

A hand is shown from the top right, placing a smooth, dark grey stone into a shallow pond of water. The water is a pale yellow color, and the stone's entry has created several concentric ripples that spread outwards. In the foreground, there are three more smooth, dark grey stones of varying sizes, arranged in a diagonal line from the bottom left towards the center. The background is a plain, light color, possibly white or light grey.

Strategies for Creating

VALUE

Interim Report 2011



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

CORPORATE INFORMATION

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

Non-executive Director

Mr. LIU Benren, *Deputy Chairman*

(appointed on 17 August 2010)

Independent Non-executive Directors

Mr. MO Kwok Choi

(resigned on 17 August 2010)

Mr. YUEN Kim Hung, Michael

Mr. YUNG Ho

Mr. CHAN Kai Nang

(appointed on 17 August 2010)

Mr. MA Jianwu

(appointed on 17 August 2010)

Dr. LIANG Dunshi

(appointed on 17 August 2010)

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

(resigned on 17 August 2010)

Mr. YUEN Kim Hung, Michael, *Chairman*

(re-designated as chairman
on 17 August 2010)

Mr. YUNG Ho

Mr. MA Jianwu

(appointed on 17 August 2010)

REMUNERATION COMMITTEE

Mr. YUEN Kim Hung, Michael, *Chairman*

Mr. YUNG Ho

Mr. MO Kwok Choi

(resigned on 17 August 2010)

Mr. CHAN Kai Nang

(appointed on 17 August 2010)

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

SOLICITORS

Stephensen Harwood

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
Rabobank International
BNP Paribas Fortis
Oversea-Chinese Banking
Corporation Limited
United Overseas Bank

COMPANY WEBSITE ADDRESS

www.pihl-hk.com

MANAGEMENT DISCUSSION AND ANALYSIS

Results Overview

During the six months ended 30 September 2010 (the “Relevant Period”), Prosperity International Holdings (H.K.) Limited managed to deliver a satisfactory set of financial results.

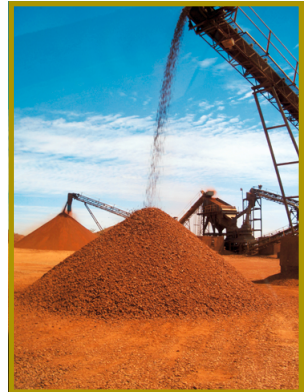
During the Relevant Period, the Group recorded a 8-fold turnover growth to approximately HK\$3,578 million from approximately HK\$386 million (as restated) for the six months ended 30 September 2009. Profit for the period also surged more than 50-fold to approximately HK\$1,074 million as compared with approximately HK\$21 million during the corresponding period last year. The surge in the profit was mainly contributed by the gain of approximately HK\$1,136 million on the disposal of the majority interests in the clinker and cement manufacturing business in the PRC with the consideration of HK\$3,800 million, which has further strengthened our capital base and cash position. The basic earnings per share were HK10.40 cents, compared with HK0.88 cents for last period.

The Board of Directors did not recommend the payment of an interim dividend for the Relevant Period.

Iron Ore Trading

For the six months ended 30 September 2010, the iron ore trading business undertaken by Prosperity Minerals Holdings Limited (“Prosperity Minerals”), a subsidiary of the Company, was one of the core businesses and major income sources of the Group.

Even though the PRC government released a RMB 4 trillion massive stimulus package, including increased spending on infrastructure development projects, the Group’s iron ore trading operation was affected adversely by (i) sluggish demand for steel and, subsequently, lower steel prices, especially in the second quarter of 2010 due to the PRC austerity measures aimed at curbing speculation in the property market; (ii) reduction in steel supply as a result of the PRC government’s action to limit power supply to steelmakers and the closure of small, obsolete plants which failed to meet national energy and efficiency targets; and (iii) decrease in iron ore demand as demonstrated by the largest decrease in import volume in August 2010, during the Relevant Period.



Though prices fell from record levels in July 2010 and price volatility increased due to the replacement of the traditional annual benchmark pricing by a new quarterly pricing arrangement between major producers and buyers, the Group believes that there has been a recovery of iron ore imports to the PRC and greater stability in pricing from mid-September. For the Relevant period, Prosperity Minerals shipped 2.7 million tonnes of iron ore and generated revenue aggregating approximately to HK\$3,207 million to the Group.

In order to ensure a stable supply of iron ore from reliable sources, Prosperity Minerals on 31 May 2010 entered into a master off-take agreement with a Malaysian supplier controlled by Mr. Wong Ben Koon ("Mr Wong"), the controlling shareholder and the chairman of the Company. The contract period will be between 1 May 2010 and 31 March 2013 (the "Off-take Period"). The agreement prescribes the maximum value of iron ore of US\$1,555 million (equivalent to approximately HK\$12,129 million) that can be purchased under the master off-take agreement during the Off-take Period.

Prosperity Minerals continued to uphold its prudent risk management policy by engaging only into back-to-back transactions and holding no inventory in pursuit of securing suppliers and customers for the long term.

To vertically expand its business scope further to the exploration and exploitation of iron ore, the Company entered into a memorandum of understanding (the "MOU") on 2 September 2010, intending to acquire a company (controlled by Mr. Wong) which owns 70% equity interests in Malaysian iron ore joint ventures. The joint ventures are engaged in the exploration, mining and processing of iron ore in Malaysia. Upon completion of the proposed acquisition, the Company will be in a better position to secure its reliable supply of iron ore from Malaysia and to expand its trading business in a cost effective way.

Real Estate Development Projects

After disposal of the majority interests in clinker and cement manufacturing business in the PRC with the consideration of HK\$3.8 billion and strengthening the capital base, the Group has explored the opportunities in property development in the PRC.

On 16 August 2010, the Company completed the acquisition of Bliss Hero Investment Limited (“Bliss Hero”) for a consideration of approximately HK\$828 million. Bliss Hero owns approximately 11,472 sq.m. of office and commercial space in SilverBay Plaza located in Guangzhou City, Guangdong Province, with approximately 90% occupancy rate as at 30 September 2010 and holds a 55% interest in a commercial and residential development project known as Dongfang Wende Plaza located in the same city which is currently under construction. The pre-sale of Dongfang Wende Plaza by phases is scheduled to the first quarter of 2011.



In addition, the Company also expanded into Changzhou City through the establishment of a joint venture. On 31 May 2010, the Group entered into a joint venture agreement with a third party for the establishment of a 50-50 joint venture company in the PRC to develop a real estate project in Changzhou City, Fujian Province. The combined recreation, commercial and residential project in Changzhou City will offer luxury accommodations and hot spring resort facilities. The maximum investment cost contributed by the Group in proportion to its respective interest in the joint venture is RMB480 million.

Clinker and Cement Trading Business and Operation

The overall global trading of clinker and cement gradually recovered from the aftermath of the global crisis, mainly due to buoyant demand in the emerging economies such as Africa and South America.

Owing to the broad experience and profound expertise of the Group's management, extensive sales network in the region and flexibility in adjusting its strategies to weather the crisis and to grasp all opportunities from the economy recovery, the Group was able to solidify its leading position in the market amidst a challenging and uncertain operating environment.

During the Relevant Period, the Group purchased and sold approximately 1,040,000 tonnes of clinker and cement, representing approximately a 47% increase as compared with the corresponding period last year. This segment generated revenue of approximately HK\$365,804,000, compared to approximately HK\$274,622,000 in last financial year.

Production cost of clinker and cement in PRC went up substantially due to escalating energy cost such as fossil fuel. At the same time, local cement demand surged as a result of increased spending on infrastructure development projects and booming real estate market brought by the effect of PRC RMB4 trillion stimulus package. These factors brought about higher procurement cost for our clinker and cement trading during the Relevant Period, resulting in a decrease in gross profit.

In April 2010, the Group disposed its majority interests in the clinker and cement manufacturing business in the PRC, yet retained its 33.06% interests in Anhui Chaodong Cement Company Limited ("Anhui Chaodong"). As at 30 September 2010, the total designed sellable output capacity of Anhui Chaodong was 3.4 million tonnes of cement and clinker per annum, which is expected to increase to 5.1 million tonnes once the new clinker production line is in commission.



On 1 September 2010, the Company acquired 25% equity interests in Liaoning Changqing Cement Co. Limited (“Liaoning Changqing”). The construction of the first new clinker production line at Liaoning Changqing was completed in April 2010 and was put into production commencing from 2 July 2010 while cement grinding facilities were in commission in August 2010.

Granite Material Production



The Group extended its operations into the granite production business by acquiring Xiang Lu Shan Granite Mining Site in Guangxi Province, the PRC, in 2008. The renewal of the mining permit in relation to the Xiang Lu Shan Granite Mining Site with the Ministry of Land and Resources was approved in October 2008 for a period of ten years, allowing the Group to produce up to 40,000 m³ (equivalent to approximately 102,000 tonnes) of granite products per annum from this site.

The feldspar powder plant with a designed production capacity of 100,000 tonnes per annum has commenced trial production.

Operation of Public Port and Other Related Facilities Business

The Group has been involved in the development of a public port and the provision of warehousing services in Jiangsu Province, the PRC, through setting up a joint venture with Anhui Conch Venture Investment Company Limited in October 2006, in which the Group owns a stake of 25%.



Located in Jiangdu City of Jiangsu Province, the public port is one of the few deep water ports along the Yangtze River Delta accommodating nine berth docks (three for 70,000 tonnage vessels and six for 5,000 tonnage vessels) and a terminal storage area of approximately 360,000 m². The terminal supports a throughput of 8 million tonnes per year.



The relevant licenses necessary for the operation of the port have been granted by the government authorities. The Group has accelerated the construction process of port facilities. The construction of the first berth for 70,000 tonnage vessels will be completed and ready for trial operation in December 2010. The other two berths for 70,000 tonnage vessels will commence trial operation in April 2011. These facilities are expected to commence commercial operation by mid 2011.

Liquidity and Financial Resource

As at 30 September 2010, the Group's total bank and cash balances were approximately HK\$2,015,879,000 (31 March 2010: HK\$572,941,000, as restated) and total borrowings were approximately HK\$1,090,138,000 (31 March 2010: HK\$887,194,000, as restated).

Gearing ratio as at 30 September 2010, calculated on the basis of total interest bearing debts divided by owners' equity, was approximately 48% (31 March 2010: 39%, as restated).

Human Resources

As at 30 September 2010, the Group had a total of 191 staff members, 100 of them based in the PRC and 91 based in Hong Kong.

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

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

Charge on Group Assets

The following assets held by the Group were pledged to banks to secure banking facilities granted to the Group:

- (a) pledged bank deposits of approximately HK\$65,386,000 (31 March 2010: approximately HK\$54,581,000);
- (b) 100% equity interest in Sharp Advance International Limited, an indirect wholly-owned subsidiary of the Company;
- (c) 60% equity interest in WM Aalbrightt Investment Holdings (Hong Kong) Limited, an indirectly 60% owned subsidiary of the Company;
- (d) property, plant and equipment in which their carrying amount as at 30 September 2010 was HK\$Nil (31 March 2010: HK\$647,213,000);
- (e) mining rights in which their carrying amount as at 30 September 2010 was HK\$Nil (31 March 2010: HK\$280,136,000);
- (f) lease prepayments in which their carrying amount as at 30 September 2010 was HK\$Nil (31 March 2010: HK\$418,236,000);
- (g) 33.06% equity interest in Anhui Chaodong Cement Co., Ltd.; and
- (h) investment properties, investment properties under development and properties under development for sale in which their carrying amount as at 30 September 2010 was HK\$2,250,587,000 (31 March 2010: HK\$2,085,046,000, as restated).

Material Acquisition and Disposal

Pursuant to a conditional sale and purchase agreement entered into between two subsidiaries of the Company, Prosperity Minerals and Pro-Rise Business Limited (“Pro-Rise”, a non-wholly owned subsidiary of the Company), and an independent third party on 11 December 2009, Pro-Rise Business Limited, agreed to dispose its entire interests in Upper Value Investments Limited and its subsidiaries except for Prosperity Minerals Management Limited and Prosperity Minerals Investments Limited, together with the assigned shareholder loan payable, to the independent third party at a consideration of HK\$3.8 billion. The disposal was completed on 30 April 2010.

As mentioned above and referring to the announcement dated 31 May 2010 and the circular dated 30 July 2010, Pro-Rise entered into an acquisition agreement with Splendid City Limited (“Splendid City”) and Cheong Sing Merchandise Agency Limited (“Cheong Sing”) pursuant to which Pro-Rise conditionally agreed to acquire the entire equity interest in Bliss Hero Investment Limited (“Bliss Hero”) which holds certain property interests in Guangzhou City, the PRC and the shareholder’s loan from Mr. Wong, the controlling shareholder of the Company, with the consideration of approximately HK\$828 million. Splendid City and Cheong Sing are beneficially owned by Mr. Wong and his associates, and hence the said acquisition constituted a connected transaction to the Company. The acquisition was completed on 16 August 2010.

Outlook

In light of the current economic climate with lingering uncertainties, the management remains cautiously optimistic towards our operating environment. Nevertheless, in order to gear up for the foreseeable rebound in the global economy, the Group will strategically focus on iron ore trading and other natural resources, which remained our major source of income. With the strengthened capital base, the Group will actively seek any profitable acquisition of valuable assets so as to expand its business scope to the exploration and exploitation of iron ore and to identify more promising opportunities in the natural resources industry.

As for the real estate development, which is another strategic focus of the Company, the Group will continue our efforts in venturing into the burgeoning property market in China. Following our successful expansion into Guangzhou and Changzhou, the Group will further strengthen our foothold in the provinces. In the meantime, we will identify good opportunities in the property markets of any other prosperous and fast-growing regions in mainland China.

With such strategies, coupled with our experienced management and our enlarged capital base, the Group is confident that the continued investment and development of different businesses will help us consolidate our leading position in the respective markets. Looking ahead, while diversifying into real estate market, the Group aspires to become one of the leading suppliers of building materials and mineral resources in Asia with a view to generating high-yielding return streams for the Group and its shareholders in the long run.

CONDENSED CONSOLIDATED INCOME STATEMENT

The board of directors of the Company (the "Board") is pleased to announce the condensed consolidated results of the Group for the six months ended 30 September 2010, together with the comparative figures for the corresponding period last year, as follows:

		For the six months ended 30 September	
		2010	2009
		(Unaudited)	(Unaudited and restated)
	Note	HK\$'000	HK\$'000
Continuing operations			
Turnover	4	3,577,716	385,528
Cost of goods sold		(3,477,714)	(342,594)
		<hr/>	<hr/>
Gross profit		100,002	42,934
Other income	5	22,375	2,269
Selling and distribution costs		(19,042)	(10,399)
Administrative expenses		(173,663)	(13,847)
		<hr/>	<hr/>
(Loss)/profit from operations		(70,328)	20,957
Finance costs	7	(10,604)	(1,499)
Share of profits less losses of associates		(5,089)	—
Fair value loss on derivative financial instruments		(11,133)	—
Fair value gain on investment properties and investment properties under development		9,996	—
		<hr/>	<hr/>
(Loss)/profit before tax		(87,158)	19,458
Income tax expense	8	(2,492)	(365)
		<hr/>	<hr/>
(Loss)/profit for the period from continuing operations		(89,650)	19,093
Discontinued operation			
Profit for the period from discontinued operation	10	1,163,821	1,510
		<hr/>	<hr/>
Profit for the period	9	1,074,171	20,603
		<hr/> <hr/>	<hr/> <hr/>

		For the six months ended 30 September	
		2010	2009
		(Unaudited)	(Unaudited and restated)
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
	Owners of the Company	575,461	20,557
	Non-controlling interests	498,710	46
		<hr/> 1,074,171 <hr/>	<hr/> 20,603 <hr/>
(Loss)/ earnings per share			
From continuing and discontinued operations			
	– basic (HK cents)	11(a) 10.40	0.88
	– diluted (HK cents)	11(a) 10.34	0.87
From continuing operations			
	– basic (HK cents)	11(b) (0.83)	0.85
	– diluted (HK cents)	11(b) N/A	0.83

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	1,074,171	20,603
Other comprehensive income:		
Exchange differences on translating foreign operations	5,227	377
Exchange differences reclassified to income statement on disposal of subsidiaries, associates and a jointly controlled entity	(1,968)	—
Fair value gain on available-for-sale financial assets	3,195	—
Other comprehensive income for the period, net of tax	6,454	377
Total comprehensive income for the period	1,080,625	20,980
Attributable to:		
Owners of the Company	580,785	20,784
Non-controlling interests	499,840	196
	1,080,625	20,980

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Restated) HK\$'000
	Note		
ASSETS			
Non-current assets			
Investment properties	13	174,163	173,689
Investment properties under development	13	631,341	591,912
Property, plant and equipment	13	12,358	9,109
Goodwill		38,105	38,105
Interests in associates	14	488,605	378,346
Interest in a jointly controlled entity	15	57,291	—
Other intangible assets		192,640	192,640
Available-for-sales financial assets		35,565	—
Non-current prepayments		167,750	129,240
		<u>1,797,818</u>	<u>1,513,041</u>
Current assets			
Properties under development for sale	13	1,445,083	1,319,445
Trade and bills receivables	16	85,019	155,061
Prepayments, deposits and other receivables		1,193,241	563,123
Current tax assets		1,301	1,542
Pledged bank deposits		65,386	54,581
Bank and cash balances		2,015,879	572,941
		<u>4,805,909</u>	<u>2,666,693</u>
Disposal group held for sale	17	—	5,869,803
		<u>4,805,909</u>	<u>8,536,496</u>
Total assets		<u><u>6,603,727</u></u>	<u><u>10,049,537</u></u>
EQUITY			
Capital and reserves			
Share capital	18	55,566	55,177
Reserves		2,208,256	2,216,077
		<u>2,263,822</u>	<u>2,271,254</u>
Equity attributable to owners of the Company		2,263,822	2,271,254
Non-controlling interests		2,368,609	1,971,272
Total equity		<u><u>4,632,431</u></u>	<u><u>4,242,526</u></u>

		As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Restated) HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	735,154	495,359
Obligations under finance leases		170	397
Deferred tax liabilities		363,407	360,970
		1,098,731	856,726
Current liabilities			
Trade and bills payables	20	188,614	253,846
Other payables and deposits received		272,509	1,292,747
Current tax liabilities		1,412	823
Derivative financial instruments		55,216	89,965
Current portion of bank borrowings	19	354,359	390,652
Current portion of obligations under finance leases		455	786
		872,565	2,028,819
Liabilities directly associated with disposal group held for sale	17	—	2,921,466
		872,565	4,950,285
Total liabilities		1,971,296	5,807,011
Total equity and liabilities		6,603,727	10,049,537
Net current assets		3,933,344	3,586,211
Total assets less current liabilities		5,731,162	5,099,252

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Investment reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained Profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2010, as previously reported	55,177	1,661,196	4,662	14,878	—	6,109	—	50	109,712	1,851,784	1,378,072	3,229,856
Adjustment for business combination under common control (Note 2)	—	—	—	—	419,470	—	—	—	—	419,470	593,200	1,012,670
At 1 April 2010, as restated	55,177	1,661,196	4,662	14,878	419,470	6,109	—	50	109,712	2,271,254	1,971,272	4,242,526
Total comprehensive income for the period	—	—	2,129	—	—	—	3,195	—	575,461	580,785	499,840	1,080,625
Consideration for purchase of entity under common control	—	—	—	—	(445,875)	—	—	—	—	(445,875)	—	(445,875)
Transfer of profit of entity under common control	—	—	—	—	1,616	—	—	—	(1,616)	—	—	—
Transfer of other comprehensive income of entity under common control	—	—	(5,212)	—	5,212	—	—	—	—	—	—	—
Transfer of non-controlling interests of entity under common control	—	—	—	—	22,437	—	—	—	—	22,437	(22,437)	—
Cancellation of share options of share options (Note 18(a))	—	—	—	—	—	(3,773)	—	—	—	(3,773)	—	(3,773)
Issue of shares upon exercise of share options (Note 18(a))	600	5,044	—	—	—	(964)	—	—	—	4,680	—	4,680
Recognition of share-based payments	—	—	—	—	—	4,451	—	—	—	4,451	—	4,451
Repurchase of shares (Note 18(b))	(211)	(9,272)	—	—	—	—	—	—	—	(9,483)	—	(9,483)
Dividend paid	—	—	—	—	—	—	—	—	(155,696)	(155,696)	—	(155,696)
Deemed disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	(4,958)	(4,958)	46,184	41,226
Transferred to income statement on disposal of subsidiaries, associates and a jointly controlled entity	—	—	—	—	—	—	—	—	—	—	(126,250)	(126,250)
Changes in equity for the period	389	(4,228)	(3,083)	—	(416,610)	(286)	3,195	—	413,191	(7,432)	397,337	389,905
At 30 September 2010	55,566	1,656,968	1,579	14,878	2,860	5,823	3,195	50	522,903	2,263,822	2,368,609	4,632,431

Attributable to owners of the Company

	Share capital (Unaudited and restated) HK\$'000	Share premium (Unaudited and restated) HK\$'000	Foreign currency translation reserve (Unaudited and restated) HK\$'000	Contributed surplus (Unaudited and restated) HK\$'000	Merger reserve (Unaudited and restated) HK\$'000	Share-based payment reserve (Unaudited and restated) HK\$'000	Other reserve (Unaudited and restated) HK\$'000	Retained profits (Unaudited and restated) HK\$'000	Total (Unaudited and restated) HK\$'000	Non-controlling interests (Unaudited and restated) HK\$'000	Total equity (Unaudited and restated) HK\$'000
At 1 April 2009, as previously reported	21,760	67,090	2,752	14,878	—	2,049	50	52,318	160,897	56,244	217,141
Total comprehensive income for the period	—	—	227	—	—	—	—	20,557	20,784	196	20,980
Issue of new shares upon exercise of share options	680	1,496	—	—	—	(392)	—	—	1,784	—	1,784
Issue of shares upon acquisition of subsidiaries	32,437	1,589,426	—	—	—	—	—	—	1,621,863	1,273,790	2,895,653
Changes in equity for the period	33,117	1,590,922	227	—	—	(392)	—	20,557	1,644,431	1,273,986	2,918,417
At 30 September 2009, as previously reported	54,877	1,658,012	2,979	14,878	—	1,657	50	72,875	1,805,328	1,330,230	3,135,558
Adjustment for business combination under common control (Note 2)	—	—	—	—	400,876	—	—	—	400,876	582,386	983,262
At 30 September 2009, as restated	54,877	1,658,012	2,979	14,878	400,876	1,657	50	72,875	2,206,204	1,912,616	4,118,820

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited and restated)
	HK\$'000	<i>HK\$'000</i>
Net cash used in		
operating activities	(3,723)	(105,771)
Net cash generated from		
investing activities	1,039,320	786,549
Net cash generated from		
financing activities	170,235	44,477
	<hr/>	<hr/>
Net increase in cash and		
cash equivalents	1,205,832	725,255
Effect of foreign exchange rate changes	921	403
Cash and cash equivalents at beginning		
of period	809,126	83,468
	<hr/>	<hr/>
Cash and cash equivalents at end of period	2,015,879	809,126
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank and cash balances	2,015,879	809,126
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Notes to Condensed Consolidated Financial Statements

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 HM11, Bermuda. The principal place of business of the Company is Suites 1801-6, 18/F., Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company.

2. BASIS OF PREPARATION

These condensed consolidated financial information have been prepared in accordance with accounting principles generally accepted in Hong Kong and applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The preparation of these condensed consolidated financial information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This announcement contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the annual financial statements for the year ended 31 March 2010. The condensed consolidated financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes Hong Kong Financial Reporting Statements ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and interpretations) issued by the HKICPA.

The condensed consolidated financial information have been prepared under the historical cost basis, except for investment properties, investment properties under development, certain financial investments and derivative financial instruments which are stated at their fair value.

These condensed consolidated financial information should be read in conjunction with the 2010 annual financial statements. The accounting policies and method of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2010 except as stated below and in Note 3 to the condensed consolidated financial information.

Acquisition of the entire equity interest in Bliss Hero Investment Limited (“Bliss Hero”, hereinafter referred to as the “Business Combination”)

Pursuant to the sale and purchase agreement entered between Splendid City Limited, Pro-Rise Business Limited (“Pro-Rise”, a subsidiary of the Company) and Cheong Sing Merchandise Agency Limited on 31 May 2010, Pro-Rise conditionally agreed to acquire the entire equity interest in Bliss Hero which holds certain property interests in Guangzhou City at a cash consideration of approximately HK\$828 million. The consideration of the Business Combination was the sum of (i) the consideration payable for the assignment of all the amounts advanced by Mr. Wong Ben Koon (“Mr. Wong”) and/or his associate(s) to Bliss Hero and its subsidiaries (“Bliss Hero Loan”), which are outstanding as at the completion date of the agreement; and (ii) the net assets value (after deducting non-controlling interests) of Bliss Hero as at 31 March 2010 after taking into consideration a property revaluation carried out as at 31 March 2010 by an independent property valuer. The Business Combination became effective on 31 August 2010 when all the conditions to the Business Combination were satisfied and cash consideration other than the adjustments to the Bliss Hero Loan amount was settled by Pro-Rise in October 2010 according to the timeframe provided in the agreement.

Since the Group and Bliss Hero were both under the common control of Mr. Wong and Madam Hon Ching Fong (“Madam Hon”) prior to the Business Combination, the purchase of Bliss Hero is considered as a business combination of entities and businesses under common control, which has been accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting For Common Control Combinations” (“AG 5”) issued by the HKICPA. The common control was effective upon the acquisition of 54.28% of the equity interests in Prosperity Minerals Holdings Limited (“PMHL”, an intermediate holding company of Bliss Hero) by the Group on 24 September 2009. The acquired assets and liabilities of Bliss Hero are stated at historical cost, and are included in the unaudited condensed consolidated financial information since 24 September 2009 as if the Bliss Hero had always been part of the Group. As a result, the comparative figures in the condensed consolidated financial information has been restated accordingly.

The following tables summarise the combined results of operations and the financial positions of the Group and Bliss Hero for six months ended 30 September 2010 and 2009 and as at 31 March 2010 to reflect the impact of the effect of the Business Combination under common control:

	The Group (before the Business Combination)	Bliss Hero	The Group (after the Business Combination)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the six months ended			
30 September 2010			
Results of continuing operations:			
Turnover	3,572,806	4,910	3,577,716
(Loss)/profit for the period	(93,445)	3,795	(89,650)
Basic (loss)/earnings per share	HK (0.87) cents	HK 0.04 cents	HK (0.83) cents

There is no impact to the results of the discontinued operation for the period ended 30 September 2010 and the continuing and discontinued operations for the period ended 30 September 2009 of the Business Combination under common control.

	The Group (as previously reported before the Business Combination)	Bliss Hero	The Group (as restated after the Business Combination)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2010			
Financial position:			
Non-current assets	744,373	768,668	1,513,041
Current assets	6,996,902	1,539,594	8,536,496
Total assets	7,741,275	2,308,262	10,049,537
Non-current liabilities	72,007	784,719	856,726
Current liabilities	4,439,412	510,873	4,950,285
Total liabilities	4,511,419	1,295,592	5,807,011
Net assets	3,229,856	1,012,670	4,242,526

There is no impact to the financial position as at 31 March 2009 of the effect of the Business Combination under the common control.

These condensed consolidated financial information has not been audited, but has been reviewed by the Company's audit committee.

3. PRINCIPAL ACCOUNTING POLICIES

Except as described below and in Note 2 to the condensed consolidated financial information, the accounting policies adopted in the preparation of these interim financial information are the same as those used in the annual financial statements for the year ended 31 March 2010.

3(a) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3(b) Investment properties

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

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

Property that is being constructed or developed for future use as investment property is stated at cost less impairment losses until construction or development is complete, at which time it is stated at fair value. The difference between the fair value and the previous carrying amount is recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

3(c) Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

3(d) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

3(e) The adoption of the following new, revised or amendments to the HKFRSs (the “New HKFRSs”) issued by the HKICPA, which are generally effective for the first time for the current period’s financial information:

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs

The adoption of the New HKFRSs has had no significant financial effect on these condensed consolidated financial information and there have been no significant changes to the accounting policies applied in these condensed consolidated financial information.

- 3(f)** 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.

4. TURNOVER

The Group was principally engaged in the manufacturing and sales of clinker and cement (discontinued operation), mining and processing of granite and selling of granite products, trading of clinker and building materials, trading of iron ore and real estates leasing & development during the six months ended 30 September 2010. The Group's turnover represents the sales of goods to customers, net of discount and returns, and the rental income received from real estates leasing.

5. OTHER INCOME

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Commission received	2,496	413
Compensation income	1,799	—
Despatch income	9,671	1,123
Interest income	2,766	49
Exchange difference, net	1,459	—
Government grant	2,480	—
Others	4,520	1,349
	<hr/> 25,191 <hr/>	<hr/> 2,934 <hr/>
Representing:		
Continuing operations	22,375	2,269
Discontinued operation (Note 10)	2,816	665
	<hr/> 25,191 <hr/>	<hr/> 2,934 <hr/>

6. SEGMENT INFORMATION

Management determines the operating segments based on reports reviewed by senior executive management of the Group that are used to make strategic decisions. Management considers the Group's business activities are broadly categorized into the following five major business segments:

- (i) Manufacture and sales of clinker and cement (discontinued operation)
- (ii) Trading of iron ore
- (iii) Trading of clinker, cement and building materials
- (iv) Mining and processing of granite and selling of granite products
- (v) Real estates leasing and development

	Discontinued operation	Continuing operations				Total HK\$'000
		Manufacture and sales of clinker and cement HK\$'000	Trading of iron ore HK\$'000	Trading of clinker, cement and other building materials HK\$'000	Mining and processing of granite and selling of granite products HK\$'000	
For the six months ended						
30 September 2010 (Unaudited)						
Revenue from external customers	166,241	3,207,002	365,804	—	4,910	3,743,957
Segment profit/(loss)	48,032	15,764	8,897	(1,771)	7,083	78,005
As at 30 September 2010 (Unaudited)						
Segment assets	—	3,120,335	116,614	222,140	2,511,832	5,970,921

	Discontinued operation	Continuing operations				Total HK\$'000
		Manufacture and sales of clinker and cement HK\$'000	Trading of iron ore HK\$'000	Trading of clinker, cement and other building materials HK\$'000	Mining and processing of granite and selling of granite products HK\$'000	
For the six months ended						
30 September 2009 (Unaudited)						
Revenue from external customers	24,063	101,612	274,622	9,294	—	409,591
Segment profit	6,261	3,038	23,345	173	—	32,817
At 31 March 2010 (Restated)						
Segment assets	4,430,374	1,118,997	99,078	224,071	2,308,262	8,180,782

Reconciliation of reportable segment profit or loss:

	For the six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Total profit or loss of reportable segments	78,005	32,817
Elimination of segment profit before tax from discontinued operation	(38,641)	(6,261)
Fair value gain on investment properties and investment properties under development	9,996	—
Fair value loss on derivative financial instruments	(11,133)	—
Unallocated amounts	(125,385)	(7,098)
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Consolidated (loss)/profit before tax from continuing operations	(87,158)	19,458
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7. FINANCE COSTS

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Interests on bank loans	19,932	4,345
Finance lease charges	63	15
	<hr/>	<hr/>
	19,995	4,360
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Continuing operations	10,604	1,499
Discontinued operation (Note 10)	9,391	2,861
	<hr/>	<hr/>
	19,995	4,360
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2010 (Unaudited)	2009 (Unaudited and restated)
	HK\$'000	HK\$'000
Current tax	<u>12,952</u>	<u>365</u>
Representing:		
Continuing operations	2,492	365
Discontinued operation (Note 10)	<u>10,460</u>	<u>—</u>
	<u>12,952</u>	<u>365</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the six months ended 30 September 2009 and 2010. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

9. PROFIT FOR THE PERIOD

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

	For the six months ended 30 September	
	2010 (Unaudited)	2009 (Unaudited and restated)
	HK\$'000	HK\$'000
Depreciation and amortisation	1,365	1,857
Salaries, bonus, allowances and other costs	105,580	7,699
Share-based payments	4,451	—
Retirement benefits scheme contributions	<u>1,514</u>	<u>233</u>

10. DISCONTINUED OPERATION

Pursuant to a conditional sale and purchase agreement dated 11 December 2009 entered into between two subsidiaries of the Company, PMHL and Pro-Rise and an independent third party (the "Purchaser"), Pro-Rise would dispose of the entire equity interest in Upper Value Investments Limited and its subsidiaries except for Prosperity Minerals Management Limited and Prosperity Minerals Investment Limited 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 People's Republic of China (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 Transaction was completed on 30 April 2010, on which date the Group passed the control of the Disposal Group to the Purchaser.

The results of the discontinued operation for the six months ended 30 September 2010 and 2009 are as follows:

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	166,241	24,063
Cost of goods sold	(112,304)	(19,368)
Gross profit	53,937	4,695
Other income	2,816	665
Selling and distribution costs	(1,116)	(310)
Administrative expenses	(7,605)	(2,063)
Profit from operation	48,032	2,987
Share of profits less losses of associates	—	1,384
Finance costs	(9,391)	(2,861)
Profit before tax	38,641	1,510
Income tax expense	(10,460)	—
Profit for the period	28,181	1,510

The profit from the discontinued operation for the six months ended 30 September 2010 and 2009 is analysed as follows:

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit of discontinued operation for the period	28,181	1,510
Gain on disposal of subsidiaries, associates and a jointly controlled entity	1,135,640	—
	<hr/> 1,163,821 <hr/>	<hr/> 1,510 <hr/>

The net assets of the Disposal Group at the date of disposal, 30 April 2010 were as follows:

Net assets disposed of:	<i>HK\$'000</i>
Property, plant and equipment	2,401,235
Lease prepayments	607,073
Goodwill	367,377
Other intangible assets	338,279
Interests in associates	1,019,371
Interest in a jointly controlled entity	67,916
Due from an associate	4,458
Deferred tax assets	882
Non-current prepayments	363,110
Inventories	82,414
Trade and bill receivables	502,635
Prepayments, deposits and other receivables	65,127
Pledged bank deposits	3,051
Bank and cash balances	154,437
Trade and bills payables	(324,167)
Other payables and receipt in advance	(1,937,673)
Current tax liabilities	(10,975)
Secured notes	(806,200)
Bank borrowings	(1,201,304)
Deferred tax liabilities	(201,848)
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	1,495,198
Non-controlling interests	(126,250)
Reversal of foreign currency translation reserve	(1,968)
Gain on disposal of subsidiaries, associates and a jointly controlled entity	1,135,640
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Net consideration	2,502,620
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Satisfied by:	<i>HK\$'000</i>
Cash proceeds	3,800,000
Assignment of loans	(1,093,427)
Direct consultancy fee and other direct costs	(153,253)
Capital gain tax on disposal	(50,700)
	<hr/>
Net consideration	2,502,620
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Net cash inflow arising on disposal	HK\$'000
Cash consideration	2,553,320
Bank balance and cash disposed of	(154,437)
	<hr/>
	2,398,883
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11. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 September 2010 of approximately HK\$575,461,000 (six months ended 30 September 2009: approximately HK\$20,557,000) and the weighted average number of ordinary shares of 5,532,270,163 (six months ended 30 September 2009: 2,334,309,395) in issue during the six months ended 30 September 2010.

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2010 is based on the profit attributable to owners of the Company for the six months ended 30 September 2010 of approximately HK\$575,461,000 (six months ended 30 September 2009: approximately HK\$20,557,000) and the weighted average number of ordinary shares for the six months ended 30 September 2010 of 5,564,293,106 (six months ended 30 September 2009: 2,372,284,859), being the weighted average number of ordinary shares of 5,532,270,163 (six months ended 30 September 2009: 2,334,309,395) in issue during the six months ended 30 September 2010 used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 32,022,943 (six months ended 30 September 2009: 37,975,464) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the six months ended 30 September 2010.

(b) From continuing operations

Basic (loss)/earnings per share

The calculation of basic loss (six months ended 30 September 2009: earnings) per share is based on the loss attributable to owners of the Company for the six months ended 30 September 2010 of approximately HK\$45,786,000 (six months ended 30 September 2009: profit of approximately HK\$19,737,000) and the weighted average number of ordinary shares of 5,532,270,163 (six months ended 30 September 2009: 2,334,309,395) in issue during the six months ended 30 September 2010.

Diluted earnings per share

The effective of all potential ordinary shares are anti-dilutive for the six months ended 30 September 2010.

The calculation of diluted earnings per share for the six months ended 30 September 2009 is based on the profit attributable to owners of the Company of approximately HK\$19,737,000 and the weighted average number of ordinary shares for the six months ended 30 September 2009 of 2,372,284,859, being the weighted average number of ordinary shares of 2,334,309,395 in issue during the six months ended 30 September 2009 used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 37,975,464 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the six months ended 30 September 2009.

12. DIVIDEND

No interim dividend has been declared by the Board for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

13. INVESTMENT PROPERTIES, INVESTMENT PROPERTIES UNDER DEVELOPMENT, PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2010, as if the acquired assets and liabilities of Bliss Hero are included in the condensed consolidated financial information with effect from 24 September 2009 upon adoption of merger accounting as stated in Note 2 to the condensed consolidated financial information, additions to investment properties under development, properties under development for sale and property, plant and equipment amounted to approximately of HK\$27,815,000, HK\$116,850,000 and HK\$58,000 respectively. No fixed assets were disposed of during the same period.

14. INTERESTS IN ASSOCIATES

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Share of net assets other than goodwill	439,980	1,193,773
Goodwill	36,781	176,096
Financial guarantee issued	10,188	10,188
Exchange differences	1,656	1,377
	488,605	1,381,434
Transfer to disposal group held for sale (Note 17)	—	(1,003,088)
	488,605	378,346

Details of the Group's associates at 30 September 2010 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by subsidiary	Group's effective interest	Principal activities
Jiangdu Haichang Port Industrial Company Limited	The PRC	RMB220,500,000	25%	25%	Not yet commenced business
Anhui Chaodong Cement Co., Ltd	The PRC	RMB242,000,000	33.06%	17.51%	Manufacturing and sale of clinker and cement
Liaoning Changqing Cement Co., Ltd.	The PRC	US\$33,500,584	25%	13.24%	Manufacturing and sale of clinker and cement

15. Interest in a jointly controlled entity

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Shares of net assets	57,291	—

Details of the Group's jointly controlled entity as at 30 September 2010 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by subsidiary	Group's effective interest	Principal activities
Hangzhou Prosperous Travel Development Limited	The PRC	RMB200,000,000	50%	26.48%	Real estates development in the PRC

16. 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:

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
0 to 90 days	80,380	150,438
91 to 180 days	—	—
181 to 365 days	4,639	4,623
	<hr/> 85,019 <hr/>	<hr/> 155,061 <hr/>

17. DISPOSAL GROUP HELD FOR SALE

Saved as disclosed in Note 10 to the condensed consolidated financial information, the assets and liabilities attributable to the manufacture and sales of clinker and cement business, which was disposed in April 2010, have been classified as disposal group held for sale and are presented separately in the consolidated statement of financial position as at 31 March 2010. The Disposal Group is included in the Group's manufacture and sales of clinker and cement segment.

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:

	As at 31 March 2010 (Audited) <i>HK\$'000</i>
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
Interest in a jointly controlled entity (Note a)	67,910
Due from a minority shareholder of a subsidiary	16,283
Deferred tax assets	882
Non-current prepayments	320,724
Inventories	102,613
Trade and bills receivables (Note b)	412,237
Prepayments, deposits and other receivables	67,995
Pledged bank deposits	3,051
Bank and cash balances	236,185
	<hr/>
Disposal group classified as held for sale	5,869,803
	<hr/>
Trade and bills payables (Note c)	290,001
Other payables	345,698
Receipt in advance	79,044
Current tax liabilities	10,805
Secured notes	794,613
Bank borrowings (Note d)	1,199,457
Deferred tax liabilities	201,848
	<hr/>
Liabilities directly associated with disposal group classified as held for sale	2,921,466
	<hr/>
Net assets of the Disposal Group	2,948,337
	<hr/> <hr/>

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) Interest in a jointly controlled entity

	As at 31 March 2010 (Audited) HK\$'000
Unlisted investments in the PRC:	
Share of net assets	—
Due from a jointly controlled entity	67,910
	<hr/>
	67,910
	<hr/> <hr/>

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.

Particulars of the jointly controlled entity as 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 activity
Guangzhou K. Wah Nanfang Cement Ltd.	The PRC	RMB100,000,000	50%	21.56%	Manufacture and sales of clinker and cement

- (b) 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:

	As at 31 March 2010 (Audited) <i>HK\$'000</i>
0 to 90 days	412,237

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

	As at 31 March 2010 (Audited) <i>HK\$'000</i>
0 to 90 days	289,936
91 to 180 days	65
	<u>290,001</u>

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

	As at 31 March 2010 (Audited) <i>HK\$'000</i>
On demand or within one year	696,674
In the second year	182,830
In the third to fifth years, inclusive	319,953
	<u>1,199,457</u>

18. SHARE CAPITAL

	Note	Number of shares	Amount <i>HK\$'000</i>
Authorised:			
Ordinary shares of HK\$0.01 each			
At 31 March 2010 and 30 September 2010		<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
At 31 March 2010		5,517,707,540	55,177
Issue of new shares upon exercise			
of share options	(a)	60,000,000	600
Cancellation upon repurchase of shares	(b)	<u>(21,120,000)</u>	<u>(211)</u>
At 30 September 2010 (Unaudited)		<u>5,556,587,540</u>	<u>55,566</u>

- (a) During the six months ended 30 September 2010, options were exercised to subscribe for 60,000,000 ordinary shares of the Company at a consideration of HK\$4,680,000, of which HK\$600,000 was credited to share capital, HK\$5,044,000 was credited to share premium account and the balance of HK\$964,000 has been transferred from share-based payment reserve to share premium account.
- (b) During the six months ended 30 September 2010, the Company repurchased on the market a total of 21,120,000 ordinary shares of the Company with an aggregate consideration of approximately HK\$9,483,000. All of these shares were cancelled. The premium payable on repurchase of shares was charged to share premium account.

19. BANK BORROWINGS

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Restated) HK\$'000
Bank loans	819,985	693,694
Trust receipt loans	269,528	192,317
	<u>1,089,513</u>	<u>886,011</u>

The bank borrowings are repayable as follows:

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Restated) HK\$'000
On demand or with one year	354,359	390,652
In the second year	680,611	485,897
In the third to fifth years, inclusive	54,543	9,462
	1,089,513	886,011
Less: Amount due for settlement within 12 months (shown under current liabilities)	(354,359)	(390,652)
Amount due for settlement after 12 months	735,154	495,359

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

	RMB HK\$'000	HK\$ HK\$'000	US\$ HK\$'000	Total HK\$'000
As at 30 September 2010 (unaudited)				
Bank loans	665,123	37,862	117,000	819,985
Trust receipt loans	—	—	269,528	269,528
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 March 2010 (Restated)				
Bank loans	524,238	46,168	123,288	693,694
Trust receipt loans	—	—	192,317	192,317
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

20. TRADE AND BILLS PAYABLES

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

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Restated) HK\$'000
0 to 90 days	188,614	253,846

21. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
(a) Rental expenses paid to Prosperity Materials (International) Limited ("PMIL")*	—	361

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

Mr. Wong and Madam Hon, a substantial shareholder of the Company, are also the directors of and have beneficial interests in PMIL.

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(b) Purchase of iron-ore from a related company	73,213	—
(c) Compensation of key management personnel		

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors' fees	615	180
Basic salaries, allowances and benefits in kind	32,290	2,460
Retirement benefits scheme contributions	205	105
	33,110	2,745

22. CONTINGENT LIABILITIES

As at 30 September 2010, the Group did not have any significant contingent liabilities (31 March 2010: Nil).

23. COMMITMENTS

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:

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Within one year	5,291	3,076
In the second to fifth years, inclusive	5,201	2,730
	10,492	5,806

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

(b) Capital and other commitments

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Contracted but not provided for acquisition of property, plant and equipment	556,030	4,134
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 similar locations in the region. At 30 September 2010, the Group had purchase commitment in relation to purchase of iron ore of 1,460,000 tonnes (31 March 2010: 2,920,000 tonnes) not provided for in the condensed consolidated financial information.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform to current period's presentation by adopting the AG 5 as stated in Note 2 to the condensed consolidated financial information.

OTHER INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

The Company repurchased 21,120,000 shares of the Company on the Main Board (the "Repurchases") during the period. The total consideration of the Repurchases were approximately HK\$9,483,000. All the repurchased shares were cancelled and the details of movements in the Company's share capital during the period are set out in note 18 to the condensed consolidated financial information. Particular of the Repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
Aug	21,120,000	0.46	0.43	9,483,000

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

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

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

(a) Long positions in ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse			
Mr. Wong Ben Koon ("Mr. Wong")	1,422,123,699	2,193,082,625 (Note)	17,000,000		3,632,206,324	65.37%

Note:

Mr. Wong is interested in 99,952,143 shares of the Company through his interests in Well Success Group Limited ("Well Success"), which is wholly owned by Mr. Wong. In addition, Mr. Wong is interested in 2,093,130,482 shares through his interest in Prosperity Minerals Group Limited ("PMGL"), which is owned beneficially as to 67.2% by Mr. Wong.

(b) Short positions in ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse			
Mr. Wong Ben Koon ("Mr. Wong")	—	151,397,515 (Note)	—		151,397,515	2.72%

Note:

Pursuant to the warrant instruments executed between PMGL, Mr. Wong and Luck Well Management Limited ("Luck Well") on 8 April 2010, PMGL granted the warrants to Luck Well conferring rights to purchase from PMGL of nominal value of HK\$0.01 each in the capital of the Company, at the exercise price of HK\$0.5152 per share in aggregate up to HK\$78,000,000. Luck Well is the nominee of CCB International Asset Management Limited which is entitled to purchase 151,397,515 shares of the Company pursuant to the terms of the warrants agreements.

Save as disclosed above, as at 30 September 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 any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

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

Details of Share Options Granted by the Company

The Company operates a share option scheme which was adopted on 25 August 2003 (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, Directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Old Scheme was terminated upon the transfer of the listing of the Company's shares from the Growth Enterprise Market to the Main Board of the Stock Exchange on 18 December 2008. The options outstanding as at 18 December 2008 previously granted but unexercised under the Old Scheme remain valid and exercisable in accordance with their terms of grant.

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

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

Name or category of participant	Number of share options outstanding as at 1 April 2010	Exercised during the Relevant Period	Number of options outstanding as at 30 September 2010	Date of grant of share options	Exercise period	Exercise price of share options HK\$	Closing price of the shares immediately before date of grant of share options HK\$
Director							
Mr. Wong	60,000,000	(60,000,000)	—	14 August 2006	28 June 2007 to 27 June 2016	0.078	0.068

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

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

So far as is known to any Director or chief executive of the Company, as at 30 September 2010, persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Madam Hon Ching Fong	(a)	Through PMGL	2,093,130,482	37.67%
PMGL	(a)	Directly beneficially owned	2,093,130,482	37.67%
Ms. Shing Shing Wai	(b)	Interest of substantial shareholder's spouse	3,615,206,324	
		Directly beneficially owned	17,000,000	
			3,632,206,324	65.37%

Name	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Luck Well		Nominee	318,540,373	5.73%
CCB International Asset Management Limited	(c)	Through controlled corporation Beneficially owned	167,142,858 151,397,515	
			318,540,373	5.73%
CCB International Asset Management (Cayman) Limited		Through controlled corporation	318,540,373	5.73%
CCB Interational (Holdings) Limited		Through controlled corporation Beneficially owned	151,397,515 167,142,858	
			318,540,373	5.73%
CCB Financial Holdings Limited		Through controlled corporation	318,540,373	5.73%
CCB International Group Holdings Limited		Through controlled corporation	318,540,373	5.73%
China Construction Bank Corporation		Through controlled corporation	318,540,373	5.73%
Central Huijin Investment Ltd.		Through controlled corporation	318,540,373	5.73%

Short positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Madem Hon Ching Fong	(a) & (c)	Through PMGL	151,397,515	2.72%
PMGL	(a) & (c)	Directly beneficially owned	151,397,515	2.72%
Ms. Shing Shing Wai	(b) & (c)	Interest of substantial shareholder's spouse	151,397,515	2.72%

Notes:

- (a) The entire issued share capital of PMGL, are beneficially owned as to 67.2% by Mr. Wong and as to 32.8% by Madam Hon Ching Fong.
- (b) 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.
- (c) Pursuant to the warrant instruments executed between PMGL, Mr. Wong and Luck Well on 9 April 2010, PMGL granted the warrants to Luck Well conferring rights to purchase from PMGL of nominal value of HK\$0.01 each in the capital of Company, at the exercise price of HK\$0.5152 per share in aggregate up to HK\$78,000,000. Luck Well is the nominee of CCB International Asset Management Limited which is entitled to purchase 151,397,515 shares of the Company pursuant to the terms of the warrants agreements.

Save as disclosed above, as at 30 September 2010, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) of interests or short positions in the shares or underlying shares of the Company held by them which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Audit Committee

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

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

The audit committee held one meeting during the Relevant Period. The audit committee has reviewed the Group's unaudited interim information for the six months ended 30 September 2010.

Disclosure Under Rule 13.21 of the Listing Rules

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

On 1 August 2008, Sharp Advance International Limited ("Sharp Advance"), an indirect wholly-owned subsidiary of the Company, entered into a loan facility agreement (the "Loan Agreement") with Fubon Bank (Hong Kong) Limited ("Fubon Bank") for a three-year term loan of HK\$30,000,000. As at 30 September 2010, the outstanding balance of the Loan Agreement amounted to approximately HK\$16,667,000.

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 11 January 2010, Prosperity Cement renewed a trade facility agreement (the "Prosperity Cement Trade Facility Agreement") with Hang Seng 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 30 September 2010, the trade facility of the Prosperity Cement Trade Facility Agreement was fully utilized; and
- (II) 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 Hang Seng 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 30 September 2010, the outstanding balance of the MCO Trade Facility Agreement amounted to US\$1,691,201 (HK\$13,191,984).

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.

CORPORATE GOVERNANCE

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

Communications with shareholders

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

Whilst the Board endeavours to maintain an on-going dialogue with its shareholders, the chairman of the Company may not always be able to attend general meetings due to other important business engagements. Mr. Kong Siu Keung, being an executive Director, attended the annual general meeting of the Company on 20 September 2010 and was delegated to make himself available to answer questions if raised at the meeting. The absence of the chairman of the Company in the annual general meeting constituted a deviation from the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

Appreciation

On behalf of the Company, I would like to express my sincere gratitude to our shareholders and business partners for their confidence and loyal support to the Group. In addition, I would like to take this opportunity to thank the management and all staff members for their dedication and valuable contribution. As we enter into the second half of the financial year 2011, we look forward to achieving continued growth for the Group.

By order of the Board

Prosperity International Holdings (H.K.) Limited

Wong Ben Koon

Chairman

Hong Kong, 30th November 2010

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

Executive Directors

Mr. Wong Ben Koon (*Chairman*)

Mr. Sun Yong Sen (*Deputy Chairman*)

Dr. Mao Shuzhong

Mr. Johannes Petrus Mulder

Ms. Gloria Wong

Mr. Kong Siu Keung

Non-Executive Director

Mr. Liu Benren (*Deputy Chairman*)

Independent Non-Executive Directors

Mr. Yuen Kim Hung, Michael

Mr. Yung Ho

Mr. Chan Kai Nang

Mr. Ma Jianwu

Dr. Liang Dunshi