by Mr. Wong and Madam Hon (formerly a director of the Company). 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 are 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 Prosperity Minerals Group Limited, Max Will Profits Limited and Max Start Holdings Limited 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 referred to the same shares.

Long positions in the shares/registered capital of the member of the Group:

Name of the member of the Group	Name of shareholder(s)	Capacity and nature of interest	Number of ordinary shares held	Percentage of the issued share capital
WM Aalbrightt Investment Holdings (Hong Kong) Limited	WM Aalbrightt Investment Holdings Limited	Beneficially owner	40,000	40%

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 March 2010, no other person (who is not a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares 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 kept by the Company under section 336 of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at 31 March 2010, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACT

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

CONNECTED TRANSACTIONS

Details of the connected transactions are disclosed in note 38(a) and note 42 to the financial statements, which are in compliance with the requirements of the Listing Rules.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 20 to 24 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in note 43 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

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 (the "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 at 31 March 2010, the outstanding balance of the Loan Agreement amounted to approximately HK$23,300,000.

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). As at 31 March 2010, the outstanding balance of the Term Facility Agreement amounted to US$806,000 (equivalent to approximately HK$6,287,000);

(II) On 7 January 2010, Prosperity Cement renewed 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, As at 31 March 2010, the outstanding balance of the Prosperity Cement Trade Facility Agreement amounted to HK$30,792,000; and

(III) On 7 January 2010, Prosperity Cement (Asia) Limited – Macao Commercial Offshore ("PCAL – MCO"), an indirect wholly-owned subsidiary of the Company, renewed 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) was made available to PCAL – MCO for the issuance of documentary credits, trust receipt facility and issuance of standby documentary credits. As at 31 March 2010, the outstanding balance of the MCO Trade Facility Agreement amounted to zero.

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. Default will be caused in respect of the term loan facility and/or the trade facility which are significant to the operations of the Company when such undertaking is breached. The obligation under the Term Facility Agreement, the Prosperity Cement Trade Facility Agreement and the MCO Trade Facility Agreement has been complied with.

AUDITOR

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

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

ON BEHALF OF THE BOARD
WONG Ben Koon
Chairman

Hong Kong, 20 July 2010

Independent Auditor's Report

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 104, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2010 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
20 July 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	6	2,559,682	786,492
Cost of goods sold		(2,404,708)	(703,062)
Gross profit		154,974	83,430
Other income	7	31,419	7,145
Selling and distribution costs		(59,459)	(36,323)
Administrative expenses		(106,251)	(28,388)
Profit from operations		20,683	25,864
Finance costs	9	(5,883)	(1,927)
Share of profits less losses of associates		19,799	—
Fair value loss on derivative financial instruments		(77,064)	—
(Loss)/profit before tax		(42,465)	23,937
Income tax expense	10	(2,115)	(878)
(Loss)/profit for the year from continuing operations		(44,580)	23,059
Discontinued operation			
Profit for the year from discontinued operation	11	142,115	—
Profit for the year	12	97,535	23,059
Attributable to:			
Owners of the Company		57,394	24,573
Minority interests		40,141	(1,514)
		97,535	23,059
Earnings/(loss) per share			
From continuing and discontinued operations			
– basic (HK cents)	16(a)	1.5	1.2
– diluted (HK cents)	16(a)	N/A	1.1
From continuing operations			
– basic (HK cents)	16(b)	(0.6)	1.2
– diluted (HK cents)	16(b)	N/A	1.1

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	97,535	23,059
Other comprehensive income:		
Exchange differences on translating foreign operations	2,929	157
Total comprehensive income for the year	100,464	23,216
Attributable to:		
Owners of the Company	59,304	24,685
Minority interests	41,160	(1,469)
	100,464	23,216

Consolidated Statement of Financial Position

At 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	17	6,042	957
Goodwill	19	38,105	—
Other intangible assets	20	192,640	192,640
Interests in associates	22	378,346	28,120
Non-current prepayments	23	129,240	6,771
		744,373	228,488
Current assets			
Trade and bills receivables	24	155,061	25,742
Prepayments, deposits and other receivables	25	512,006	21,951
Current tax assets		1,542	496
Pledged bank deposits	26	54,581	15,389
Bank and cash balances	26	403,909	83,468
		1,127,099	147,046
Disposal group held for sale	27	5,869,803	—
		6,996,902	147,046
TOTAL ASSETS		7,741,275	375,534
Capital and reserves			
Share capital	28	55,177	21,760
Reserves	30	1,796,607	139,137
Equity attributable to owners of the Company		1,851,784	160,897
Minority interests		1,378,072	56,244
Total equity		3,229,856	217,141
Non-current liabilities			
Bank borrowings	31	23,512	29,621
Obligations under finance leases	32	335	—
Deferred tax liabilities	33	48,160	48,160
		72,007	77,781

	Note	2010 HK$'000	2009 HK$'000
Current liabilities			
Trade and bills payables	34	222,187	15,063
Other payables	35	866,054	40,951
Receipt in advance		1,171	99
Derivative financial instruments	36	89,965	—
Current portion of bank borrowings	31	338,261	24,352
Current portion of obligations under finance leases	32	308	147
		1,517,946	80,612
Liabilities directly associated with disposal group held for sale	27	2,921,466	—
		4,439,412	80,612
Total liabilities		4,511,419	158,393
TOTAL EQUITY AND LIABILITIES		7,741,275	375,534
Net current assets		2,557,490	66,434
Total assets less current liabilities		3,301,863	294,922

Approved by the Board of Directors on 20 July 2010

Wong Ben Koon
Chairman and Executive Director

Kong Siu Keung
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners 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
Total comprehensive income for the year	—	—	112	—	—	—	24,573	24,685	(1,469)	23,216
Recognition of share-based payments	—	—	—	—	173	—	—	173	—	173
Issue of new shares for acquisition of subsidiaries (Note 28(a))	1,837	20,019	—	—	—	—	—	21,856	—	21,856
Repurchase of shares (Note 28(b))	(189)	(2,063)	—	—	—	—	—	(2,252)	—	(2,252)
Issue of new shares upon exercise of share options (Note 28(c))	100	297	—	—	(57)	—	—	340	—	340
	1,748	18,253	—	—	116	—	—	20,117	—	20,117
At 31 March 2009	21,760	67,090	2,752	14,878	2,049	50	52,318	160,897	56,244	217,141
Total comprehensive income for the year	—	—	1,910	—	—	—	57,394	59,304	41,160	100,464
Recognition of share-based payments	—	—	—	—	5,145	—	—	5,145	—	5,145
Issue of new shares for acquisition of subsidiaries (Note 28(d))	32,437	1,589,426	—	—	—	—	—	1,621,863	—	1,621,863
Issue of new shares upon exercise of share options (Note 28(e))	980	4,680	—	—	(1,085)	—	—	4,575	—	4,575
Acquisition of subsidiaries (Note 38(a))	—	—	—	—	—	—	—	—	1,273,790	1,273,790
Deemed disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	6,878	6,878
	33,417	1,594,106	—	—	4,060	—	—	1,631,583	1,280,668	2,912,251
At 31 March 2010	**55,177**	**1,661,196**	**4,662**	**14,878**	**6,109**	**50**	**109,712**	**1,851,784**	**1,378,072**	**3,229,856**

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		97,535	23,059
Adjustments for:			
Income tax expense		34,761	878
Finance costs		41,195	1,927
Interest income		(2,302)	(233)
Depreciation		27,531	244
Amortisation		12,065	—
Share-based payments		5,145	173
Share of profits less losses of associates		(96,423)	—
Impairment loss on interests in a jointly controlled entity		17,838	—
Fair value loss on derivative financial instruments		77,064	—
Gain on deemed disposal of partial interests in subsidiaries		(760)	—
Operating profit before working capital changes		213,649	26,048
Increase in inventories		(19,908)	—
Decrease in trade and bills receivables		164,039	12,033
Increase in prepayments, deposits and other receivables		(256,983)	(16,711)
Decrease in trade and bills payables		(73,396)	(3,544)
Increase in other payables		49,920	12,631
Increase/(decrease) in receipt in advance		26,867	(104)
Repayment to a related company		—	(90)
Cash generated from operating activities		104,188	30,263
Income tax paid		(28,659)	(1,392)
Net cash generated from operating activities		75,529	28,871
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in pledged bank deposits		(28,866)	(6,357)
Interest received		2,302	233
Acquisition of subsidiaries	38(a)	311,525	(16,000)
Purchases of property, plant and equipment		(604,653)	(71)
Proceeds from disposal of property, plant and equipment		2,770	—
Payment for lease prepayments		(53,403)	—
Investment in an associate		(34,538)	—
Deposit received for disposal of subsidiaries		800,000	—
Dividends received from an associate		15,439	—
Increase in non-current prepayments		(190,936)	(6,771)
Net cash generated from/(used in) investing activities		219,640	(28,966)

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loans raised	504,541	62,395
Repayment of bank loans	(336,549)	(17,101)
Repayment of obligations under finance leases	(338)	(165)
Increase in trust receipt loans	122,117	—
Finance lease charges paid	(47)	(17)
Interests paid	(41,148)	(1,910)
Proceeds from issuance of shares	4,575	340
Proceeds from issuance of shares of a subsidiary	7,638	—
Repurchase of shares	—	(2,252)
Net cash generated from financing activities	260,789	41,290
NET INCREASE IN CASH AND CASH EQUIVALENTS	555,958	41,195
Effect of foreign exchange rate changes	668	109
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	83,468	42,164
CASH AND CASH EQUIVALENTS AT END OF YEAR	640,094	83,468
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	640,094	83,468
Representing:		
Continuing operations	403,909	83,468
Discontinued operation	236,185	—
	640,094	83,468

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 44 to the financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Financial instruments: Disclosures

As a result of the adoption of the amendments to HKFRS 7 "Financial instruments: Disclosures", the financial statements include expanded disclosures in Note 5(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market date. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(c) Operating Segments

HKFRS 8 "Operating Segments" 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 maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving as the starting point for the identification of such segments. The Group concluded that the primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. These revised disclosures, including the related revised comparative information and the segment accounting policies under HKFRS 8, are shown in Note 8 to the financial statements. HKFRS 8 has been applied retrospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention except for derivative financial instruments which are measured at fair value and non-current assets and disposal group held for sale which are stated at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4 to the financial statements.

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

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

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss for the year between the minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (aa) below. Impairment losses of goodwill are recognised in consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

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

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the associate and also any related accumulated foreign currency translation reserve.

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

(d) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

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

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a jointly controlled entity represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the jointly controlled entity and also any related accumulated foreign currency translation reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling at the end of each reporting period. Gain and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

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

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

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

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

Buildings	3%
Furniture and fixtures	10% to 33%
Leasehold improvements	10%
Motor vehicles	10% to 50%
Office equipment	10% to 33%
Plant and machinery	7% to 20%

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

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

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

(g) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are expensed on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as obligations under finance leases. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining right are amortised from the date when the mining activities commence and on a straight-line basis over their estimated useful life from 10 to 20 years.

(i) Backlogs

Backlogs are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its useful life of 1.4 years.

(j) Non-current assets and disposal group held for sale and discontinued operations

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

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

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(k) Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contracts is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(o) Financial liabilities and equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Borrowings

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

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

(q) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

— the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and

— the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

(r) Trade and other payables

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

(s) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(t) Derivative financial instruments

Derivative are initially recognised and subsequently measured at fair value. Changes in fair value of derivatives are recognised in income statement as they arise.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Commission and despatch income is recognised on an accrual basis.

Interest income is recognised on a time-proportion basis using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instrument at the date of grant and is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is recognised to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(y) Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(aa) Impairment of assets

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Provisions and contingent liabilities

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

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

(cc) Event after the reporting period

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

4. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

4. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Mine reserve and impairment of mining rights

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

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

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income tax and deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Environmental contingencies

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

4. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Business acquisition

For the business combinations undertaken by the Group, the Group allocates the costs of the acquired entities to the assets acquired and the liabilities assumed based on their estimated fair value on the date of acquisition. This process is commonly referred to as the purchase price allocation. As part of the purchase price allocation, the Group is required to determine the fair value of any identifiable intangible assets acquired. The determination of the fair value of the intangible assets acquired involves certain judgement and estimates. These judgements can include, but are not limited to, the cash flows that an asset is expected to generate in the future.

The fair values of the identifiable intangible assets were determined by the Group with inputs from the independent appraisers using mainly the income approach. Future cash flows are predominantly based on the historical pricing and expense levels, taking into consideration the relevant market size and growth factors. The resulting cash flows are then discounted at a rate approximating the Group' weighted average cost of capital.

A change in the amount allocated to identifiable intangible assets would have an offsetting effect on the amount of goodwill recognised from the acquisition and would change the amount of amortisation expense recognised related to those identifiable intangible assets.

(g) Impairment loss on trade and other receivables

The Group makes impairment loss on receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness, past collection history and securities (if any) of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss on receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and impairment loss on receivables in the year in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

	Functional currency strengthened/ (weakened) by	Increase/(decrease) in consolidated profit after tax HK$'000
Year ended 31 March 2010		
US$	2%/(2%)	(861)/861
RMB	2%/(2%)	205/(205)
Year ended 31 March 2009		
US$	2%/(2%)	(1,419)/1,419
RMB	2%/(2%)	273/(273)

(b) Credit risk

The carrying amount of trade and bills receivables, other receivables, pledged bank deposits and bank and cash balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

As at 31 March 2010, the three largest trade and bills receivables represent approximately 97% (2009: 98%) of the total trade and bills receivables. The Group was exposed to the concentration of credit risk. In order to minimise the credit risk, the Group maintains various credit policies for business operations as described in Note 24 to the financial statements.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

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

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2010			
Bank borrowings	340,496	14,265	10,692
Obligations under finance leases	349	349	—
Trade and bills payables	222,187	—	—
Other payables	66,054	—	—
At 31 March 2009			
Bank borrowings	25,652	20,221	10,155
Obligations under finance leases	151	—	—
Trade and bills payables	15,063	—	—
Other payables	40,951	—	—

(d) Interest rate risk

The Group's exposure to interest rate risk mainly arises from its bank deposits and bank borrowings. These bank deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

	Increase/(decrease) in basis point	Increase/ (decrease) in consolidated profit after tax HK$'000
Year ended 31 March 2010		
Bank deposits	10/(10)	408/(408)
Bank borrowings	100/(100)	(1,727)/1,727
Year ended 31 March 2009		
Bank deposits	10/(10)	56/(56)
Bank borrowings	100/(100)	(451)/451

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categorises of financial instrument as at 31 March

	2010 HK$'000	2009 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	636,185	127,509
Financial liabilities:		
Financial liabilities at fair value through profit or loss		
Held for trading	89,965	—
Financial liabilities measured at amortised cost	1,450,657	110,134

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their fair value except that disposal group held for sale is stated at the lower of the disposal group's previous carrying amount and fair value less costs to sell.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 March 2010:

Description	Fair value measurement using: Level 2 HK$'000
Financial liabilities at fair value through profit or loss	
Derivative financial instruments	89,965

6. TURNOVER

	2010 HK$'000	2009 HK$'000
Manufacturing and sales of clinker and cement	858,269	—
Mining and processing of granite and selling of granite products	8,291	2,597
Trading of clinker, cement and other building materials	495,157	783,895
Trading of iron ore	2,056,234	—
	3,417,951	786,492
Representing:		
Continuing operations	2,559,682	786,492
Discontinued operation (Note 11)	858,269	—
	3,417,951	786,492

7. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Compensation received	154	714
Commission received	2,411	1,513
Despatch income	23,636	3,254
Interest income	2,302	233
Exchange difference, net	2,459	14
Others	8,117	1,417
	39,079	7,145
Representing:		
Continuing operations	31,419	7,145
Discontinued operation (Note 11)	7,660	—
	39,079	7,145

8. 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 for the purposes of resources allocation and performance assessment, the Group has identified the following four reportable segments:

(i) Manufacture and sales of clinker and cement (Discontinued operation)

(ii) Mining and processing of granite and selling of granite products

(iii) Trading of clinker, cement and other building materials

(iv) Trading of iron ore

The accounting policies of the operating segments are the same as those described in Note 3 to the financial statements. Segment profits or losses do not include corporate income and expenses such as share of profits less losses of associates, impairment loss on interests in a jointly controlled entity, fair value loss on derivative financial instruments, finance costs and other corporate expenses. Segment assets mainly excluded goodwill, interests in associates and a jointly controlled entity and other corporate assets. Segment liabilities mainly excluded derivative financial instruments, current and deferred tax liabilities, corporate bank borrowings and other corporate liabilities.

Information about reportable segment revenue, profit or loss, assets and liabilities are as follows:

	Manufacture and sales of clinker and cement (Discontinued operation) HK$'000	Mining and processing of granite and selling of granite products HK$'000	Trading of clinker, cement and other building materials HK$'000	Trading of iron ore HK$'000	Total HK$'000
Year ended 31 March 2010					
Revenue from external customers	858,269	8,291	495,157	2,056,234	3,417,951
Segment profit/(loss)	143,628	(2,661)	25,886	44,369	211,222
Interest revenue	2,172	12	10	108	2,302
Interest expenses	35,312	—	1,291	1,600	38,203
Depreciation and amortisation	38,225	66	81	452	38,824
Income tax expense	32,646	—	2,115	—	34,761
Other material non-cash items:					
Impairment loss on interests in a jointly controlled entity	17,838	—	—	—	17,838
Additions to segment non-current assets	655,064	2,457	34,565	65	692,151
As at 31 March 2010					
Segment assets	4,430,374	224,071	99,078	1,118,997	5,872,520
Segment liabilities	2,708,814	3,258	64,697	1,185,366	3,962,135

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

	Mining and processing of granite and selling of granite products HK$'000	Trading of clinker, cement and other building materials HK$'000	Total HK$'000
Year ended 31 March 2009			
Revenue from external customers	2,597	783,895	786,492
Segment (loss)/profit	(3,253)	35,315	32,062
Interest revenue	8	218	226
Interest expenses	566	—	566
Depreciation and amortisation	35	77	112
Income tax expense	—	878	878
Additions to segment non-current assets	36	28	64
As at 31 March 2009			
Segment assets	207,689	137,989	345,678
Segment liabilities	1,019	28,623	29,642

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2010 HK$'000	2009 HK$'000
Revenue		
Total revenue from reportable segments	3,417,951	786,492
Elimination of revenue from discontinued operation	(858,269)	—
Consolidated revenue from continuing operations	2,559,682	786,492
Profit or loss		
Total profit or loss of reportable segments	211,222	32,062
Other profit or loss	12,099	6,572
Share of profits less losses of associates	96,423	—
Impairment loss on interests in a jointly controlled entity	(17,838)	—
Fair value loss on derivative financial instruments	(77,064)	—
Finance costs	(41,195)	(1,927)
Elimination of profit before tax from discontinued operation	(174,761)	—
Unallocated amounts	(51,351)	(12,770)
Consolidated (loss)/profit before tax from continuing operations	(42,465)	23,937

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

	2010 HK$'000	2009 HK$'000
Assets		
Total assets of reportable segments	5,872,520	345,678
Goodwill	405,653	—
Interests in associates	1,381,434	28,120
Interests in a jointly controlled entity	67,910	—
Other assets	13,758	1,736
Consolidated total assets	7,741,275	375,534
Liabilities		
Total liabilities of reportable segments	3,962,135	29,642
Derivative financial instruments	89,965	—
Current tax liabilities	10,805	—
Deferred tax liabilities	250,008	48,160
Banking borrowings	146,621	53,973
Other liabilities	51,885	26,618
Consolidated total liabilities	4,511,419	158,393

Geographical information:

	Revenue		Non-current assets	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Asia except the PRC	479,855	637,119	611,752	221,561
Europe	—	92,753	—	—
The PRC	2,064,526	2,597	132,621	6,927
Others	15,301	54,023	—	—
Discontinued operation	858,269	—	—	—
Consolidated total	3,417,951	786,492	744,373	228,488

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

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2010 HK$'000	2009 HK$'000
Trading of clinker, cement and other building materials		
Customer a	—	281,077
Customer b	—	181,663
Customer c	—	92,753
Customer d	—	88,536
Trading of iron ore		
Customer e	712,288	—
Customer f	579,466	—
Customer g	501,695	—

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank loans	41,148	1,910
Finance lease charges	47	17
	41,195	1,927
Representing:		
Continuing operations	5,883	1,927
Discontinued operation (Note 11)	35,312	—
	41,195	1,927

10. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
Hong Kong Profits Tax		
Provision for the year	707	812
Under-provision in prior year	1,408	66
	2,115	878
PRC corporate income tax	25,337	—
Deferred tax (Note 33)	7,309	—
	34,761	878
Representing:		
Continuing operations	2,115	878
Discontinued operation (Note 11)	32,646	—
	34,761	878

Hong Kong Profits Tax is provided at 16.5% (2009: 16.5%) on the estimated assessable profit for the year ended 31 March 2010.

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 registration, interpretation and practices in respect thereof.

The new PRC corporate income tax ("New CIT Law") law passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which include the unification of the corporate income tax rate for domestic and foreign enterprises at 25% replacing the provisions applicable rate of 33%. The new tax law is effective from 1 January 2008.

On 26 December 2007, the State of Council of the PRC passed on "Notice on the Implementation of Corporation Income Tax Transition Preferential Treatment" ("Notice on Transition Period") Guofa (2007) No. 39 ("Circular 39") which sets out details of how existing preferential income tax rates will be adjusted to the 25% standard rate under the New CIT Law According to the Notice on Transition Period, certain PRC enterprises of the Group with tax holiday not fully utilised will be allowed to continue to receive benefits of the full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate under the New CIT Law will apply.

10. INCOME TAX EXPENSE *(Continued)*

The relevant tax rates for the Group's PRC subsidiaries before the tax holiday is at 25% (2009: at 25%).

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

In previous years, the Group's business was mainly operated in Hong Kong and Macau, hence, the Hong Kong profits tax rate was used as the applicable tax rate for the reconciliation of accounting profit to income tax expense. Subsequent to the acquisition of Prosperity Minerals Holdings Limited as disclosed in Note 38(a), the Group's operating activities are carried out in Hong Kong, the PRC and Macau. Therefore, the Directors consider that it is more appropriate to present the tax reconciliation based on the rate applicable to profit in the tax jurisdiction concerned and resulted with a change in the applicable tax rates and the comparative figures.

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

	2010 HK$'000	(Restated) 2009 HK$'000
Profit before tax	132,296	23,937
Tax at the applicable rates in the jurisdictions concerned	33,443	3,589
Tax effect of income that are not taxable	(117,690)	(92,268)
Tax effect of expenses that are not deductible	126,263	89,479
Tax effect of unrecognised temporary differences	6	12
Tax effect of tax loss not recognised	3,340	—
Tax effect of tax concession	(12,009)	—
Under-provision in prior year	1,408	66
Income tax expense	34,761	878

11. DISCONTINUED OPERATION

Pursuant to a conditional sale and purchase agreement dated 11 December 2009 entered into between two subsidiaries of the Company, Prosperity Minerals Holdings Limited ("PMHL") and Pro-Rise Business Limited ("Pro-Rise") and an independent third party (the "Purchaser"), Pro-Rise would dispose of the entire equity interest in Upper Value Investments Limited ("Upper Value") and its subsidiaries except for Prosperity Minerals Management Limited ("PMM") and Prosperity Minerals Investment Limited ("PMI") which holds 33.06% of Anhui Chaodong Cement Co., Ltd (the "Disposal Group") to the Purchaser, together with a shareholder loan payable by the Disposal Group (the "Transaction"). The aggregate consideration for the Transaction, which is payable in cash, is HK$3.8 billion, subject to adjustments for the outstanding shareholder loan due from the Disposal Group.

The Disposal group is principally engaged in the business of the manufacture and sales of clinker and cement in the PRC. The Disposal Group was classified as disposal group held for sale on 11 December 2009 and the Group discontinued its manufacture and sales of clinker and cement business accordingly.

The results of the discontinued operation for the year, which have been included in consolidated profit or loss, are as follows:

	2010 HK$'000
Turnover	858,269
Cost of goods sold	(622,807)
Gross profit	235,462
Other income	7,660
Selling and distribution costs	(7,884)
Administrative expenses	(83,951)
Profit from operations	151,287
Finance costs	(35,312)
Share of profits less losses of associates	76,624
Impairment loss on interests in a jointly controlled entity	(17,838)
Profit before tax	174,761
Income tax expense	(32,646)
Profit for the year	142,115

During the year, the Disposal Group received approximately HK$257,452,000 (2009: HK$Nil) in respect of operating activities, paid approximately HK$616,181,000 (2009: HK$Nil) in respect of investing activities and paid approximately HK$7,502,000 (2009: HK$Nil) in respect of financing activities.

12. PROFIT FOR THE YEAR

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

	2010 HK$'000	2009 HK$'000
Auditor's remuneration	1,100	690
Amortisation of other intangible assets	8,583	—
Cost of inventories sold	2,617,883	509,780
Depreciation	27,531	244
Impairment loss on interests in a jointly controlled entity	17,838	—
Operating lease charges:		
– Land and buildings	6,699	973
– Hire of motor vehicles	1,178	—
Staff costs including Directors' emoluments		
Salaries, bonuses, allowances and other costs	121,404	14,663
Share-based payments	5,145	173
Retirement benefits scheme contributions	5,643	479
	132,192	15,315

Note:

Cost of inventories sold includes the following which are included in the respective amounts disclosed separately above for the year:

	2010 HK$'000	2009 HK$'000
Depreciation	18,984	—
Staff costs	49,711	—
	68,695	—

13. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance are as follows:

	2010 HK$'000	2009 HK$'000
Fees		
Independent non-executive directors	585	360
Other emoluments:		
Executive directors		
– Basic salaries, allowances and benefits in kind	12,550	3,738
– Retirement benefits scheme contributions	262	114
Independent non-executive directors		
– Retirement benefits scheme contributions	6	6
	13,403	4,218

13. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

The emoluments of each director for the years ended 31 March 2010 and 2009 are set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director					
Mr. WONG Ben Koon ("Mr. Wong")	—	3,649	5,151	179	8,979
Mr. SUN Yong Sen (Note (a))	—	1,000	—	—	1,000
Mr. KONG Siu Keung	—	1,200	1,100	60	2,360
Dr. Mao Shuzhong (Note (b))	—	450	—	23	473
Mr. MO Kwok Choi	120	—	—	—	120
Mr. YUEN Kim Hung, Michael	345	—	—	6	351
Mr. YUNG Ho	120	—	—	—	120
Total for 2010	585	6,299	6,251	268	13,403
Mr. Wong	—	720	—	36	756
Mr. SUN Yong Sen (Note (a))	—	439	19	—	458
Madam HON Ching Fong (Note (c))	—	360	—	18	378
Mr. KONG Siu Keung	—	1,200	1,000	60	2,260
Mr. MO Kwok Choi	120	—	—	—	120
Mr. YUEN Kim Hung, Michael	120	—	—	6	126
Mr. YUNG Ho	120	—	—	—	120
Total for 2009	360	2,719	1,019	120	4,218

Notes: (a) Appointed on 23 September 2008.
(b) Appointed on 6 January 2010.
(c) Resigned on 23 September 2008.

Save as disclosed above, there was no other arrangement under which a director waived or agreed to waive any remuneration during the year.

13. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

The five highest paid individuals in the Group during the year included two (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2009: three) individuals are set out below:

	2010 HK$'000	2009 HK$'000
Salaries and allowances	5,320	4,398
Discretionary bonus	2,357	2,430
Share-based payments	4,178	173
Retirement benefits scheme contributions	220	220
	12,075	7,221

The emoluments fell within the following bands:

	Number of individuals 2010	2009
HK$1,000,001 to HK$1,500,000	1	1
HK$2,500,001 to HK$3,000,000	1	1
HK$3,500,001 to HK$4,000,000	—	1
HK$7,500,001 to HK$8,000,000	1	—

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

14. RETIREMENT BENEFIT SCHEMES

The Group operates several mandatory provident fund schemes (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and vest fully with employees when contributed into the MPF Scheme.

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

15. DIVIDENDS

PMHL, a 53.89% subsidiary of the Company, has proposed to declare a final dividend of US9 cents per ordinary share of 1 pence each in the share capital of PMHL for the year ended 31 March 2010. The proposal will be put to the resolution of the shareholders of PMHL at its annual general meeting to be held on 3 September 2010.

Subject to the shareholders of PMHL approving the final dividend, the Board proposes to declare a final dividend of HK$0.02 (2009: Nil) per ordinary share of HK$0.01 each in the capital of the Company amounted to approximately HK$110,354,000 for the year ended 31 March 2010.

15. DIVIDENDS *(Continued)*

In the event that the shareholders of PMHL do not approve the declaration of the said final dividend, the Board proposed that final dividend to be declared by the Company shall be reduced to HK$0.01 per ordinary share, amounted to approximately HK55,177,000.

The proposed final dividends are not recognised as liabilities at 31 March 2010.

16. EARNINGS/(LOSSES) PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on (i) the profit for the year attributable to the owners of the Company of approximately HK$57,394,000 (2009: HK$24,573,000); and (ii) the weighted average number of ordinary shares of 3,913,560,000 (2009: 2,076,196,759) in issue during the year.

Diluted earnings per share

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 March 2010.

The calculation of diluted earnings per share for the year ended 31 March 2009 is calculated based on (i) the profit for the year attributable to the owners of the Company of approximately HK$24,573,000; and (ii) the weighted average number of ordinary shares of 2,195,252,263, being the weighted average number of ordinary shares of 2,076,196,759 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 119,055,504 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

(b) From continuing operations

Basic loss/earnings per share

The calculation of basic loss (2009: earnings) per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK$21,788,000 (2009: profit of approximately HK$24,573,000) and the denominator used is the same as that detailed above for basic earnings per share.

Diluted earnings per share

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 March 2010.

The calculation of diluted earnings per share from continuing operations attributable to owners of the Company for the year ended 31 March 2009 is based on the profit for the year from continuing operations attributable to owners of the Company of approximately HK$24,573,000 and the denominator used is the same as that detailed above for diluted earnings per share.

(c) From discontinued operation

Basic earnings per share from discontinued operation for the year ended 31 March 2010 is HK2.1 cents per share, based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK$79,182,000 and denominator used are the same as those detailed above for basic earnings per share.

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 March 2010.

The Company had no basic and diluted earnings per share from discontinued operation for the year ended 31 March 2009 since there was no profit attributable to the owners of the Company from discontinued operation for the year ended 31 March 2009.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 April 2008	—	80	253	645	195	152	—	1,325
Additions	—	—	—	—	35	36	—	71
Exchange differences	—	—	—	—	—	5	—	5
At 31 March 2009	—	80	253	645	230	193	—	1,401
Additions	733	—	—	6,118	797	23,830	574,009	605,487
Acquisition of subsidiaries (Note 38(a))	537,308	562	—	15,963	1,682	849,891	354,914	1,760,320
Disposals/write off	—	—	—	(265)	(254)	(9,345)	(413)	(10,277)
Transfer to disposal group held for sale	(538,404)	(11)	—	(18,092)	(1,846)	(864,252)	(926,953)	(2,349,558)
Exchange differences	363	2	—	16	8	742	41	1,172
At 31 March 2010	**–**	**633**	**253**	**4,385**	**617**	**1,059**	**1,598**	**8,545**
Accumulated depreciation								
At 1 April 2008	—	18	18	108	53	—	—	197
Charge for the year	—	16	25	129	39	35	—	244
Exchange differences	—	—	—	—	—	3	—	3
At 31 March 2009	—	34	43	237	92	38	—	444
Charge for the year	4,911	313	25	2,502	287	19,352	141	27,531
Disposals/write off	(39)	—	—	(265)	(245)	(6,958)	—	(7,507)
Transfer to disposal group held for sale	(4,904)	(8)	—	(650)	(8)	(12,483)	(141)	(18,194)
Exchange differences	32	8	—	22	8	159	—	229
At 31 March 2010	**–**	**347**	**68**	**1,846**	**134**	**108**	**–**	**2,503**
Carrying amount								
At 31 March 2010	**–**	**286**	**185**	**2,539**	**483**	**951**	**1,598**	**6,042**
At 31 March 2009	—	46	210	408	138	155	—	957

At 31 March 2010, the carrying amount of property, plant and equipment held by the Group under finance leases was approximately HK$1,010,000 (2009: HK$409,000) (Note 32).

At 31 March 2010, the Group's property, plant and equipment held by the Disposal Group with carrying amount of approximately HK$647,213,000 were pledged as security for the Group's bank borrowings (Notes 31 and 40).

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Company Office equipment HK$'000
Cost	
At 1 April 2008	34
Additions	7
At 31 March 2009	41
Additions	45
Disposals/write off	(6)
At 31 March 2010	**80**
Accumulated depreciation	
At 1 April 2008	18
Charge for the year	5
At 31 March 2009	23
Charge for the year	5
Disposals/write off	(1)
At 31 March 2010	**27**
Carrying amount	
At 31 March 2010	**53**
At 31 March 2009	18

18. LEASE PREPAYMENTS

	2010 HK$'000	2009 HK$'000
At beginning of year	—	—
Acquisition of subsidiaries (Note 38(a))	551,613	—
Additions	53,403	—
Amortisation for the year	(3,482)	—
Transfer to disposal group held for sale	(601,648)	—
Exchange differences	114	—
At end of year	—	—

The Group's lease prepayments represent payments for land use rights in the PRC under medium-term leases.

At 31 March 2010, the Group's land use right certificates held by the Disposal Group with carrying amount of approximately HK$418,236,000 were pledged as security for the Group's bank borrowings (Notes 31 and 40).

19. GOODWILL

	2010 HK$'000	2009 HK$'000
At beginning of year	—	—
Acquisition of subsidiaries (Note 38(a))	405,427	—
Transfer to disposal group held for sale	(367,548)	—
Exchange differences	226	—
At end of year	38,105	—

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2010 HK$'000	2009 HK$'000
Manufacture and sales of clinker and cement		
Chongqing Changxing Cement Co., Limited ("Chongqing Changxing")	79,031	—
Liaoning Changqing Cement Co., Limited ("Liaoning Changqing")	54,551	—
Yingde Dragon Mountain Cement Co., Limited ("YDM")	233,740	—
	367,322	—
Trading of iron ore		
Prosperity Materials Macao Commercial Offshore Limited ("MCO")	38,105	—
Total	405,427	—

The recoverable amount of the CGUs are determined from fair value less costs to sell for the manufacture and sales for clinker and cement business of the Disposal Group and from value in use calculations for the trading of iron ore business. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the business of the CGUs operate. Budget gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the average growth rate of 0%. The rate used to discount the forecast cash flows from the trading of iron ore business is 11.6% (2009: N/A).

20. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000	Backlogs HK$'000	Total HK$'000
Cost			
At 1 April 2008 and 31 March 2009	192,640	—	192,640
Acquisition of subsidiaries (Note 38(a))	285,217	61,555	346,772
Transfer to disposal group held for sale	(285,325)	(61,555)	(346,880)
Exchange differences	108	—	108
At 31 March 2010	**192,640**	—	**192,640**
Accumulated amortisation			
At 1 April 2008 and 31 March 2009	—	—	—
Amortisation for the year	5,167	3,416	8,583
Transfer to disposal group held for sale	(5,189)	(3,416)	(8,605)
Exchange differences	22	—	22
At 31 March 2010	—	—	—
Carrying amount			
At 31 March 2010	**192,640**	—	**192,640**
At 31 March 2009	192,640	—	192,640

(a) The mining rights represent the mining permits of limestone and granite mining sites located in the PRC and have validity period of twenty years until 31 December 2023 and ten years until 17 September 2018 respectively.

At 31 March 2010, the Group's mining right in relation to the limestone mining site held by the Disposal Group with carrying amount of approximately HK$280,136,000 were pledged to secure the Group's bank borrowings (Notes 31 and 40).

The Group carried out review of the recoverable amount of the mining right in relation to the granite mining site as at 31 March 2010, with reference to the valuation report issued by an independent appraiser. No impairment is note as at 31 March 2010.

(b) The backlogs represent a series of unfinished sales contracts with an average effective life of approximately 1.4 years from 30 September 2009.

21. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 HK$'000	2009 HK$'000
Unlisted investments, at cost	**1,672,369**	38,543
Less: impairment loss	**(38,543)**	(38,543)
Due from subsidiaries	**157,587**	138,388
	1,791,413	138,388

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the subsidiaries as at 31 March 2010 are set out in Note 44 to the financial statements.

22. INTERESTS IN ASSOCIATES

	2010 HK$'000	2009 HK$'000
Investments in the PRC:		
Share of net assets other than goodwill	1,193,773	27,779
Goodwill	176,096	341
Financial guarantee issued	10,188	—
Exchange differences	1,377	—
	1,381,434	28,120
Transfer to disposal group held for sale	(1,003,088)	—
	378,346	28,120
Representing:		
Share of net assets other than goodwill	341,564	27,779
Goodwill	36,782	341
	378,346	28,120

Goodwill acquired in business combinations is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2010 HK$'000	2009 HK$'000
Manufacture and sales of clinker and cement		
Anhui Chaodong Cement Co., Ltd. ("Anhui Chaodong")	36,440	—
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. ("Baoshan") and Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd. ("Yunnan")	78,323	—
Prosperity Conch Cement Co., Ltd. ("PCC")	60,992	—
	175,755	—
Others		
Jiang Du Haichang Port Industrial Company Limited ("Jiang Du Haichang")	341	341
	176,096	341

22. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates at 31 March 2010 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by a subsidiary	Group's effective interest	Principal activities
Anhui Chaodong	The PRC	RMB 242,000,000	33.06%	17.82%	Manufacturing and sales of clinker and cement
△ Baoshan	The PRC	RMB 316,250,000	30%	16.17%	Manufacturing and sales of clinker and cement
Jiang Du Haichang	The PRC	RMB 220,000,000	25%	25%	Not yet commenced business
△ PCC	The PRC	RMB 580,000,000	25%	13.47%	Manufacturing and sales of clinker and cement
△ Yunnan	The PRC	RMB 825,000,000	30%	16.17%	Manufacturing and sales of clinker and cement

△ These associates are included in the disposal group held for sale.

Summarised financial information in respect of the Group's associates (excluding the associates held by Disposal Group) is set out below:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2010					
100 per cent	2,221,454	1,219,931	1,001,523	398,729	61,688
Group's effective interest	754,358	412,794	341,564	131,820	19,799

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2009					
100 per cent	111,126	12	111,114	—	—
Group's effective interest	27,782	3	27,779	—	—

The Group's share of associates' profit for the year includes share of associates' taxation of approximately HK$18,000.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) The market value of the Group's interest in a listed associate, Anhui Chaodong amounted to approximately RMB741,600,000 (equivalent to approximately HK$846,865,000). During the year, the shares in Anhui Chaodong were pledged to secure bank borrowings granted to the Group (Notes 31 and 40).

(b) In respect of the year ended 31 March 2010, Anhui Chaodong, Baoshan, PCC and Yunnan were included in the consolidated financial statements of the Group based on the most recent available financial statements drawn up to 31 December 2009, but taking into account the effect of significant transactions or events that occurred in the subsequent period from 1 January 2010 to 31 March 2010. The Group has taken advantage of the provision contained in HKAS 28 "Investments in Associates" whereby it is permitted to include the attributable share of associates' results based on financial statements drawn up to a non-conterminous period and where the difference must be no greater than three months.

23. NON-CURRENT PREPAYMENTS

	2010 HK$'000	2009 HK$'000
Prepayments for property, plant and equipment	12,144	3,845
Prepayments for leases	2,827	2,926
Deposit for an investment project	114,269	—
	129,240	6,771

24. TRADE AND BILLS RECEIVABLES

In relation to the trading of clinker and cement and iron ore, 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 30 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 aging analysis of trade and bills receivables, based on the goods delivery date, and net of allowance, is as follows:

	2010 HK$'000	2009 HK$'000
0 to 90 days	150,438	25,742
91 to 180 days	—	—
181 to 365 days	4,623	—
	155,061	25,742

24. TRADE AND BILLS RECEIVABLES *(Continued)*

As of 31 March 2010, trade receivables of approximately HK$4,623,000 (2009: Nil) were past due but not impaired. These relate to a number of independent customers for who there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
Over 6 months	4,623	—

The carrying amounts of the Group's trade and receivables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
HK$	4	66
US$	150,434	24,345
RMB	4,623	1,331
	155,061	25,742

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Prepayments	14,824	188
Trade deposits	472,206	—
Other deposits	2,342	18,853
Other receivables	22,634	2,910
	512,006	21,951

At 31 March 2010, included in other receivables is an amount due from an associate of approximately HK$1,459,000 (2009: Nil) which is unsecured, interest free and has no fixed terms of repayment.

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The bank deposits of approximately HK$446,506,000 (2009: HK$98,351,000) carry floating interest rate thus expose the Group to cash flow interest rate risk. The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in Note 40 to the financial statements.

Included in pledged bank deposits and bank and cash balances is an amount of approximately HK$82,248,000 as at 31 March 2010 (2009: HK$6,553,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. DISPOSAL GROUP HELD FOR SALE

Saved as disclosed in Note 11 to the financial statements, the assets and liabilities attributable to the manufacture and sales of clinker and cement business, which are expected to be sold within twelve months, have been classified as disposal group held for sale and are presented separately in the statement of financial position. The Disposal Group is included in the Group's manufacture and sales of clinker and cement segment.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the Disposal Group classified as disposal group held for sale at 31 March 2010 are as follows:

	HK$'000
Property, plant and equipment	2,331,364
Lease prepayments	601,648
Goodwill	367,548
Other intangible assets	338,275
Interests in associates	1,003,088
Interests in a jointly controlled entity (Note a)	67,910
Due from a minority shareholder of a subsidiary (Note b)	16,283
Deferred tax assets	882
Non-current prepayments	320,724
Inventories	102,613
Trade and bills receivables (Note c)	412,237
Prepayments, deposits and other receivables	67,995
Pledged bank deposits	3,051
Bank and cash balances	236,185
Disposal group classified as held for sale	5,869,803
Trade and bills payables (Note d)	290,001
Other payables	345,698
Receipt in advance	79,044
Current tax liabilities	10,805
Secured notes	794,613
Banking borrowings (Note e)	1,199,457
Deferred tax liabilities	201,848
Liabilities directly associated with disposal group classified as held for sale	2,921,466
Net assets of the Disposal Group	2,948,337

At 31 March 2010, cumulative income or expense recognised in other comprehensive income relating to the Disposal Group classified as held for sale amounted to approximately HK$1,923,000.

(a) Interests in a jointly controlled entity

	2010 HK$'000	2009 HK$'000
Unlisted investments in the PRC:		
Share of net shares	—	—
Due from a jointly controlled entity	67,910	—
	67,910	—

The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment. The amount is not expected to be settled within one year.

27. DISPOSAL GROUP HELD FOR SALE *(Continued)*

Particulars of the jointly controlled entity are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by a subsidiary	Group's effective interest	Principal activity
Guangzhou K. Wah Nanfang Cement Ltd.	The PRC	RMB100,000,000	50%	21.56%	Manufacture and sales of clinker and cement

(b) The amount due from a minority shareholder of a subsidiary is unsecured, interest free and repayable after twelve months as of 31 March 2010.

(c) For manufacture and sales of clinker and cement, payment in advance is normally required with the balance payable on credit.

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

	2010 HK$'000	2009 HK$'000
0 to 90 days	412,237	—

(d) The aging analysis of trade and bills payables of the Disposal Group, based on the goods receipt date, is as follows:

	2010 HK$'000	2009 HK$'000
0 to 90 days	289,936	—
91 to 180 days	65	—
	290,001	—

(e) Bank borrowings of the Disposal Group are repayable as follows:

	2010 HK$'000	2009 HK$'000
On demand or within one year	696,674	—
In the second year	182,830	—
In the third to fifth years, inclusive	319,953	—
	1,199,457	—

At 31 March 2010, the Disposal Group had breached one covenant imposed by a bank on the bank borrowings of approximately HK$262,453,000 of which approximately HK$176,653,000 is repayable after one year from 31 March 2010 in accordance with the payment schedule. As the Disposal Group did not have the unconditional right at 31 March 2010 to defer settlement for at least the next twelve months as a result of the breach of covenant, the above repayment table has been adjusted accordingly.

28. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 April 2008, 31 March 2009 and 2010		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 April 2008		2,001,171,060	20,012
Issue of new shares for acquisition of subsidiaries	(a)	183,750,000	1,837
Repurchase of shares	(b)	(18,940,000)	(189)
Issue of new shares upon exercise of share options	(c)	10,000,000	100
At 31 March 2009		2,175,981,060	21,760
Issue of new shares for acquisition of subsidiaries (Note 38(a))	(d)	3,243,726,480	32,437
Issue of new shares upon exercise of share options	(e)	98,000,000	980
At 31 March 2010		**5,517,707,540**	**55,177**

Notes:

(a) On 22 October 2008, 183,750,000 new ordinary shares of the Company of HK$0.01 each were issued at approximately HK$0.12 per share as part of the consideration for acquisition of 60% equity interests in WM Aalbrightt Investment Holdings (Hong Kong) Limited ("WM Aalbrightt"). The premium on the issue of shares of approximately HK$20,019,000 was credited to the Company's share premium account.

(b) During the year ended 31 March 2009, the Company repurchased on the Stock Exchange a total of 18,940,000 ordinary shares of the Company at an aggregate consideration of approximately HK$2,252,000. All of these shares were cancelled. The premium payable on repurchase of shares was charged to the share premium account.

(c) During the year ended 31 March 2009, options were exercised to subscribe for 10,000,000 ordinary shares of the Company at a consideration of HK$340,000, of which HK$100,000 was credited to share capital, HK$240,000 was credited to the share premium account and the balance of HK$57,000 has been transferred from share-based payment reserve to share premium account in accordance with policy set out in Note 3(w) to the financial statements.

(d) On 24 September 2009, 3,243,726,480 new ordinary shares of the Company of HK$0.01 each were issued at HK$0.5 per share as part of the consideration for acquisition of 54.28% equity interest in PMHL. The premium on the issue of shares of approximately HK$1,589,426,000 was credited to the Company's share premium account.

(e) During the year ended 31 March 2010, options were exercised to subscribe for 98,000,000 ordinary shares of the Company at a consideration of approximately HK$4,575,000, of which HK$980,000 was credited to share capital, HK$3,595,000 was credited to the share premium account and the balance of HK$1,085,000 has been transferred from share-based payment reserve to share premium account in accordance with policy set out in Note 3(w) to the financial statements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-equity ratio at 31 March 2010 and at 31 March 2009 were 11% and 25%, respectively.

The only externally imposed capital requirement is that the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010 HK$'000	2009 HK$'000
Property, plant and equipment (Note 17)	53	18
Investments in subsidiaries (Note 21)	1,791,413	138,388
Other current assets	2,151	940
Bank borrowings (Note 31)	(6,287)	(23,938)
Other current liabilities	(9,977)	(253)
NET ASSETS	1,777,353	115,155
Share capital	55,177	21,760
Reserves (Note 30(b))	1,722,176	93,395
TOTAL EQUITY	1,777,353	115,155

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Note	Share premium HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2008		48,837	1,933	38,936	89,706
Loss for the year		—	—	(14,680)	(14,680)
Recognition of share-based payments		—	173	—	173
Issue of new shares for acquisition of subsidiaries	28(a)	20,019	—	—	20,019
Repurchase of shares	28(b)	(2,063)	—	—	(2,063)
Issue of new shares upon exercise of share options	28(c)	297	(57)	—	240
At 31 March 2009		67,090	2,049	24,256	93,395
At 1 April 2009		67,090	2,049	24,256	93,395
Profit for the year		—	—	35,760	35,760
Issue of new shares for acquisition of subsidiaries	28(d)	1,589,426	—	—	1,589,426
Issue of new shares upon exercise of share options	28(e)	4,680	(1,085)	—	3,595
At 31 March 2010		1,661,196	964	60,016	1,722,176

30. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by the Companies Act of Bermuda.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

The reserve is dealt with in accordance with the accounting policies set out in Note 3(e)(iii) to the financial statements.

(iii) Contributed surplus

The contributed surplus of the Group arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2001 and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefore.

(iv) Share-based payment reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 3(w) to the financial statements.

(v) Other reserve

The other reserve, which is non-distributable, is appropriated from the profit after tax of the Group's Macau subsidiary under the Macao Commercial Code.

31. BANK BORROWINGS

	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
Secured				
Bank loans	169,456	53,973	6,287	23,938
Trust receipt loans	192,317	—	—	—
	361,773	53,973	6,287	23,938

The borrowings are repayable as follows:

	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
On demand or within one year	338,261	24,352	6,287	17,651
In the second year	13,483	19,621	—	6,287
In the third to fifth years, inclusive	10,029	10,000	—	—
	361,773	53,973	6,287	23,938
Less: Amount due for settlement within 12 months (shown under current liabilities)	(338,261)	(24,352)	(6,287)	(17,651)
Amount due for settlement after 12 months	23,512	29,621	—	6,287

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

	Group HK$ HK$'000	Group US$ HK$'000	Group Total HK$'000	Company US$ HK$'000
2010				
Bank loans	46,168	123,288	169,456	6,287
Trust receipt loans	—	192,317	192,317	—
2009				
Bank loans	30,035	23,938	53,973	23,938

31. BANK BORROWINGS *(Continued)*

The range of effective interest rates at 31 March was as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Bank loans	2.0% to 4.8%	3.0% to 6.9%	3.0% to 3.3%	3.0% to 6.9%
Trust receipt loans	2.3% to 2.5%	N/A	N/A	N/A

Bank borrowings of approximately HK$154,900,000 (2009: HK$Nil) are arranged at fixed interest rates thus expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates thus expose the Group to cash flow interest rate risk.

Certain of the bank borrowings are subject to the fulfillment of covenants set out in the banking facility letters entered into by the Group with several bank institutions. If the covenants are breached, the bank borrowings will become payable on demand. At 31 March 2010, the Group had breached one covenant imposed on the bank borrowings of approximately HK$117,000,000, repayable after one year from 31 March 2010 in accordance with the payment schedule. This balance is reclassified as repayable on demand at 31 March 2010 as the Group did not have an unconditional right at 31 March 2010 to defer settlement for at least the next twelve months as a result of the breach of covenant.

On 30 June 2010, the Group has obtained a waiver letter from the bank in which the bank has waived the Group from immediate repayment as a result of the breach of covenant.

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Within one year	349	151	308	147
In the second to fifth years, inclusive	349	—	335	—
	698	151	643	147
Less: future finance charges	(55)	(4)	N/A	N/A
Present value of lease obligations	643	147	643	147
Less: Amount due for settlement within 12 months (shown under current liabilities)			(308)	(147)
			335	—

The lease is arranged at a term of 2 years.

At 31 March 2010, the borrowing rate was 3.4% (2009: 3%). Interest rate is fixed at the contract date and thus expose the Group to fair value interest rate risk. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are effectively secured as the rights to the leased assets (Note 17) revert to the lessor in the event of default. All finance lease obligations are denominated in HK$.

33. DEFERRED TAX

Deferred tax assets

	Fair value difference of lease prepayments HK$'000	Others HK$'000	Total HK$'000
At 1 April 2008 and 31 March 2009	—	—	—
Acquisition of subsidiaries (Note 38(a))	854	28	882
Transfer to disposal group held for sale	(854)	(28)	(882)
At 31 March 2010	—	—	—

Deferred tax liabilities

	Fair value difference of property, plant and equipment HK$'000	Fair value difference of lease prepayments HK$'000	Fair value difference of other intangible assets HK$'000	With-holding tax HK$'000	Others HK$'000	Total HK$'000
At 1 April 2008 and 31 March 2009	—	—	48,160	—	—	48,160
Acquisition of subsidiaries (Note 38(a))	22,413	89,027	59,154	22,250	1,665	194,509
Charge/(credit) to profit or loss for the year (Note 10)	(165)	(440)	(1,533)	9,459	(12)	7,309
Exchange differences	—	—	—	9	21	30
Transfer to disposal group held for sale	(22,248)	(88,587)	(57,621)	(31,718)	(1,674)	(201,848)
At 31 March 2010	—	—	**48,160**	—	—	**48,160**

The Group has unused tax losses of approximately HK$7,212,000 (2009: HK$17,623,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit stream.

34. TRADE AND BILLS PAYABLES

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

	2010 HK$'000	2009 HK$'000
0 to 90 days	222,187	14,649
91 to 180 days	—	188
181 to 365 days	—	226
	222,187	15,063

The carrying amounts of the Group's trade and bill payables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
US$	222,187	14,606
RMB	—	457
	222,187	15,063

35. OTHER PAYABLES

	2010 HK$'000	2009 HK$'000
Deposit received for disposal of subsidiaries	800,000	—
Accrued expenses	35,096	12,321
Other payables	30,958	28,630
	866,054	40,951

36. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 HK$'000	2009 HK$'000
Derivative financial instruments	89,965	—

Upper Value, an indirectly owned subsidiary of the Company include in the Disposal Group, which was acquired by the Company through the acquisition of PMHL during the year (Note 38(a)), had issued US$100,000,000 redeemable notes (the "Secured Notes") to certain institutional investors for the acquisition of clinker and current plants in the PRC (the "Acquired Assets"). The Secured Notes are guaranteed by PMHL, MCO and Prosperity Cement Investment Limited which is included in the Disposal Group and also secured by charged over the shares in, and fixed and floating charges over the assets of the subsidiaries which hold the Acquired Assets and are included in the Disposal Group.

In conjunction with the issuance of the Secured Notes, 1,000 warrants were granted by PMHL to these institutional investors to subscribe for 12,905,639 ordinary shares of PMHL at an exercise price, representing a 10% premium to the volume weighted average price per share over the five trading days immediately preceding 9 May 2008, subject to anti-dilution adjustments and strike price resets certain circumstances. The warrants are exercisable at any time up to five years after 9 May 2008.

During the year, loss on re-measurement of the derivative financial instruments to fair value amounted to approximately HK$77,064,000 (2009: HK$Nil) was recognised as a result of the increase in published price of PMHL.

37. SHARE-BASED PAYMENTS

Equity-settled share option schemes

(a) Share options scheme operated by the Company

The Company operated a share option scheme (the "Company's Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 25 August 2003 and, unless otherwise cancelled or amended, remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Company's Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Company's Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

The operation of the Company's Scheme was terminated upon the transfer listing of the Company's shares on the Growth Enterprise Market to Main Board of the Stock Exchange. Consequently, no further options may be offered or granted under the Scheme. Pursuant to the terms of the Company's Scheme, the outstanding 168,000,000 options as at 18 December 2008 previously granted but unexercised under the Company's Scheme remain valid and exercisable in accordance with their terms of grant.

37. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(a) Share options scheme operated by the Company *(Continued)*

Details of the shares options granted and outstanding during the year are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2008	Exercised during the year	Number of options outstanding as at 31 March 2009	Exercised during the year	Number of options outstanding as at 31 March 2010	Date of grant of share options	Exercisable period (iii)	Exercise price of share options (i) HK$	Price of share at date of grant of options (ii) HK$
Directors									
Mr. KONG Siu Keung	24,000,000	—	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	—	60,000,000	14 August 2006	28 June 2007 to 27 June 2016	0.078	0.068
	84,000,000	—	84,000,000	(24,000,000)	60,000,000				
Other employees									
2004 options	24,000,000	—	24,000,000	(24,000,000)	—	30 July 2004	28 December 2005 to 27 June 2014	0.023	0.023
2005 options	30,000,000	(10,000,000)	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	(30,000,000)	—	20 August 2007	21 June 2008 to 20 June 2017	0.093	0.098
	84,000,000	(10,000,000)	74,000,000	(74,000,000)	—				
	168,000,000	(10,000,000)	158,000,000	(98,000,000)	60,000,000				

37. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(a) Share options scheme operated by the Company *(Continued)*

The number and weighted average exercise prices of the share options are as follows:

	2010		2009	
	Number of share options (i)	Weighted average exercise price (i) HK$	Number of share options (i)	Weighted average exercise price (i) HK$
Outstanding at the beginning of year	158,000,000	0.059	168,000,000	0.057
Exercised during the year	(98,000,000)	0.047	(10,000,000)	0.034
Outstanding at the end of year	60,000,000	0.078	158,000,000	0.059
Exercisable at the end of year	60,000,000	0.078	158,000,000	0.059

The options outstanding have a weighted remaining contractual life of 6 years (2009: weighted 6 years).

Save for the above, no share options were granted, exercised, cancelled, or lapsed under the Company's Scheme during the year.

(i) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital and accordingly, has been adjusted for the share subdivision in January 2008.

(ii) The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options, adjusted for share subdivision in January 2008.

(iii) The options granted to directors and employees on 30 July 2004 and 28 July 2005 shall not be exercisable unless the Group achieved a positive net profit in any financial year after the date of grant of such options and in any event such options shall not be exercised within 18 months from 28 June 2004 for options granted on 30 July 2004, within 18 months from 28 June 2005 for options granted on 28 July 2005. The options granted to the director on 14 August 2006 shall not be exercisable within 12 months from 28 June 2006. The options granted to an employee on 20 August 2007 shall not be exercisable within 12 months from 21 June 2007.

37. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(a) Share options scheme operated by the Company *(Continued)*

The fair values of the share options which are estimated as at the respective dates of grant using the Black-Scholes-Merton option pricing model and the assumptions used in the model are as follows:

Date of grant	20 August 2007	14 August 2006	28 July 2005	30 July 2004
Option value	HK$692,718	HK$964,161	HK$170,000	HK$280,000
Variables:				
Expected volatility	93.4%	82.4%	30.3%	44.8%
Risk-free rate	4.3%	4.2%	3.2%	3.1%
Expected life of options (years)	5.3	1.5	3.0	3.0
Expected dividend yield	15%	10%	Nil	Nil

Expected volatility was based on the historical volatility of the share prices of the Group over a period that is equal to the expected life before the grant date for options granted on 14 August 2006 and 20 August 2007 and 130 trading days before the grant date for options granted on 28 July 2005 and 30 July 2004.

The expected life of options granted on 30 July 2004, 28 July 2005 and 14 August 2006 was determined with reference to the Group's historical share price record. The expected life of options granted on 20 August 2007 was determined by average out the contractual life and vesting term of the share options.

The expected dividend yield was based on the Group's historical dividend payment record, financial conditions and its intention of paying dividend.

37. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(b) Share option scheme operated by a subsidiary

PMHL operated a share option scheme (the "Subsidiary Scheme") whereby the directors of PMHL are authorised, at their discretion, to invite employees of PMHL and its subsidiaries, to take up options at nil consideration to subscribe for the shares of PMHL.

Details of the shares option of the Subsidiary Scheme outstanding during the period from 24 September 2009 (date of acquisition of PMHL) to 31 March 2010 are as follows:

Name or category of participant	Number of options outstanding as at 24 September 2009	Granted during the year	Exercised during the year	Cancelled during the year	Number of options outstanding as at 31 March 2010	Date of grant of share option	Exercise period	Exercise price of share options GBP	Price of share at date of grant of options GBP
Other employees									
2007 options	8,160,000	—	(980,000)	(3,000,000)	4,180,000	9 October 2007	9 October 2009 to 9 October 2017	0.62	1.60
2009 options	—	5,820,000	—	—	5,820,000	28 October 2009	28 October 2011 to 27 October 2013	0.70	0.70
	8,160,000	5,820,000	(980,000)	(3,000,000)	10,000,000				

The number and weighted average exercise prices of share options are as follows:

	At 31 March 2010 Number of share options	Weighted average exercise price GBP
Outstanding at 24 September 2009	8,160,000	0.62
Granted during the year	5,820,000	0.70
Exercised during the year	(980,000)	0.62
Cancelled during the year	(3,000,000)	0.62
Outstanding during the year	10,000,000	0.67
Exercisable at end of the year	4,180,000	0.62

The options outstanding at 31 March 2010 have a weighted remaining contractual life of approximately 5 years (2009: N/A).

Save for the above, no share options were granted, exercise, cancelled, or lapsed under the Subsidiary Scheme during the year.

37. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

(b) Share option scheme operated by a subsidiary *(Continued)*

(i) The original fair value of the 2007 options which are estimated at date of grant using the Binomial Lattice model and the assumptions used in the model are as follows:

Option value	GBP0.483
Variables:	
Expected volatility	40%
Risk-free rate	4.95%
Expected life of options (years)	7.6
Expected dividend yield	6.5%

On 8 July 2009, the directors of PMHL authorised the exercise price of the subsisting options to be adjusted from GBP1.60 to GBP0.62 effective on 9 July 2009 in order to re-introduce the incentive and retention value to the options granted. The incremental fair value of GBP620,000 was expensed over the remaining vesting period of three months. The incremental fair value is estimated using Binomial Lattice model and the assumptions used in the model are as follows:

Variables:	
Expected volatility	60%
Risk free rate	3.01%
Expected life of options (years)	6.5
Expected dividend yield	4.5%

(ii) The fair value of the 2009 options which are estimated at date of grant using the Binomial Lattice Model and the assumptions used in the model are as follows:

Variables:	
Expected volatility	60%
Risk free rate	2.3%
Expected life of options (years)	3.6
Expected dividend yield	4.5%

(iii) The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) of five comparators whose major business is production and trading of building cement or cement products or other building supplies and have been listed for more than eight years, adjusted for any expected changes to future volatility based on publicly available information.

Expected dividend yields are based on historical dividends.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

On 24 September 2009, the Group acquired 54.28% of the issued share capital of PMHL from Mr. Wong and his controlled entities at a consideration, before expenses, of approximately HK$1,621,863,000 which was satisfied by the allotment and issue of 3,243,726,480 new ordinary shares of the Company of HK$0.01 each at an issue price of HK$0.5 per share. The adoption of HK$0.5 per share as the fair value of the shares issued by the Company at the date of exchange was based on a fair value assessment made by the Board of Directors, taking into consideration of all aspects of the acquisition and significant factors influencing the negotiations, and by reference to the proportional interest in fair value of the Group determined by two independent valuers from discounted cash flow method. The key assumptions are those regarding the discount rates, growth rates and budgeted gross margins and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business. The growth rates are based on long-term average economic growth rate of the geographical area in which the business operate. Budget gross margin and turnover are based on past practices and expectations on market development. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the average growth rate from 1.2% to 6.8%. The rate used to discount the forecast cash flows was 11.6%. The Board of Directors considered the published price of the Company's shares at the date of exchange (i.e. HK$0.65) is not a suitable and reliable indicator of fair value of the shares issued for the acquisition due to the thinness of the market of the Company's issued shares. If the published price of HK$0.65 of the Company's share was adopted, the share consideration would be increased by approximately HK$486,559,000 to a total consideration, before expenses, of approximately HK$2,108,422,000.

The net assets acquired in the transactions and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair Value HK$'000
Net assets acquired:			
Property, plant and equipment	1,674,436	85,884	1,760,320
Lease prepayments	221,818	329,795	551,613
Other intangible assets	129,277	217,495	346,772
Interests in associates	995,505	65,340	1,060,845
Interests in a jointly controlled entity	85,600	—	85,600
Deferred tax assets	882	—	882
Non-current prepayments	252,257	—	252,257
Inventories	82,705	—	82,705
Trade and bills receivables	705,595	—	705,595
Prepayments, deposits and other receivables	317,350	—	317,350
Pledged bank deposits	13,377	—	13,377
Bank and cash balances	314,988	—	314,988
Bank borrowings	(1,173,963)	—	(1,173,963)
Trade and bills payables	(570,521)	—	(570,521)
Other payables	(325,282)	—	(325,282)
Receipt in advance	(53,249)	—	(53,249)
Current tax liabilities	(10,966)	—	(10,966)
Secured notes	(837,380)	—	(837,380)
Deferred tax liabilities	(35,793)	(158,716)	(194,509)

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair Value HK$'000
NET ASSETS	1,786,636	539,798	2,326,434
Minority interests			(1,273,790)
Goodwill arising on acquisition			
– allocated to associates			175,755
– allocated to subsidiaries			405,427
			581,182
Total consideration			1,633,826
Total consideration, satisfied by:			
Share consideration, at fair value			1,621,863
Direct costs relating to the acquisition			11,963
			1,633,826
Net cash inflow arising on acquisition			
Direct costs relating to the acquisition			(3,463)
Bank and cash balances acquired			314,988
			311,525

The new subsidiaries contributed approximately HK$2,914,503,000 to the Group's turnover and approximately HK$93,849,000 to the Group's profit after tax for the period from date of acquisition to 31 March 2010.

If the acquisition had been completed on 1 April 2009, total Group's turnover would have been increased by approximately HK$3,707,409,000 and profit after tax for the period would have been increased by approximately HK$12,344,000 for the year ended 31 March 2010. The proforma information is for illustrative purposes 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 is it intended to be a projection of future results.

(b) Major non cash transactions

(i) During the year ended 31 March 2010, 3,243,726,480 new ordinary shares of the Company of HK$0.01 each were allotted and issued at approximately HK$0.5 per share as the consideration for the acquisition of 54.28% equity interests in PMHL.

(ii) During the year ended 31 March 2010, additions of property, plant and equipment of approximately HK$834,000 were financed by the finance leases.

(iii) During the year ended 31 March 2009, 183,750,000 new ordinary shares of the Company of HK$0.01 each were issued at approximately HK$0.12 per share as part of the consideration for the acquisition of 60% equity interests in WM Aalbrightt in the year ended 31 March 2008.

39. CONTINGENT LIABILITIES

As at 31 March 2010, the Company issued corporate guarantees to various financial institutions for facilities granted to its subsidiaries. The Directors do not consider it probable that a claim will be made against the Company under any of the aforesaid guarantees. The maximum liability of the Company at the end of the reporting period under the aforesaid guarantees was approximately HK$84 million (2009: HK$65 million).

The fair value of the aforesaid guarantees at date of inception is not material and is not recognised in the financial statements.

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

As at 31 March 2010, the Group did not have any significant contingent liabilities (2009: Nil).

40. BANKING FACILITIES

As at 31 March 2010, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits (Note 26), property, plant and equipment (Note 17), lease prepayments (Note 18) and mining rights (Note 20) of the Group;

(b) 60% equity interests in WM Aalbrightt, an indirectly-owned subsidiary of the Group, and 100% equity interests in Sharp Advance International Limited ("Sharp Advance"), an indirect wholly-owned subsidiary of the Group;

(c) all assets of Sharp Advance including interests in a subsidiary at cost of approximately HK$72 million, amounts due from fellow subsidiaries of approximately HK$0.5 million and bank deposits of approximately HK$17,000;

(d) 33.06% equity interests in Anhui Chaodong, an associate of the Group (Note 22);

(e) corporate guarantee of the Company;

(f) corporate guarantees of subsidiaries;

(g) corporate guarantee of a third party;

(h) guarantee of the Hong Kong Special Administrative Region Government; and

(i) personal guarantee executed by Mr. Wong.

As at 31 March 2009, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits (Note 26) of the Group;

(b) 60% equity interests in WM Aalbrightt, an indirect owned subsidiary of the Group, and 100% equity interests in Sharp Advance, an indirect wholly-owned subsidiary of the Group;

(c) all assets of Sharp Advance including interests in a subsidiary at cost of approximately HK$70 million, amounts due from fellow subsidiaries of approximately HK$0.5 million and bank deposits of approximately HK$0.3 million;

(d) corporate guarantee of the Company;

(e) corporate guarantees of subsidiaries; and

(f) personal guarantee executed by Mr. Wong.

41. COMMITMENTS

As at 31 March 2010, the Group had the following commitments:

(a) Operating lease commitments – as lessee

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

	2010 HK$'000	2009 HK$'000
Within one year	3,076	53
In the second to fifth years, inclusive	2,730	—
	5,806	53

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

(b) Capital and other commitments

	2010 HK$'000	2009 HK$'000
Contracted but not provided for acquisition of property, plant and equipment	4,134	3,528
Capital contribution to a subsidiary	262,080	—

(c) Purchase commitments

The Group entered into a raw materials supply contract with an iron ore supplier, with duration of seven years. Pursuant to the contract, the purchase prices are re-negotiated periodically on arm's length basis by reference to the prevailing market price of iron are for shipment from similar locations in the region. At 31 March 2010, the Group had purchase commitments in relation to the purchase of iron ore of 2,920,000 tonnes (2009: Nil) not provided for in the financial statements.

42. 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 during the year:

		2010 HK$'000	2009 HK$'000
(a)	Rental expenses paid to a related company	423	654

The Group shared the office premises rented by a related company, Prosperity Materials (International) Limited ("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. The rental expenses were charged with reference to the open market values as determined by the Directors.

Mr. Wong and a former director of the Company, Madam Hon Ching Fong ("Madam Hon") who resigned on 23 September 2008, are also the directors of and have beneficial interests in PMIL.

(b) **Compensation of key management personnel**

	2010 HK$'000	2009 HK$'000
Directors' fees	585	360
Basic salaries, allowances and benefits in kind	16,810	6,251
Retirement benefits scheme contributions	415	228
	17,810	6,839

43. EVENTS AFTER THE REPORTING PERIOD

(a) Save as disclosed in Note 11 to the financial statements, the Transaction was completed on 30 April 2010 and an aggregate amount of HK$3.6 billion has been received by the Company. The balance of the consideration of HK$200 million and the increase in shareholder loan of approximately HK$385 million, are expected to be received by the Company in July 2010.

(b) On 22 May 2010, Sintex International Holdings Limited ("Sintex"), an indirectly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Liaoning Yan Zhou Zhu Xing Cement Co., Limited under which Sintex agreed to acquire 25% equity interest in Liaoning Changqing for a consideration of RMB 100 million.

(c) On 31 May 2010, Zhejiang Changxing Investment Company Limited ("Zhejiang Changxing"), an indirectly owned subsidiary of the Company, entered into a joint venture agreement ("JV Agreement") with a joint venture partner, Xiamen Yangguang Shiji Property Development Company Limited for the establishment of a joint venture company, Changtai Jinhongbang Property Development Company Limited ("Changtai Jinhongbang") in the PRC. Pursuant to the JV Agreement, the joint venture company will be principally engaged in real estate development in the Fujian Province, the PRC. The total investment costs by the Group in proportion to its respective interest in Changtai Jinhongbang is RMB480 million.

43. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(d) On 31 May 2010, Pro-Rise entered into a conditional sale and purchase agreement with two related companies Cheong Sing Merchandise Agency Limited ("Cheong Sing") and Splendid City Limited of which Mr. Wong and Madam Hon are also the directors of and have beneficial interests in Cheong Sing and Splendid City Limited. According to the agreement, Pro-Rise agreed to acquire (i) the entire equity interest in Bliss Hero Investment Limited ("Bliss Hero HK") for a consideration equal to the consolidated net assets value of Bliss Hero HK as at 31 March 2010, after deduction of minority interest and (ii) the shareholder loan outstanding in the consolidated financial statements of Bliss Hero HK as at 31 March 2010.

Bliss Hero HK holds the entire equity interest in Guangzhou Bliss Hero Real Estate Development Company Limited ("Bliss Hero GZ") and 55% equity interest in Guangzhou Fuchun Dongfang Real Estate Investment Co., Ltd ("Fuchun Dongfang").

Bliss Hero GZ owns approximately 11,472 square metres of office and commercial space in Silver Bay Plaza, situated in Guangzhou City, Guangdong Province, the PRC. Silver Bay Plaza was completed in 2004 and has a total gross floor area of approximately 19,900 square metres, comprising 26 floors and 2 underground floors.

Fuchun Dongfang is the owner of the land use rights in respect of two land parcels situated in Guangzhou, the PRC with an aggregate site area of 13,814 square metres.

The acquisition of Bliss Hero HK has not been completed.

(e) On 31 May 2010, MCO, an indirectly owned subsidiary of the Company, entered into an iron ore master off-take agreement with Grace Wise Pte Limited ("Grace Rise"), a related company of which Mr. Wong has beneficial interest. Pursuant to the agreement, Grace Wise agreed to sell to MCO, for loading at Malaysian sea port, iron ore at a price per tonne following the prevailing market price in the region for a period up to 31 March 2013 (the "Off-take Period").

The master off-take agreement prescribes the maximum value of US$1,555 million (approximately HK$12 billion) of the transaction between MCO and Grace Wise during the Off-take Period. Under the master off-take agreement, Grace Wise has no obligation to sell iron ore to MCO nor is MCO required to purchase iron ore from Grace Wise. However, whenever Grace Wise has iron ore to sell, it must first offer the same to MCO. Grace Wise will inform MCO periodically of the quantity of iron ore available for sale and MCO will decide on the quantity that it wishes to purchase. In the event that MCO decide not to purchase all of the iron ore offered by Grace Wise, Grace Wise may then sell the remaining iron ore to third parties.

44. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2010 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital/ registered capital	Attributable equity interest held by the Company Direct	Attributable equity interest held by the Company Indirect	Principal activities
Atlantic Wise Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	—	53.89%	Dormant
Carpetwise Investments Holdings Limited	BVI	1 ordinary share of US$1 each	—	53.89%	Dormant
△ # Chongqing Changxing	The PRC	Registered capital of US$35,000,000	—	53.89%	Manufacture and sales of clinker and cement
Crown Wise Limited	BVI	1 ordinary share of US$1 each	—	53.89%	Dormant
Escrow Limited	Hong Kong	10,000 ordinary shares of HK$ 1 each	—	53.89%	Dormant
△ # Guangan Changxing Cement Co., Limited	The PRC	Registered capital of US$29,990,000	—	53.89%	Manufacture and sales of clinker and cement
# Guilin Star Brite Stone Materials Co., Ltd.	The PRC	Registered capital of US$3,000,000	—	60%	Mining and processing of granite and selling of granite products
△ # Guizhou Anshun Changxing Cement Co., Limited	The PRC	Registered capital of US$29,990,000	—	53.89%	Manufacture and sales of clinker and cement
△ Hensford Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Investment holding
Jet World Corporation Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Dormant
Jetgo Development Limited	BVI	2 ordinary shares of US$1 each	100%	—	Dormant
Kingwell Corporation Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Dormant
△ Kiton Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Investment holding
△ * Liaoning Chongqing	The PRC	Registered capital of US$33,500,584	—	40.42%	Manufacture and sales of clinker and cement

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital/ registered capital	Attributable equity interest held by the Company Direct	Attributable equity interest held by the Company Indirect	Principal activities
Mega Best (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Dormant
△ Mega East Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Investment holding
MCO	Macau	100,000 ordinary shares of MOP1 each	—	53.89%	Trading of iron ore
Ongold Enterprises Limited	BVI	2 ordinary shares of US$1 each	100%	—	Dormant
PMHL	Jersey	135,465,165 ordinary shares of GBP0.01 each	53.89%	—	Investment holding
PMI	BVI	10,000 ordinary shares of US$1 each	—	53.89%	Investment holding
PMM	Hong Kong	100,000 ordinary shares of HK$1 each	—	53.89%	Provision of human resources and administrative services
Premium International Investment Limited	Hong Kong	50,000 ordinary shares of HK$1 each	—	53.89%	Investing holding
△ Prime York Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Investment holding
Profit World Ventures Limited	BVI	20,000 ordinary shares of US$1 each	100%	—	Investment holding
Pro-Rise	BVI	1,000 ordinary shares of US$1 each	—	53.89%	Investment holding
Prosperity Cement (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Trading of clinker and cement
Prosperity Cement (Asia) Limited – Macao Commercial Offshore	Macau	1 ordinary share of MOP$100,000 each	—	100%	Trading of clinker and cement
△ Prosperity Cement Investment Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Investment holding

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital/ registered capital	Attributable equity interest held by the Company Direct	Indirect	Principal activities
Prosperity Cement Shipping Limited	BVI	2 ordinary shares of US$1 each	—	100%	Dormant
Prosperity Minerals (China) Limited	BVI	10,000 ordinary shares of US$1 each	—	53.89%	Investment holding
Prosperity Minerals Finance Limited	BVI	10,000 ordinary shares of US$1 each	—	53.89%	Dormant
△ Prosperity Minerals (International) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	53.89%	Investment holding
Prosperity Minerals International Investment Limited	BVI	10,000 ordinary shares of US$1 each	—	53.89%	Dormant
Prosperity Minerals Limited	Hong Kong	2 ordinary shares of HK$1 each	—	53.89%	Provision of advisory, planning and administrative services
Prosperity Resources (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Dormant
Prosperity Trading Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Trading of building materials
Right Sky International Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Dormant
Sharp Advance	BVI	1 ordinary share of US$1 each	—	100%	Investment holding
Sintex	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Dormant
△ Star Home Limited	Hong Kong	10 ordinary shares of HK$1 each	—	43.11%	Investment holding
Success Top Enterprise Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Trading of building materials
Super Data Limited	BVI	1,000 ordinary shares of US$1 each	—	53.89%	Provision of freight chartering services
Sure Kit Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Investment holding

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
△ Upper Value	BVI	10,000 ordinary shares of US$1 each	—	53.89%	Investment holding
△ Way Zone Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	53.89%	Investment holding
Win Cross Limited	BVI	1 ordinary share of US$1 each	—	53.89%	Dormant
WM Aalbrightt	Hong Kong	100,000 ordinary shares of HK$1 each	—	60%	Investment holding
# YDM	The PRC	Registered capital of RMB428,110,000	—	53.89%	Manufacture and sales of clinker and cement
# Zhejiang Changxing	The PRC	Registered capital of US$58,600,000	—	53.89%	Dormant

a wholly-owned foreign enterprise established in the PRC
* a sino foreign equity joint venture established in the PRC
△ These subsidiaries are included in the disposal group held for sale

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 July 2010.

Summary Financial Information

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in note below:

	Year ended 31 March				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
RESULTS					
Continuing operations					
Turnover	**2,559,682**	786,492	648,611	550,597	159,587
(Loss)/profit before tax	**(42,465)**	23,937	40,024	20,911	11,157
Income tax expense	**(2,115)**	(878)	(1,491)	(1,565)	(4)
(Loss)/profit from continuing operations	**(44,580)**	23,059	38,533	19,346	11,153
Profit from discontinued operation	**142,115**	—	—	—	(4,362)
Profit for the year	**97,535**	23,059	38,533	19,346	6,791
Attributable to:					
Owners of the Company	**57,394**	24,573	38,533	19,346	6,791
Minority interests	**40,141**	(1,514)	—	—	—
	97,535	23,059	38,533	19,346	6,791

	As at 31 March				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**744,373**	228,488	221,842	12,828	9
Current assets	**6,996,902**	147,046	94,211	73,472	36,859
Current liabilities	**(4,439,412)**	(80,612)	(93,938)	(63,171)	(30,745)
Non-current liabilities	**(72,007)**	(77,781)	(48,307)	—	—
Total equity	**3,229,856**	217,141	173,808	23,129	6,123
Attributable to:					
Owners of the Company	**1,851,784**	160,897	116,095	23,129	6,123
Minority interests	**1,378,072**	56,244	57,713	—	—
	3,229,856	217,141	173,808	23,129	6,123

Note: Amounts disclosed in the summary financial information for prior years were extracted from the annual report for the year ended 31 March 2009.