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

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Building Strategy

ANNUAL REPORT 2011

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SUCCESS
STRATEGIES

Contents

Corporate Information

BOARD OF DIRECTORS

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*
(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. YUEN Kim Hung, Michael, *Chairman*
Mr. YUNG Ho
Mr. MA Jianwu

REMUNERATION COMMITTEE

Mr. YUEN Kim Hung, Michael, *Chairman*
Mr. YUNG Ho
Mr. CHAN Kai Nang

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

HSBC Securities Services (Bermuda) Limited
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

Australia and New Zealand Banking Group Limited
BNP Paribas
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Overseas-Chinese Banking Corporation Limited
Rabobank International
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank

COMPANY WEBSITE

www.pihl-hk.com

Milestones in 2011

April 2010

Completed the disposal of the majority of its clinker and cement manufacturing business for HK$3.8 billion in cash

August 2010

Completed the acquisition of Bliss Hero Investment Limited for a consideration of HK$ 836 million

September 2010

Entered into a memorandum of understanding with the intention to acquire a company owning 70% equity interests in a Malaysian iron ore joint venture

December 2010

Completed the subscription for a 35% indirect interest in United Goalink Limited

January 2011

Commenced trial operation at the first berth for 70,000 tonnage vessels in the public port

February 2011

Acquired the land use rights for a site in Hangzhou city, Zhejiang Province, with a land grant premium of approximately RMB 392 million

Chairman's Statement

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STRATEGIC PLANNING

Dear Shareholders,

I am very pleased to present 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 2011 (the "Year").

RESULTS OVERVIEW

This proved to be another landmark year for the Group and our results were satisfactory. The successful disposal of the majority of our cement manufacturing business in China for HK$3,800 million strengthened our capital base and cash position, bringing a substantial gain of approximately HK$850million. Group turnover from continuing operations rose 217% to approximately HK$8,136 million compared with around HK$2,565 million for the year ended 31 March 2010. Our net profit attributable to owners of the Company climbed 383%, to approximately HK$327 million versus around HK$68 million during the previous financial year. Based on the Company's sound performance, the Board of Directors recommended a final dividend of HK 2 cents for financial year 2011 compared to HK 2 cents in 2010.

BUSINESS REVIEW

Iron Ore Trading

Our iron ore trading operations performed well despite challenging market conditions. Iron ore imports to the PRC fell slightly from 627 million tonnes in 2009 to 618.6 million tonnes in 2010, caused partly by the PRC government's policy of shutting off 5% to 6% of steel production in the last quarter of 2010 for energy conservation and to reach environmental targets. Furthermore, the 40 year old traditional method for setting annual benchmark prices for iron ore was replaced last year by a quarterly pricing arrangement between major producers and buyers, which has markedly increased volatility in the market, making it more difficult to finalise shipments. This is due to steel manufacturers seeking to minimize costs through delaying orders when they expect prices to fall. Similarly their profits and margins have also suffered as the cost of iron ore has increased disportionately as compared to steel. For the year ended 31 March 2011, the Group shipped 6.3 million tonnes of iron ore and generated a revenue of HK$7,573 million.

During the Year, Prosperity Minerals Holdings Limited ("PMHL"), a subsidiary of the Company, entered into three off-take agreements, one with a Malaysian supplier and two with Canadian-based mining entities. These agreements will provide the Group with increased supplies at competitive prices in the medium term.

In December 2010, PMHLexpanded its global footprint into Brazil by subscribing for an effective 35% indirect interest in United Goalink Limited ("UGL"), a joint venture which owns exploration rights and a mining concession in the State of Ceará. Brazil is one of the world's largest exporters of iron ore and has a long history of mining. It is also known to have large, high quality deposits and, while the majority of the mining rights held by UGL are at an early stage of exploration, they are located in an area where a number of good quality iron ore deposits have been found. The first shipment of 52,000 tonnes was dispatched in March 2011. This investment will provide an additional source of iron ore for the Group's iron ore trading business in the medium to longer term.

Furthermore, the Company signed a memorandum of understanding in September 2010 with the intention of owning controlling stakes in a Malaysian iron ore joint venture.

Real Estate Development Projects

PMHL has operated a real estate investment and development division since February 2010, aiming at capitalising on our team's broad experience in the PRC property market. In the past year, the Group focused on creating a portfolio of property assets in strategic locations with good upside potential and manageable risk. In May 2010, the Company made its foray into Changzhou city in Fujian Province, where a joint venture was formed to oversee a high-end residential, commercial and hot spring resort project. In August 2010, PMHL completed the acquisition of Bliss Hero Investment Limited for a consideration of HK$836 million, which holds interests in an existing commercial building and a residential and commercial development both located in downtown Guangzhou City. In February 2011, a joint venture company, 50% owned by PMHL, successfully acquired land use rights for a site in Hangzhou city, the capital of Zhejiang Province.

Clinker and Cement Business

The performance of the clinker and cement trading segment was satisfactory. In the year ended 31 March 2011, the Group purchased and sold approximately 1,477,000 tonnes of clinker and cement, generating revenues of approximately HK$556 million, versus around HK$495 million previously. Gross profit decreased, however, partly due to the fact thathigher production costs for clinker and cement in mainland China made procurement for trading purposes more expensive.

While the Group disposed of its majority interest in the clinker and cement manufacturing business in April 2010, PMHL retained its 33.06% interest in Anhui Chaodong Cement Company Limited ("Anhui Chaodong"). Anhui Chaodong's second clinker production line commenced normal production in January 2011, bringing the designed saleable output of cement and clinker to 5.1 million tonnes per annum. The Group also acquired a 25% equity interest in Liaoning Changqing Cement Co. Limited in September 2010, where the first clinker production line was completed in April 2010.

Business Operations of Public Port and Related Facilities

The past financial year was a turning point in our efforts to develop port facilities along the important Yangtze River.

Having formed a joint venture in late 2006 to develop such facilities, the Group had been waiting for the government to issue the necessary licences. In the last financial year, the green light was finally granted, enabling the Group to begin the process. Construction of the first berth for 70,000 tonnage vessels was completed for trial operations in early 2011. Two other berths for 70,000 tonnage vessels commenced trial operations in April. These facilities are expected to begin operating on a commercial basis by late-2011.

FUTURE PROSPECTS

The Group's management remains cautiously optimistic towards the market environment given a number of persistent uncertainties.

Looking ahead, the Group will focus on major sources of income such as iron ore and look to identify promising opportunities in the mineral resources industry.

China is the world's largest importer and consumer of iron ore and volumes are expected to continue to increase in order to meet the country's high demand for steel products. The Group's success in securing increased and reliable supplies of iron ore at competitive prices will enable us to grow the iron ore trading business both in scale and profit in the medium and longer term.

We will also expand our footprint in the burgeoning Chinese property market and will weigh up investment opportunities in property developments that offer strong upside potential and manageable risk profiles.

I believe that following the above direction will allow us to become one of Asia's leading suppliers of building materials and mineral resources as well as a successful player in the mainland Chinese property market. As a result, the Group will be in a position to grow the business and continue to generate high-yielding returns for our shareholders over the long term.

WORD OF THANKS

On behalf of Prosperity International, I wish to extend my heartfelt thanks to our shareholders and business partners for their unwavering support to the Group. I would also like to express my deep gratitude to the management and other staff members for their vital contributions over the Year. The Group will press ahead with efforts to build a strong and successful future at home and abroad.

By order of the Board
Wong Ben Koon
Chairman

Hong Kong, 30 June 2011

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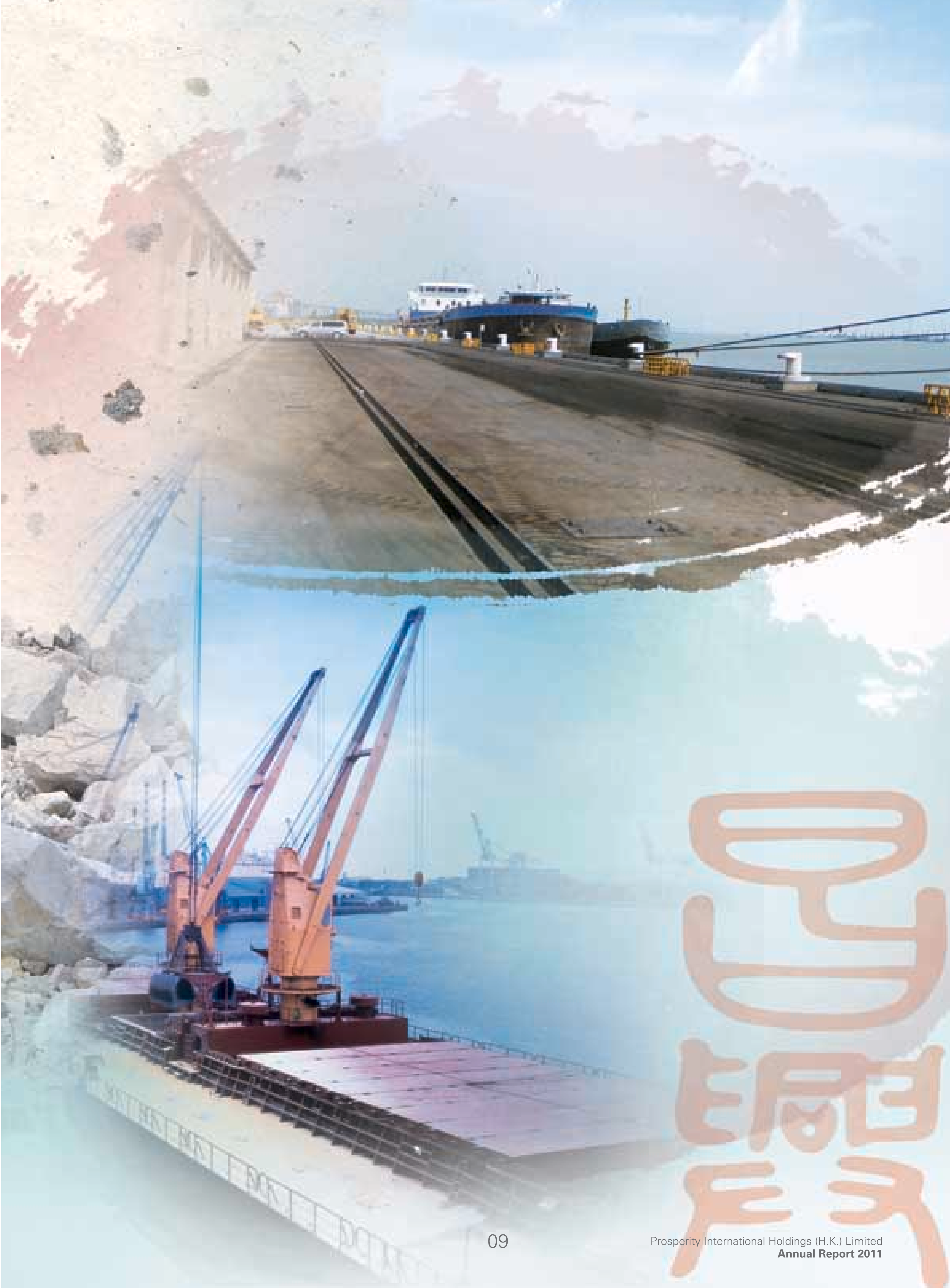


Management Discussion and Analysis

RESULTS OVERVIEW

Prosperity International Holdings (H.K.) Limited delivered satisfactory financial results for the year ended 31 March 2011 (the "Year"). Group turnover from continuing operations rose 217% to approximately HK$8,136 million compared with around HK$2,565 million in the year ended 31 March 2010. Profit for the year also climbed by 421%, to approximately HK$657 million, versus around HK$126 million during the same period a year earlier. The rise in profit was mainly generated by gains of approximately HK$850 million following the disposal of its majority interest in a clinker and cement manufacturing business in the PRC at a consideration of HK$3,800 million. This strengthened the Group's capital base and cash position. Basic earnings per share stood at HK5.79 cents, compared with HK1.73 cents in the previous year.

The Board of Directors recommends payment of a final dividend of HK 2 cents for the Year. (2010: HK 2 cents)

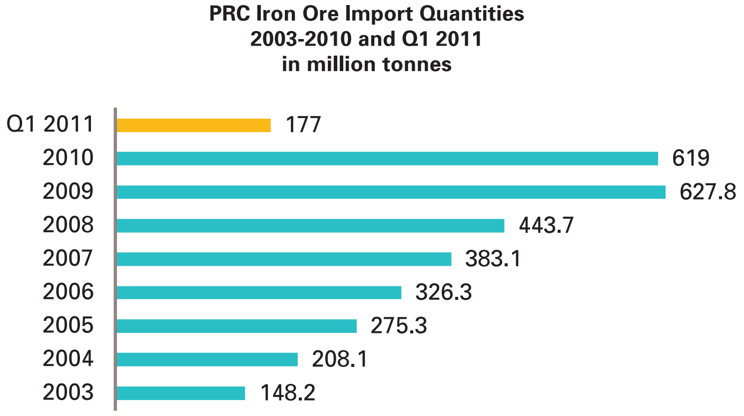
IRON ORE TRADING

In 2010, for the first time in more than ten years, the PRC imported less iron ore (618 million tonnes) than in the previous year (627 million tonnes). This was driven by government policy of closing less efficient steel making capacity (representing 5 to 6 per cent of the total) to conserve energy and meet environmental targets. Much of this occurred in the final quarter of 2010 and led, inevitably, to short term destocking. However, the industry recovered its poise in the first three months of 2011 as it restocked. Both imported volumes and prices rose. In fact, prices hit new highs in February. In addition, domestic PRC iron ore miners stepped up production (of variable quality) to a record 1,060 million tonnes last year, an increase of 21%.

The 40 year old annual industry benchmark pricing system for iron ore was replaced last year by transitory quarterly indexing in a move sponsored by the three largest global producers: Vale; BHP Billiton; and Rio Tinto. Prices rose sharply. This and a PRC dependence on imported iron ore, especially from these three, prompted steel makers to increase direct investment in international sources of iron ore; and in 2010, some 10 per cent of the PRC's iron ore imports came from mines in which PRC companies had invested.

PMHL is engaged in the trading of iron ore through its wholly-owned subsidiary, Prosperity Materials Macao Commercial Offshore Limited ("MCO"), which either purchases iron ore from its suppliers (principally mine owners) and sells to its customers or acts as an agent between such mine operators and customers. The Group maintains a prudent risk management policy, engaging in back-to-back transactions only and holds no inventory.

PMHL's 20 years' experience in iron ore trading, along with long-standing relationships with raw material suppliers and port operators, enables the iron ore trading team to provide a highly valuable service to both suppliers and customers. In particular, the Group provides support in the areas of logistics, financial solutions and technical support, as well as assisting customers to locate and acquire iron ore that meet their requirements.



Sourse: Umetal.net

The Group's iron ore trading business sources iron ore directly from major international suppliers in South Africa, Brazil and Australia as well as non-traditional suppliers in South East Asia, in particular Thailand and Malaysia.

The majority of the Group's customers are among the top 20 largest steel mills in the PRC.

During the Year, PMHL's iron ore trading business shipped a total of 6.3 million tonnes of iron ore (2010: 7.9 million) . The Group focused more on sales under long term contracts instead of the spot market which resulted in a decrease in total tonnage shipped compared to the previous year. Profit margins have also been squeezed as PRC steel mills seek to minimise costs by operating with low inventories and delaying shipments when they expect prices to fall.

During the Year, the Group has sought to increase its access to reliable medium to long term supplies of iron ore at competitive prices. As a result, the Group entered into three iron ore off-take agreements which will provide the Group with access, at its discretion, to reliable supplies of iron ore at competitive prices. The Group has no obligation to purchase iron ore if it is able to source product at more competitive prices from elsewhere.

On 31 May 2010, the Group entered into an iron ore off-take agreement ("GW Off-take Agreement") with Grace Wise Pte Limited ("Grace Wise") to purchase iron ore from South East Asia.

Under the GW Off-take Agreement, the iron ore is to be offered to the Group between 1 May 2010 and 31 March 2013. The Group will benefit from the right, but not obligation, to attain an increased supply of ore from Grace Wise. There is no initial outlay or prepayment associated with this agreement.

On 28 January 2011, the Group entered into an iron ore off-take agreement with Blackrock Metal Inc. ("Blackrock") to secure a supply of 800,000 tonnes of iron ore from Quebec Province, Canada over a two and a half year period. Blackrock is a mining company which specialises in minerals such as iron, vanadium and titanium.

Iron ore will be sold to the Group at a fixed percentage discount to the prevailing market price in the region. The Group has the right but not the obligation to buy the ore offered by Blackrock. First shipments are expected in the financial year 2012-13 and the Group also has the option to increase the supply to 4 million tonnes over four years. On 24 March 2011, the Group provided an US$8 million (HK$62.4 million) prepayment to Blackrock to secure 800,000 tonnes of iron ore.

On 14 March 2011, the Group signed an off-take agreement ("CIO Agreement") with Century Iron Ore Holdings Inc. ("Century Holdings") to purchase iron ore from Labrador and Quebec, Canada. Century Holdings is a resource development company which specialises in iron ore.

The CIO Agreement gives the Group the option to purchase up to one million tonnes of iron ore at prevailing market prices over a three year period. Deliveries are expected to commence in the financial year 2012-2013. On 14 March 2011, the Group provided a prepayment of US$8 million (HK$62.4 million) to Century Holdings.

On 29 December 2010, PMHL completed the subscription of an effective 35% interest in United Goalink Limited ("UGL"), a joint venture company which is engaged in the exploration and production of iron ore in the State of Ceara, Brazil. PMHL acquired a 70% interest in Lead Hero Investment Limited ("Lead Hero") for a consideration of US$20 million (HK$156 million). Lead Hero, in turn, acquired a 50% interest in UGL, which wholly owns approximately 602.3 square kilometres of exploration rights and 3.01 square kilometres of mining concession in Ceara (together referred to as the Brazilian Mining Rights).

PMHL now holds an effective 35% interest in the Brazilian Mining Rights.

It is intended that UGL will develop and operate the mines relating to the Brazilian Mining Rights and other iron ore mines which UGL may acquire in the future. All iron ore produced by UGL will be distributed through Lead Hero.

The majority of the Brazilian Mining Rights are at various early stages of exploration but also include one mining concession which has been in operation since 2001 and, as at the time of investment, produced 3,000 tonnes of iron ore per year. The mining concession is valid indefinitely or until the resource is depleted.

Brazil is one of the world's largest exporters of iron ore. It also has a long history of iron ore mining and is known to have large, high quality iron ore reserves. As this time, the majority of the Brazilian Mining Rights are at an early stage of exploration, but they are located in the State of Ceara, an area where many good quality reserves have been found. Ceara also has good infrastructure, including existing railway lines and port facilities.

The first shipment of 52,000 tonnes of iron ore from UGL was shipped in March 2011. The Group expects the tonnage shipped to increase in coming years.

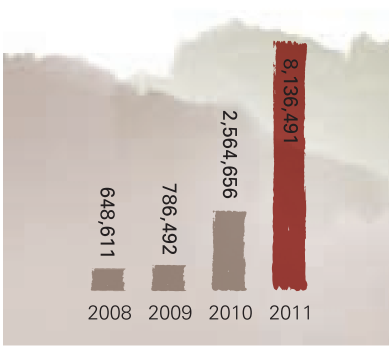
On 10 May 2011, MCO, Nanjing Iron and Steel Group International Trade Co., Limited ("Nanjing Iron and Steel") and Grace Wise signed an off-take agreement ("Nanjing Agreement"). MCO acts as an exclusive introducing agent for Grace Wise in respect of the transactions under the Nanjing agreement and will provide Grace Wise with various administrative services, such as handling shipping documents and liaising with payment banks. Grace Wise will pay MCO for its services a commission equivalent to US$2 per dry metric tonne of iron ore shipped to Nanjing Iron and Steel under the agreement. MCO has the right to terminate its services under the Nanjing agreement by giving three months' written notice.

Nanjing Iron and Steel has the right to purchase from Grace Wise up to 19 million metric tonnes of iron ore over a 10 year period, which is capped at one million metric tonnes of ore for the first year commencing 1 June 2011 and up to two million metric tonnes of iron ore per year thereafter. The iron ore will be produced in Malaysia by the affiliates of Grace Wise.

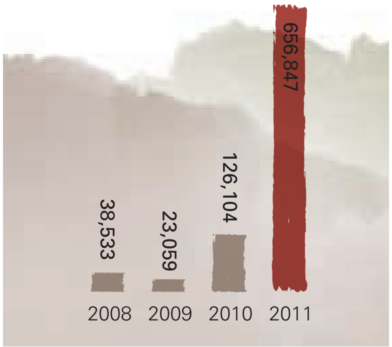
The Nanjing agreement is entered into in the ordinary course of business of the Group and is similar to another long term off-take agreement which Nanjing Iron and Steel entered into with an independent third party whereby MCO acted as an agent. The Nanjing agreement will enable MCO to earn commission income from the sale of iron ore without the risk associated with having to provide Nanjing Iron and Steel with a long term supply of iron ore. It is also in line with the Company's strategy of sourcing from reliable suppliers at a competitive price and its low risk operating policy.

Furthermore, the Group entered into a memorandum of understanding on 2 September 2010, marking its intention to acquire a company owning a 70% equity interest in a Malaysian iron ore joint venture. The joint venture is engaged in the exploration, mining and processing of iron ore in Malaysia. Upon completion of the proposed acquisition, the Group will be in a better position to secure reliable supplies of iron ore from Malaysia and to expand its trading business in a cost effective manner.

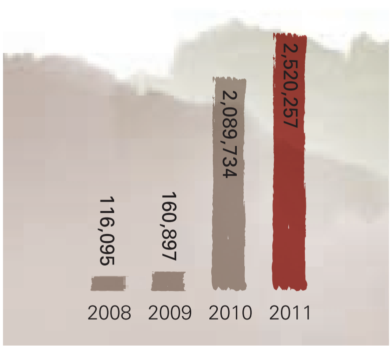
Turnover
For the year ended 31 March
HK$'000



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



Equity attributable to owners of the Company
At 31 March
HK$'000



REAL ESTATE DEVELOPMENT PROJECTS

After disposing of the majority of its clinker and cement manufacturing business in the PRC for the consideration of HK$3.8 billion, the Group's capital base was significantly strengthened. The Group has explored the opportunities in property development in the PRC and is focused on creating a portfolio of property and development assets with strong upside potential and manageable risks.

On 31 May 2010, the Company expanded into Changzhou City, Fujian Province, the PRC, through the creation of a 50:50 joint venture with a third party to develop a real estate project. The combined recreation, commercial and residential scheme in Changzhou City will offer luxury accommodation and hot spring resort facilities covering an area totaling approximately 3.3 million sq.m., of which approximately 1 million sq.m. will be used for development. Construction of the first phase, including 50 low rise low rise residential units and a clubhouse, has commenced and pre-sales are expected to begin by the end of 2011. Under the joint venture agreement, the maximum investment of the Group is RMB500 million (approximately HK$600 million).

In addition, in August 2010, the Company completed its acquisition of Bliss Hero Investment Limited ("Bliss Hero") for a consideration of HK$836 million. Bliss Hero owns 11,472 sq.m. office and commercial space in SilverBay Plaza, Guangzhou City, Guangdong Province, the PRC. SilverBay Plaza was completed in 2004 and its occupancy rate stood at 97.2% as at 31 March 2011. Bliss Hero also holds a 55% interest in the commercial and residential development project known as Dongfang Wende Plaza, currently under construction in the same city and expected to reach completion in late 2012. Dongfang Wende Plaza is located in downtown Guangzhou City within a few minutes' walking distance from Beijing Road, a popular pedestrianised shopping street. The Dongfang Wende Plaza development comprises a four floor shopping arcade with four basement floors (one of which is to be part of the shopping arcade and the other three will form a car park) on top of which is being constructed three residential buildings with 35 floors, one residential building with 29 floors and one commercial building with 26 floors. The aggregate floor area will be approximately 165,519 square metres. Pre-sales of the first phase is planned to commence in October or November 2011.

On 28 February 2011, a joint venture company, 50% owned by PMHL, successfully acquired land use rights for a site in Hangzhou City, capital of Zhejiang Province, the PRC, through a tender with a land grant premium of approximately RMB392 million which is payable in three phases. The first 50% was paid in April 2011, with the next 20% and the remaining balance to be settled on or before 20 September 2011 and 6 March 2012 respectively. The site comprises a total area of 55,589 sq.m with developable gross floor area of 111,200 sq.m.. Subject to the approval of construction plans by the local government, the site is to be developed into a commercial property primarily comprising office and retail space. A development plan is currently being formulated and, as such, total construction cost and investment are not yet finalized. Construction is expected to begin in mid-2012 and pre-sales are slated for 2013.

CLINKER AND CEMENT TRADING BUSINESS AND OPERATION

Due to the in-depth experience and expertise of the Group's management and the Group's extensive regional sales network, the Group's ability to adjust strategies to weather the crisis and to seize opportunities arising from the economic recovery, it was able to perform well despite a challenging and uncertain operating environment.

During the Year, the Group purchased and sold approximately 1,477,000 tonnes of clinker and cement. This segment generated revenues of approximately HK$556 million, compared with around HK$495 milllion in the last financial year.

Meanwhile, production costs for clinker and cement in the PRC rose substantially due to escalating costs for energy such as fossil fuel. At the same time, demand for cement in the PRC surged on the back of heightened spending on infrastructure development projects and inflation. These factors prompted higher procurement costs for clinker and cement trading during the Year, resulting in a decrease in gross profit.

In April 2010, the Group disposed of the majority of its clinker and cement manufacturing business in the PRC, but retained its 33.06% interest in Anhui Chaodong Cement Company Limited ("Anhui Chaodong"). For the year ended 31 March 2011, Anhui Chaodong reported an attributable profit of approximately HK$15 million. Anhui Chaodong is listed on the Shanghai Stock Exchange under the listing code 600318 and, as at 24 June 2011, its closing price per share was RMB 20.24 (approximately HK$24.29), it was capitalized at approximately US$745 million (HK$5,811 million), valuing PMHL's shareholding at approximately US$246.4 million (HK$1,921.9 million). As at 31 March 2011, the total designed sellable output capacity of Anhui Chaodong stood at 5.1 million tonnes of cement and clinker per annum as the second production line commenced normal production in January 2011.

On 1 September 2010, the Company acquired a 25% equity interest in Liaoning Changqing Cement Co. Limited ("Liaoning Changqing"). Construction of the first new clinker production line at Liaoning Changqing was completed in April 2010 and began production on 2 July 2010. From 1 September 2010 to 31 December 2010, Liaoning Changqing reported an attributable loss of HK$0.5 million.

GRANITE MATERIAL PRODUCTION

The Group entered the granite production business by acquiring Xiang Lu Shan Granite Mining Site in Guangxi province, the PRC, in 2008. Renewal of a mining permit linked to the Xiang Lu Shan Granite Mining Site was approved by the Ministry of Land and Resources in October 2008 for a period of ten years, allowing the Group to produce up to 40,000 m^3 (equivalent to approximately 102,000 tonnes) of granite products per annum from the site.

The feldspar powder plant, whose designed production capacity stands at 100,000 tonnes per annum, commenced trial operations during the Year.

BUSINESS OPERATIONS OF PUBLIC PORT AND RELATED FACILITIES

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

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 m^2. The terminal can support throughput of 8 million tonnes per year.

The government authorities granted approvals for the necessary licences during the Year. The Group has accelerated the construction process of port facilities. Construction of the berths for 70,000 tonnage vessels was completed for trial operations in early 2011. These facilities are expected to begin operating on a commercial basis by late 2011.

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 OF OPERATION

Turnover from continuing operations and net profit attributable to owners of the Company for the year ended 31 March 2011 was HK$8,136 million and HK$327 million, representing an increase of approximately 217% and 383% respectively, as compared to HK$2,565 million and HK$68 million, respectively, for last year. The basic earnings per share for the Year was HK5.79 cents when compared with HK1.73 cents for last year.

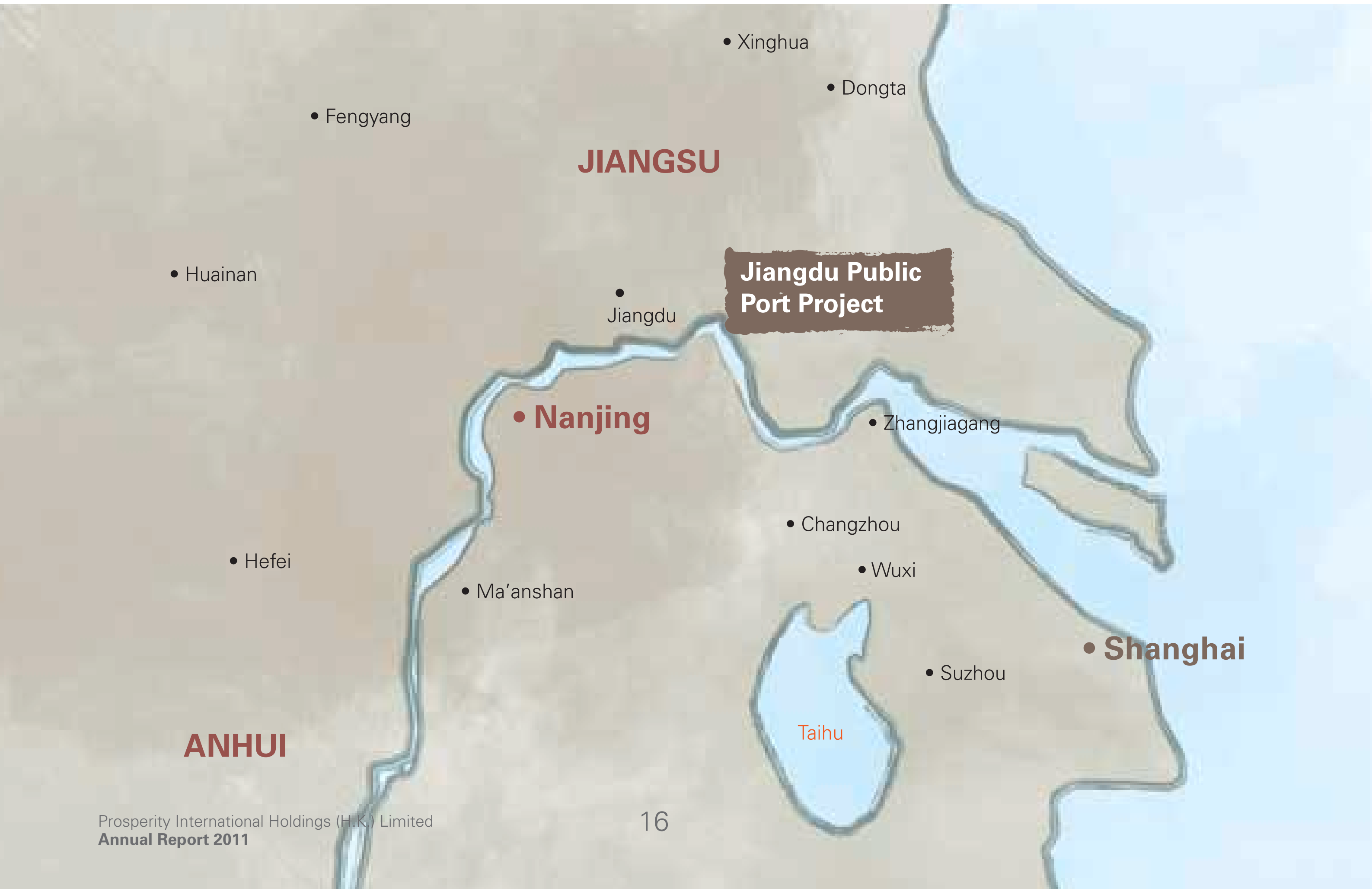
The turnover from continuing operations for the Year increased, mainly brought by taking up the whole year operations of PMHL in the year ended 31 March 2011, compared with sharing its six months results in the previous year. The substantial surge in profit is mainly attributable to the disposal of the majority interest in a cement manufacturing business in China, bringing a gain of approximately HK$850 million.

The Group's selling and distribution expenses from continuing operations was HK$45 million for the year ended 31 March 2011 as compared to HK$59 million for the year ended 31 March 2010. It represented about 0.6% of the revenue for the year ended 31 March 2011 and was slightly decreased as compared to that of 2.3% for the year ended 31 March 2010.

The Group's administrative expenses from continuing operations mainly represented the staff costs, including the directors' remuneration, the legal and professional fees and other administrative expenses. The substantial increase of approximately 260% to HK$408 million in 2011, is a result of taking up the full year results of PMHL, compared with sharing its six month results in the previous year.

The Group's finance costs from continuing operations was HK$32.4 million for the year ended 31 March 2011 as compared to HK$7.8 million for the year ended 31 March 2010. This increase was mainly due to the increase in the average amount of outstanding bank borrowings during the Year.

The derivative financial instruments represented the 1,000 warrants granted by PMHL to various institutional investors to subscribe for 12,905,639 ordinary shares of PMHL. As at 31 March 2011, 130 warrants remained unexercised. The loss on re-measurement of derivative financial instruments to fair value amounted to approximately HK$7.8 million (2010: HK$77 million). Such loss was recognized as a result of the increase in published share price of PMHL.



CAPITAL STRUCTURE

The total shareholders' fund of the Group as at 31 March 2011 was HK$2,520 million (31 March 2010: HK$2,090 million). As at 31 March 2011, the Group had current assets of HK$4,499 million (31 March 2010: HK$8,536 million) and current liabilities of HK$1,938 million (31 March 2010: HK$4,949 million). The current ratio was 2.32 as at 31 March 2011 as compared to 1.72 at 31 March 2010.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2011, the Group had outstanding bank borrowings of HK$1,497 million (31 March 2010: HK$2,085 million). As at 31 March 2011, the Group maintained bank balances and cash of HK$1,707 million (31 March 2010: HK$809 million). The Group's debt-to-equity ratio (total borrowings over shareholders' equity) decreased from 0.99 as at 31 March 2010 to 0.59 as at 31 March 2011.

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

FOREIGN EXCHANGE EXPOSURE

The trading of the clinker and cement and trading of iron ore are conducted predominately in US dollars. The granite mining and production business, the property development business and the investment in the joint venture unit for public port operations and cement manufacturing plants are conducted in Renminbi. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 March 2011. 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.

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 30 to the financial statements), investment properties and investment properties under development (note 19 to the financial statements) and properties under development for sales (note 26 to the financial statements) of the Group;

(b) 60% equity interests in WM Aalbrightt Investment Holdings (Hong Kong) Limited, 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$76.3 million, amounts due from fellow subsidiaries of approximately HK$0.5 million and bank deposits of approximately of HK$3.4 million; and

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

COMMITMENTS

As at 31 March 2011, 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:

	2011 HK$'000	2010 HK$'000
Within one year	3,141	3,076
In the second to fifth years, inclusive	1,989	2,730
	5,130	5,806

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

	2011 HK$'000	2010 (restated) HK$'000
Contracted but not provided for acquisition of property, plant and equipment	100,870	206,918
Capital contribution to a subsidiary	—	262,080

In respect of its interests in jointly controlled entities, the jointly controlled entities are committed to incur capital expenditure of approximately HK$491,572,000 (2010: NIL), of which the Group's share of this commitment is approximately HK$245,794,000 (2010: NIL)

(c) Purchase commitments

The Group entered into a raw materials supply contract with an iron ore supplier, with a duration of seven years. Pursuant to the contract, the purchase prices are re-negotiated periodically on an 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 2011, the Group had purchase commitments in relation to the purchase of iron ore of 1,460,000 tonnes (2010: 2,920,000 tonnes) not provided for in the financial statements.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2011, the Group had a total of 239 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

Durng the year ended 31 March 2011, 838,374,999 new ordinary shares of the Company of HK$0.01 each were issued at prices ranging from HK$0.45 to HK$0.48 per share as the consideration for the further acquisition of approximately 11.58% equity interest in PMHL. In addition, 60,000,000 new ordinary shares of HK$0.01 each were issued upon the exercise of the share options by a Director and 21,120,000 ordinary shares of the Company were repurchased on the market and subsequently cancelled during the Year.

MATERIAL ACQUISITION AND DISPOSAL

Pursuant to a conditional sale and purchase agreement entered into between two subsidiaries of the Company, PMHL and Pro-Rise Business Limited ("Pro-Rise", a wholly owned subsidiary of PMHL), and an independent third party on 11 December 2009, Pro-Rise 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.

On 31 May 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$836 million. Splendid City and Cheong Sing are beneficially owned by Mr. Wong and his associates. The acquisition was completed in August 2010.

OUTLOOK

The management is cautiously optimistic towards prospects for the operating environment given today's economic climate and persistent uncertainties. Looking ahead, the Group will continue to focus on major sources of income such as iron ore and other mineral resources. With a stronger capital base in place, the Group will actively secure and make further investments in global iron ore resources so as to provide cost-effective supplies to PRC steel mills. The Group will also identify other promising opportunities in the mineral resources industry.

With regards to the development of real estate, another area of focus for the Company, the Group will press ahead with efforts to venture into the burgeoning mainland Chinese property market. Following moves to expand successfully into the cities of Guangzhou, Changzhou and Hangzhou, the Group plans to strengthen its foothold in these markets. In the meantime, we will continue to weigh up investment opportunities in PRC property developments that offer strong upside potential and manageable risk.

By implementing the above strategies and leveraging off our experienced management and enlarged capital base, the Group is confident of maintaining our leading position in various markets by furthering investment and development across our different businesses. As we diversify into the real estate market, the Group aims to become one of Asia's leading suppliers of building materials and mineral resources with a view to generating steady, high-yielding returns for the Group and its shareholders in the long run.

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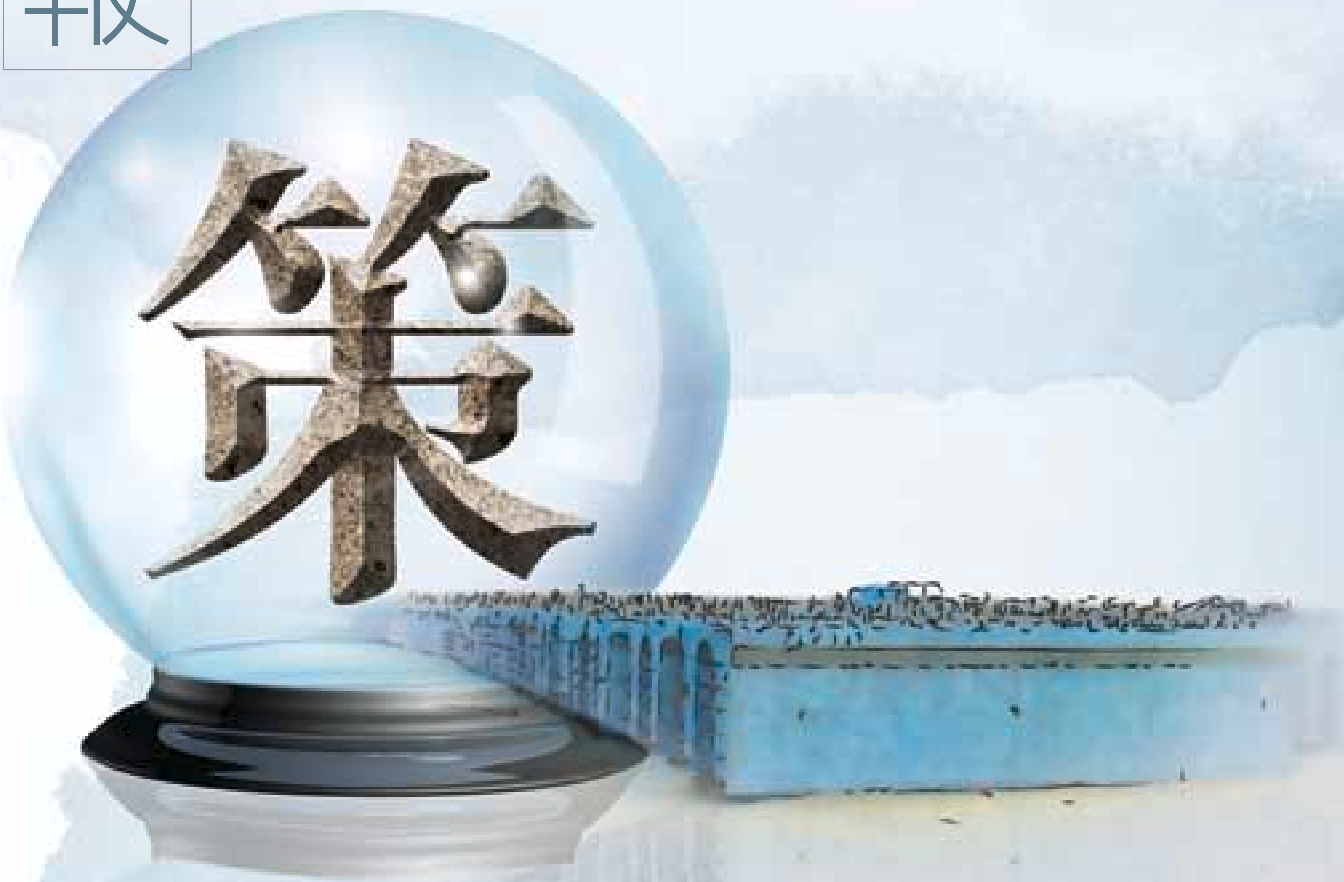

Moving AHEAD

Directors and Senior Management

DIRECTORS

Executive directors

Mr. WONG Ben Koon, aged 58, 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 66, was 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 49, was 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 doctorate 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 64, was 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 ("PMHL"), 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 PMHL, 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, 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, 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 28, was appointed as an executive director of the Company on 1 June 2010. Ms. Wong has over 4 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 College, 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 42, 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 18 years' experience in finance and accounting field.

Non-executive director

Mr. LIU Benren, aged 68, was appointed as a non-executive director and deputy chairman of the Company on 17 August 2010. Mr. Liu graduated from Wuhan Scientific and Technology University (formerly known as Wuhan Institute of Metallurgy) in 1965 with a bachelor's degree in steel rolling and obtained a postgraduate qualification from the Central Communist Party School in 1986. Mr. Liu is a professor-level senior engineer. Mr. Liu is currently a non-executive director of Fosun International Limited, a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), an external director of Shenhua Group Corporation Limited and a non-executive director of China Shenhua Energy Company Limited, a listed company on the Stock Exchange. Mr. Liu had previously served as non-executive director and the chairman of China Metallurgical Group Corporation, a non-executive director and the chairman of Metallurgical Corporation of China Ltd, a listed company on the Stock Exchange and an independent non-executive director of PMHL.

Independent non-executive directors

Mr. YUEN Kim Hung, Michael, aged 50, 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 the audit committee of the Company.

Mr. YUNG Ho, aged 66, 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.

Mr. CHAN Kai Nang, aged 65, was appointed as independent non-executive director on 17 August 2010. Mr. Chan holds a diploma in management studies from The University of Hong Kong and a bachelor's degree in Law from the University of London. Mr. Chan is an associate member of The Chartered Institute of Management Accountants in the United Kingdom, a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has been appointed as an independent non-executive director of Asian Capital Holdings Limited, a listed company on the Growth Enterprise Market of the Stock Exchange since 4 June 2010. Mr. Chan is also currently an independent non-executive director of Soundwill Holdings Limited, a listed company on the Stock Exchange. Mr. Chan was the Deputy Chief Executive of the then Land Development Corporation. He was an executive director and the managing director of the construction materials division of K. Wah Construction Materials Limited (currently known as Galaxy Entertainment Group Limited), a company listed on the Stock Exchange until 1 May 2008.

Mr. MA Jianwu, aged 62, was appointed as independent non-executive director on 17 August 2010. Mr. Ma worked as a deputy general manager of Guangzhou Iron & Steel Enterprises Group Co., Ltd. and executive deputy general manager, general manager, vice chairman and party committee secretary of Guangzhou Iron and Steel Co., Ltd., a listed company on the Shanghai Stock Exchange, before joining the Company.

Dr. LIANG Dunshi, aged 48, was appointed as independent non-executive director on 17 August 2010. He holds a doctorate degree in Engineering from China University of Mining and Technology. Dr. Liang had served as chief economist of the China Huaxing Asset Management Limited, deputy director of the coal section of the fuel department under the Ministry of Material Supplies of the People's Republic of China (the "PRC") and director of the coal section of non-metallic materials flow department under the Ministry of Domestic Trade of the PRC and has engaged in the management of coal distribution and fuel flow on a nationwide basis.

SENIOR MANAGEMENT

Mr. TOK Beng Tiong, aged 39, is an executive in charge of the 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 13 years' experience in building material industry and relevant logistics management in the PRC and global markets. He had been an employee of the Group from December 2001 to February 2003 and joined the Group again in January 2005.

Mr. LI Siu Ming Patrick, aged 48, is an executive director and the chief financial officer of PMHL. He is responsible for the banking, treasury and accounting matters and supervises the finance and accounting staff of PMHL. Patrick joined PMHL in May 2004 and he 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 PMHL. Patrick obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1985 and a bachelor's 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 49, is the general manager of PMHL iron ore trading business. She is responsible for the implementation and development of corporate strategy and company administration including the operation of trading activities in PMHL. 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 joined Prosperity Merchandise Agency Ltd, a Company controlled by Mr. Wong, in 1988 as a director's assistant. In 2003, she was the director and general manager of Prosperity Minerals (Asia) Limited and subsequently took up the position of general manager of Prosperity Minerals Limited in February 2004. Selina graduated from HKU Space with a Diploma in Marketing Management in 1998.

Mr. TAM Siu Wai, aged 63, is the deputy general manager of PMHL's iron ore trading 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 PMHL in 1998 and is currently responsible for maintaining customer relations and implementing the iron ore trading business's marketing strategy.

Mr. HONG Cheng Zhang, aged 50, is a general manager of PMHL's real estate investment and development business. He is responsible for the implementation of corporate strategy and overseeing operational activities. He started his career at the Industrial and Commercial Bank of China in 1978 as a loan officer and was promoted to vice president and president of ICBC Guangzhou Fangcun Branch in 1984 and 1995 respectively. In 1998, he joined Guangzhou Bliss Hero Real Estate Development Limited which was subsequently acquired by the Group in August 2010, as managing director, where he is responsible for overseeing the development and management of SilverBay Plaza as well as the development of Dongfang Wende Plaza.

Mr. Tong Yi, Tony, aged 32, is a general manager of the Group's real estate investment and development business. He graduated from Zhejiang University with a bachelor's degree in Economics in 2002, completed a management postgraduate course at the Oxford College of Further Education in 2003 and graduated from Oxford Brookes University with a Masters degree in Business and Enterprise in 2004. From 2004 to 2008 he worked at SPG Land in Shanghai where he started his employment in the finance department and later became assistant to the president of the company. He joined the Group in 2008 as a manager and was promoted to general manager of the Group's real estate investment and development business when the division was established in 2010.

Ms. LEE Yee Man Hester, aged 35, is the chief accounting officer of PMHL. She is responsible for overseeing all accounting functions of the PMHL. Hester graduated from the University of Hong Kong with a bachelor's degree in Economics in 1998. She started her career in 1998 as a Tax Associate with Price Waterhouse which later merged with Coopers & Lybrand and became known as PricewaterhouseCoopers. She joined BDO McCabe Lo & Company in 2000 where she became Senior Tax Manager, providing corporate and individual tax compliance and advisory services on a range of Hong Kong tax issues including mergers and acquisitions, corporate restructuring, tax due diligence, field audit and tax investigation. Hester joined PMHL in January 2009 as Senior Manager and was promoted to Group Financial Controller in October 2010 and Chief Accounting Officer in April 2011, respectively. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She is also a Certified Tax Advisor in Hong Kong and a fellow member of the Taxation Institute of Hong Kong.

Neelke Kruger-LOGAN, aged 32, is the Chief Corporate Communications Officer of PMHL. She is responsible for the communications with the shareholders and advisors of PMHL. Neelke graduated from the University of South Africa with a bachelor's degree in Economics in 2003. Prior to joining PMHL in 2007, she had worked at the International SOS medical clinic in Beijing, at Mulder and Kruger Business English Consulting as an English language trainer in Hong Kong and at New Force Shipping Limited as Business Development Manager, also in Hong Kong. She joined PMHL in 2007 as Investor Relations Officer and was promoted to Senior Manager in April 2010 and Chief Corporate Communications Officer in April 2011, respectively.

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, a member of the Hong Kong Institute of Certified Public Accountants, an associate of Hong Kong Institute of Taxation and a certified tax advisor. 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 has over eight years' experience working in international accounting firms and companies listed in Hong Kong.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance, emphasising transparency, independence and accountability, in order to promote the interests of all shareholders and enhance shareholders' value.

The Company's corporate governance practices are based on principles and code provisions as prescribed in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board of Directors reviews its corporate governance practices from time to time with reference to the latest development of corporate governance in order to meet expectations from all interested parties and comply with requirements from relevant regulatory authorities.

In the opinion of the Directors, the Company has complied with all code provisions set out in the CG Code during the year ended 31 March 2011, except for one non-compliance that is discussed under the section "Communications with Shareholders" in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for securities transactions by the directors of listed companies as set out in Appendix 10 to the Listing Rules (the "Model Code"), as the code of conducts regarding Directors' securities transactions during the Year.

Having made specific enquiry with all Directors, each of them confirmed that the Model Code has been complied in full throughout the year ended 31 March 2011.

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

THE BOARD

The Board currently comprises twelve directors including six executive Directors, one non-executive Director and five 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)
Mr. Johannes Petrus Mulder
Ms. Gloria Wong
Mr. Kong Siu Keung

Non-executive Director:

Mr. Liu Benren (appointed on 17 August 2010 and Deputy Chairman of the Board)

Independent non-executive Directors:

Mr. Mo Kwok Choi (resigned on 17 August 2010)
Mr. Yuen Kim Hung, Michael (Chairman of audit committee and Chairman of remuneration committee)
Mr. Yung Ho (a member of audit committee and a member of remuneration committee)
Mr. Chan Kai Nang (appointed on 17 August 2010 and a member of remuneration committee)
Mr. Ma Jianwu (appointed on 17 August 2010 and a member of audit committee)
Dr. Liang Dunshi (appointed on 17 August 2010)

The biographical details of the Directors are set out on pages 22 and 23 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 21 Board meetings held during the year ended 31 March 2011 and the attendance records of each Director at Board meetings are set out below:

Name of Directors	Attendance/ Number of Board Meetings
Mr. Wong Ben Koon ("Mr Wong")	15/21
Mr. Sun Yong Sen	10/21
Dr. Mao Shuzhong	13/21
Mr. Johannes Petrus Mulder	14/18
Ms. Gloria Wong	10/18
Mr. Kong Siu Keung	21/21
Mr. Liu Benren (appointed on 17 August 2010)	7/10
Mr. Mo Kwok Choi (resigned on 17 August 2010)	3/10
Mr. Yuen Kim Hung, Michael	21/21
Mr. Yung Ho	14/21
Mr. Chan Kai Nang (appointed on 17 August 2010)	9/10
Mr. Ma Jianwu (appointed on 17 August 2010)	7/10
Dr. Liang Dunshi (appointed on 17 August 2010)	7/10

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 is the controlling shareholder of the Company. His respective interests are 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 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 46 to the financial statements.

Save as disclosed above and in note 46 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 is the chairman of the Company and he 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 currently comprises three independent non-executive directors, namely, Mr. Yuen Kim Hung, Michael (Chairman of the audit committee), Mr. Yung Ho and Mr. Ma Jianwu.

All members possess diversified industry experiences and appropriate professional qualifications as required under the Listing Rules.

The audit committee held two meetings during the Year. Their major duties and responsibilities are set out in the terms of reference and the work conducted by the audit committee including the following matters:

1. Reviewed the Company's financial results and reports, internal controls and corporate governance issues, risk management, financial and accounting policies and practices and made recommendations to the Board;
2. Reviewed the circulars for connected transactions of the Company to confirm the transactions are on normal commercial terms, fair and reasonable and are in the interest of Company and shareholders as a whole;
3. Discussed with the external auditor on their independence and the nature and scope of the audit and recommended to the Board on the re-appointment of RSM Nelson Wheeler as auditor; and
4. Discussed with the external auditor on any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response.

The audit committee reviewed the Group's internal control based on the information obtained from the external auditor and Company's management and was of the opinion that there are adequate internal controls in place in the Group. 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 (resigned on 17 August 2010)	1/1
Mr. Yuen Kim Hung, Michael (re-designed as Chairman of audit committee on 17 August 2010)	2/2
Mr. Yung Ho	2/2
Mr. Ma Jianwu (appointed on 17 August 2010)	1/1

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 42 of this annual report.

REMUNERATION COMMITTEE

The remuneration committee was set up in March 2005 and is currently constituted by three independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (Chairman of the remuneration committee), Mr. Yung Ho and Mr. Chan Kai Nang.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and the 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.

Three meetings had been held during the Year to discuss remuneration related matters. The remuneration committee made recommendations to the Board on bonus payments and increments 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	3/3
Mr. Yung Ho	3/3
Mr. Mo Kwok Choi (resigned on 17 August 2010)	1/1
Mr. Chan Kai Nang (appointed on 17 August 2010)	1/1

NOMINATION COMMITTEE

The Company does not have a nomination committee. The power to nominate or appoint additional directors is vested on 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 two meetings to appoint two executive Directors, one non-executive Director and three independent non-executive Directors.

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 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 20 September 2010 and were delegated to make himself available to answer questions if raised at the meetings. The absence of the chairman of the Company 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.

Based on the assessment made by the Company's management and external auditor during its statutory auditor, the audit committee is satisfied that the internal control system is sufficient to provide reasonable assurances that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and paper accounting records are maintained. In addition, the Board considered that resources, qualification and experience of staff responsible for the Company's accounting and financial reporting function, their training and budget are adequate. The system is designed to provide reasonable, but not absolute assurance against material misstatement loss, and to manage rather than eliminate risks of failure in the Group's operational system.

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$2,017,000, of which HK$1,200,000 was incurred for statutory audit and HK$817,000 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' interests. The management will continue to maintain, strengthen and improve the standard and quality of the corporate governance of the Group.

Report of the Directors

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 48 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; (iv) investment of public port and other related facilities business in the PRC and (v) real estate development.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2011 is set out in the consolidated income statement on page 43 and the state of affairs of the Group as at 31 March 2011 are set out in the consolidated statement of financial position on pages 45 and 46.

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 16 to the consolidated 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 2011 is set out on page 124. 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 18 to the consolidated financial statements.

INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

Details of the movements in the investment properties and investment properties under development of the Group during the Year are set out in note 19 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2011 are set out in note 48 to the consolidated 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 32 to the consolidated 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

The Company repurchased 21,120,000 shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Repurchases") during the Year. 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 32 to the consolidated financial statement. Particulars of the Repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate consideration
		Highest	Lowest	
		(HK$)	(HK$)	(HK$)
August	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 Year.

RESERVES

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 48 of the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2011, 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$2 million (2010: HK$60 million). The Company's share premium, in the amount of approximately HK$2,036 million as at 31 March 2011 (2010: HK$1,661 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 91% of total sales and sales to the largest customer included therein amounted to approximately 24% of total sales. The Group's five largest suppliers accounted for approximately 87% of total purchases for the Year and purchases from the largest supplier included therein amounted for approximately 45% 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 Wong")
Mr. Sun Yong Sen
Dr. Mao Shuzhong
Mr. Johannes Petrus Mulder
Ms. Gloria Wong
Mr. Kong Siu Keung

Non-executive Director:

Mr. Liu Benren (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)

In accordance with bye-law 87 of the Company's bye-laws, Mr. Wong ,Mr. Kong Siu Keung, Mr. Yung Ho and Mr. Sun Yong Senwill retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 24 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong 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. Yuen Kim Hung, Michael entered into a service contract with the Company for a term of two years commencing from 31 December 2010, 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 2010, 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.

Mr. Liu Benren, Mr. Chan Kai Nang, Mr. Ma Jianwu and Dr. Liang Dunshi each entered into a service contract with the Company for a term of three years commencing from 17 August 2010. Each appointment is subject to termination by, among other matters, either party giving not less than two months' 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. Details of Directors' emoluments are set out in the note 14 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 46 to the consolidated 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 2011, 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

	Number of shares held, capacity and nature of interest				
Name of Director	Directly beneficially owned	Through controlled corporation	Interest of director's spouse	Total	Percentage of the Company's issued share capital
Mr. Wong	1,762,470,697	2,244,907,131 *(Note)*	22,640,000	4,030,017,828	63.02%
Mr. Johannes Petrus Mulder	200,000	—	—	200,000	0.003%

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 also interested in 2,139,675,960 shares, 2,639,514 shares and 2,639,514 shares through his interest in Prosperity Minerals Group Limited ("PMGL"), Max Will Profits Limited ("Max Will") and Max Start Holdings Limited ("Max Start"), which are owned beneficially as to 67.2%, 65% and 65% by Mr. Wong respectively.

(b) Short positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of Director	Directly beneficially owned	Through controlled corporation	Interest of director's spouse	Total	Percentage of the Company's issued share capital
Mr. Wong	—	151,397,515 *(Note)*	—	151,397,515	2.37%

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 31 March 2011, 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.

SHARE OPTION SCHEME

The details of the Company's share option scheme, including the movement of, and any outstanding share options during the Year are disclosed in note 41 to the financial statements. The share option scheme (the "Share Option Scheme") adopted by the Company 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 was granted under the Share Option Scheme during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as 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

As at 31 March 2011, Prosperity Materials Macao Commercial Offshare Limited ("MCO"), a wholly-owned subsidiary of Prosperity Minerals Holdings Limited ("PMHL"), is principally engaged in the trading of iron ore. Mr. Wong, the substantial shareholder and the executive director of the Company, directly and through his controlled associates, held beneficial interests in several companies as follows, which also engaged in the trading of iron ore.

i) Grace Wise Pte Limited ("Grace Wise")

Grace Wise was incorporated in Singapore to sell the iron ore exported from Malaysia. Pursuant to the off-take agreement between MCO and Grace Wise dated 31 May 2010, Grace Wise agreed to sell to MCO, for loading at Malaysian sea port, iron ore at a price per tonnes following the prevailing market price in similar locations between 1 May 2010 and 31 March 2013, in which whenever Grace Wise has iron ore to sell, it must first offer the same to MCO.

In view of the above, the Board considers that there is no direct or indirect competition between the Group and Grace Wise, as the Group can have the right, but not obligation to purchase the iron ore from Grace Wise at its own discretion.

ii) Century Iron Ore Holdings Inc. ("Century Holdings")

Century Holdings is a resource development company incorporated under the laws of the Province of British Columbia, Canada which specialises in iron ore. Pursuant to the off-take agreement between MCO and Century Holdings dated 14 March 2011, Century Holdings agreed to sell to MCO, for loading at a Canadian sea port, iron ore at a price per tonnes following the prevailing market price in similar locations between 14 March 2011 and 28 February 2014, in which whenever Century has iron ore to sell, it must first offer the same to MCO.

In view of the above, the Board considers that there is no direct or indirect competition between the Group and Century Holdings, as the Group can have the right, but not obligation to purchase the iron ore from Century at its own discretion.

During the Year, the abovementioned businesses are operated and managed by companies with independent management and administration and in accordingly, the Group is capable of carrying on its business independently, and at arm's length from the competing businesses mentioned above.

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

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Detail of Change
Mr. MO Kwok Choi	resigned as an independent non-executive Director, chairman of the audit committee and member of the remuneration committee with effect from 17 August 2010
Mr. LIU Benren	appointed as a non-executive Director with effect from 17 August 2010
Mr. YUEN Kim Hung, Michael	was re-designated as the chairman of the audit committee with effect from 17 August 2010 and annual Director's fee increased from HK$345,000 to HK$675,000 with effect from 1 April 2010#
Mr. CHAN Kai Nang	was appointed as an independent non-executive Director and member of the remuneration committee with effect from 17 August 2010
Mr. MA Jianwu	was appointed as an independent non-executive Director and member of the audit committee with effect from 17 August 2010
Dr. LIANG Dunshi	was appointed as an independent non-executive Director with effect from 17 August 2010
Mr. WONG Ben Koon	annual salary paid by the Group increased from HK$3,649,000 to HK$9,140,000 (excluding discretionary bonus and allowance) with effect from 1 April 2010#
Mr. KONG Siu Keung	annual salary increased from HK$1,200,000 to HK$1,800,000 (excluding discretionary bonus and allowance) with effect from 1 April 2010

The substantial increase of salary and director's fee is a result of taking up the full year results of PMHL, compared with sharing its six month results in the previous year.

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

So far as is known to any Director or chief executive of the Company, as at 31 March 2011, 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 controlled corporation	2,144,954,988	33.54%
PMGL	(a)	Directly beneficially owned	2,139,675,960	33.46%
Ms. Shing Shing Wai	(b)	Interest of substantial shareholder's spouse	4,007,377,828	
		Directly beneficially owned	22,640,000	
			4,030,017,828	63.02%
Central Huijin Investment Ltd.	(c)	Through controlled corporation	318,540,373	4.98%

Short 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) & (d)	Through controlled corporation	151,397,515	2.37%
PMGL	(a) & (d)	Directly beneficially owned	151,397,515	2.37%
Ms. Shing Shing Wai	(b) & (d)	Interest of substantial shareholder's spouse	151,397,515	2.37%

Notes:

(a) The entire issued share capital of PMGL, Max Start and Max Will, are beneficially owned as to 32.8%, 35% and 35% by Madam Hon Ching Fong respectively.

(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) Central Huijin Investment Ltd. is deemed to be interested in 318,540,373 Shares held by Luck Well as it is entitled to indirectly control the exercise of 30% or more of the voting power at the general meeting of Luck Well. The 318,540,373 Shares held by Luck Well include the long position of Luck Well in the 151,397,515 Shares under the warrant agreements as disclosed in note (d) below;

(d) 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 31 March 2011, 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.

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
Guangzhou Fuchun Dongfang Real Estate Investment Co., Limited	Guangzhou Sendao Shiye Limited	Beneficially owner	N/A	45%
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 2011, 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 2011, 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 AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 46 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions between the connected persons (as defined in the Listing Rules) and the Company, certain of which are ongoing. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the following transactions:

1. **Connected transaction relating to the acquisition of 25% equity interest in Liaoning Changqing Cement Co. Limited ("Liaoning Changqing") from Liaoning Yan Zhou Zhu Xing Cement Co., Limited ("Liaoning Yan Zhou").**

   On 22 May 2010, Sintex International Limited ("Sintex") and Liaoning Yan Zhou entered into the equity transfer agreement pursuant to which Sintex, a wholly owned subsidiary of PMHL, agreed to purchase 25% equity interests in Liaoning Changqing from Liaoning Yan Zhou for the consideration of RMB100 million (approximately HK$114 million). Liaoning Yan Zhou is beneficially owned by two directors of Liaoning Changqing and Liaoning Changqing was an indirect 75%-owned subsidiary of PMHL immediately before the completion of the disposal of the entire issued share capital of Upper Value Investments Limited and the related shareholder loan by an indirect wholly-owned subsidiary of PMHL to TCC International Holdings Limited. Therefore, Liaoning Yan Zhou is an associate of past directors of a subsidiary of the Company and hence a connected person of the Company under the Listing Rules. The execution of the said equity transfer agreement and the transaction contemplated thereunder constitute a connected transaction for the Company. For details of the equity transfer agreement, please refer to the circular dated 14 June 2010.

2. **Connected transaction relating to the acquisition of the entire issued share capital of Bliss Hero Investment Limited ("Bliss Hero").**

   On 31 May 2010, Pro-Rise Business Limited ("Pro Rise"), a wholly owned subsidiary of PMHL, Cheong Sing Merchandise Agency Limited ("Cheong Sing") and Splendid City Limited ("Splendid City") entered into the agreement pursuant to which Pro-Rise has conditionally agreed to purchase the entire issued share capital of, and the outstanding loan in, Bliss Hero from Splendid City and Cheong Sing, with the total consideration of approximately HK$836 million. Cheong Sing and Splendid City are associated companies of Mr. Wong Ben Koon, who is a substantial shareholder and executive director of the Company and for details, please refer to the circular of the Company dated 30 July 2010. The transaction was completed on 16 August 2010.

3. **Connected transaction relating to the memorandum of understanding to acquire the entire interest of All Wealthy Capital Limited ("All Wealthy").**

   On 2 September 2010, the Company, as purchaser, entered into the memorandum of understanding with Elite Force (Asia) Limited ("Elite Force"), New Peak (Asia) Limited and Zenor Investments Limited, as vendors, to acquire the entire interests of All Wealthy, which owns 70% equity interests in the Malaysian iron ore joint venture. The memorandum of understanding is non-legally binding save for certain provisions relating to confidentiality and exclusivity. Elite Force is a company wholly-owned by Mr. Wong Ben Koon, who is a substantial shareholder and executive director of the Company and for details, please refer to the announcement of the Company dated 2 September 2010.

4. **Connected transaction relating to the cancellation agreement between PMHL and its share options holders in relation to the cancellation of a total of 2,680,000 share options of PMHL granted by PMHL (the "Target Options").**

   PMHL entered into the cancellation agreements with its share option holders on 9 September 2010 in relation to the cancellation of the Target Options (convertible into 2,680,000 PMHL Shares) at an aggregate consideration of £2,095,760 (approximately HK$25,149,120). The option holders are directors and employees of PMHL. Pursuant to the Listing Rules, the cancellation of the Target Options constitutes a connected transaction for the Company. Details please refer to the announcement of the Company dated 10 September 2010.

5. **Connected transaction relating to the acquisition of 8,041,663 ordinary shares of PMHL ("the Target Shares") from Mr. Wong Ben Koon and his controlled entities.**

   On 24 December 2010, the Company entered into an agreement with Mr. Wong Ben Koon, the substantial shareholder and executive director of the Company, in which the Company agreed to acquire from Mr. Wong Ben Koon and his controlled entities the Target Shares at the consideration of £1.78 (approximately HK$22.22) per Target Share. The total consideration of approximately £14.3 million (approximately HK$178.7 million) shall be satisfied by the Company by the issue and allotment of 357,371,504 shares of the Company at an issue price of HK$0.50 per share to Mr. Wong Ben Koon and his controlled entities. For details of the equity transfer agreement, please refer to the circular of the Company dated 27 January 2011.

6. **Continuing connected transactions with respect to the iron ore master off-take agreement with Grace Wise.**

   MCO, an indirect wholly-owned subsidiary of PMHL, had entered into iron ore master off-take agreement (the "Malaysian Master Off-take Agreement") and supplemental agreement with Grace Wise on 31 May 2010 and 23 June 2010 respectively, pursuant to which Grace Wise agreed to sell to MCO, for loading at a Malaysian sea port, iron ore at a price per tonne following the prevailing market price in similar locations, delivered between 1 May 2010 and 31 March 2013 (the "Off-take Period"). The Malaysian Master Off-take Agreement prescribes the maximum value of US$1,555 million (approximately HK$12,129 million) of the transactions between MCO and Grace Wise during the Off-take Period. Details please refer to the circular of the Company dated 24 June 2010.

   During the Year, the Group purchased iron ore from Grace Wise at a consideration of US$12,844,000 (approximately HK$100,183,200).

7. **Continuing connected transactions with respect to the iron ore master off-take agreement with Century Iron Ore Holdings Inc ("Century Holdings").**

   On 14 March 2011, MCO entered into the iron ore master off-take agreement (the "Canadian Master Off-take Agreement") with Century Holdings Inc., pursuant to which Century Holdings has granted MCO the option to purchase up to one million tonnes of iron ore with specific iron ore grade within the off-take period between 14 March 2011 and 28 February 2014 for loading at Qubec, Canada. As prepayment for the contracted iron ore quantity, MCO shall pay the prepayment of US$10 million (approximately HK$78 million) to Century Holdings. As repayment of the prepayment, Century Holdings shall apply US$10 (approximately HK$78) from the Prepayment as partial payment of the purchase price of each dry tonne of the contracted iron ore quantity delivered to MCO, and repay the balance of the prepayment, if any, to MCO forthwith upon the termination of the Canadian Master Off-take Agreement. As at 31 March 2011, the Group did not exercise the option as to purchase the iron ore from Century Holding. For details, please refer to the annonuncement of the Company dated 15 March 2011.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above continuing connected transaction referred to in item (6), and are of the opinion that the continuing connected transaction as stated in items (6) were entered into:

(i) in the ordinary and usual course of businesses of the Group;

(ii) on normal commercial terms and on terms in accordance with the Malaysian Master Off-take Agreement; and

(iii) in accordance with the Malaysian Master Off-take Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing transactions disclosed by the Group in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 25 to 30 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in note 47 to the consolidated 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.

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, 30 June 2011

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 43 to 123, which comprise the consolidated statement of financial position as at 31 March 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is neccessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 Hong Kong Institute of Certified Public Accountants . Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, 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
30 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations			
Turnover	7	8,136,491	2,564,656
Cost of goods sold		(7,968,358)	(2,407,498)
Gross profit		168,133	157,158
Other income	8	57,140	32,566
Selling and distribution costs		(45,429)	(59,459)
Administrative expenses		(408,434)	(113,456)
(Loss)/profit from operations		(228,590)	16,809
Finance costs	10	(32,385)	(7,777)
Share of profits less losses of associates		15,103	19,799
Share of profits less losses of jointly controlled entities		4,132	—
Net gain on financial assets at fair value through profit or loss		10,680	—
Fair value loss on derivative financial instruments		(7,747)	(77,064)
Fair value gain on investment properties and investment properties under development		19,732	22,094
Reversal of impairment of properties under development for sale		—	23,200
Loss before tax		(219,075)	(2,939)
Income tax expense	11	(2,406)	(13,072)
Loss for the year from continuing operations		(221,481)	(16,011)
Discontinued operation			
Profit for the year from discontinued operation	12	878,328	142,115
Profit for the year	13	656,847	126,104
Attributable to:			
Owners of the Company			
Loss from continuing operations		(138,005)	(11,493)
Profit from discontinued operation		464,918	79,182
Profit attributable to owners of the Company		326,913	67,689
Non-controlling interests			
Loss from continuing operations		(83,476)	(4,518)
Profit from discontinued operation		413,410	62,933
Profit attributable to non-controlling interests		329,934	58,415
		656,847	126,104
Earnings/(loss) per share			
From continuing and discontinued operations			
– basic (HK cents)	17(a)	5.79	1.73
– diluted (HK cents)	17(a)	N/A	N/A
From continuing operations			
– basic (HK cents)	17(b)	(2.44)	(0.29)
– diluted (HK cents)	17(b)	N/A	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year	**656,847**	126,104
Other comprehensive income:		
Exchange differences on translating foreign operations	**92,388**	3,768
Exchange differences reclassified to income statement on disposal of subsidiaries, associates and a jointly controlled entity	**(1,969)**	—
Fair value gains on available-for-sale financial assets	**16,604**	—
Other comprehensive income for the year	**107,023**	3,768
Total comprehensive income for the year	**763,870**	129,872
Attributable to:		
Owners of the Company	**381,969**	69,852
Non-controlling interests	**381,901**	60,020
	763,870	129,872

Consolidated Statement of Financial Position

At 31 March 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	18	18,618	9,109
Investment properties	19	195,912	173,689
Investment properties under development	19	697,908	591,912
Goodwill	20	38,105	38,105
Other intangible assets	21	192,640	192,640
Interests in associates	22	523,669	378,346
Interests in jointly controlled entities	23	592,098	—
Available-for-sale financial assets	24	75,476	—
Non-current prepayments	25	138,093	129,240
		2,472,519	1,513,041
Current assets			
Properties under development for sale	26	1,474,230	1,319,445
Financial assets at fair vaule through profit or loss	27	15,109	—
Held-to-maturity investment		41,543	—
Trade and bills receivables	28	68,246	155,061
Prepayments, deposits and other receivables	29	1,116,057	563,123
Current tax assets		—	719
Pledged bank deposits	30	77,530	54,581
Bank and cash balances	30	1,706,754	572,941
		4,499,469	2,665,870
Disposal group held for sale	31	—	5,869,803
		4,499,469	8,535,673
TOTAL ASSETS		6,971,988	10,048,714
Capital and reserves			
Share capital	32	63,950	55,177
Reserves	34	2,456,307	2,034,557
Equity attributable to owners of the Company		2,520,257	2,089,734
Non-controlling interests		1,990,385	2,152,792
Total equity		4,510,642	4,242,526
Non-current liabilities			
Bank borrowings	35	149,441	495,359
Obligations under finance leases	36	—	397
Deferred tax liabilities	37	373,618	360,970
		523,059	856,726

	Note	2011 HK$'000	2010 HK$'000 (restated)
Current liabilities			
Trade and bills payables	38	**173,206**	259,496
Other payables and deposits received	39	**403,724**	1,287,097
Derivative financial instruments	40	**11,263**	89,965
Current portion of bank borrowings	35	**1,347,628**	390,652
Current portion of obligations under finance leases	36	**396**	786
Current tax liabilities		**2,070**	—
		1,938,287	2,027,996
Liabilities directly associated with disposal group held for sale	31	**—**	2,921,466
		1,938,287	4,949,462
Total liabilities		**2,461,346**	5,806,188
TOTAL EQUITY AND LIABILITIES		**6,971,988**	10,048,714
Net current assets		**2,561,182**	3,586,211
Total assets less current liabilities		**5,033,701**	5,099,252

Approved by the Board of Directors on 30 June 2011

Wong Ben Koon
Chairman and Executive Director

Kong Siu Keung
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Contributed surplus HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009	21,760	67,090	2,752	14,878	—	2,049	50	52,318	160,897	56,244	217,141
Total comprehensive income for the year	—	—	2,163	—	—	—	—	67,689	69,852	60,020	129,872
Recognition of share-based payments	—	—	—	—	—	5,145	—	—	5,145	—	5,145
Issue of new shares for acquisition of subsidiaries (Note 32(a))	32,437	1,589,426	—	—	—	—	—	—	1,621,863	—	1,621,863
Issue of new shares upon exercise of share options (Note 32(b))	980	4,680	—	—	—	(1,085)	—	—	4,575	—	4,575
Acquisition of subsidiaries (Note 42(a))	—	—	—	—	—	—	—	—	—	1,273,790	1,273,790
Deemed disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	—	6,878	6,878
Changes in equity for the year	33,417	1,594,106	2,163	—	—	4,060	—	67,689	1,701,435	1,340,688	3,042,123
Adjustment for business combination under common control (Note 3)	—	—	—	—	227,402	—	—	—	227,402	755,860	983,262
At 31 March 2010, as restated	**55,177**	**1,661,196**	**4,915**	**14,878**	**227,402**	**6,109**	**50**	**120,007**	**2,089,734**	**2,152,792**	**4,242,526**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Contributed surplus HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Investment reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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 3)	—	—	253	—	227,402	—	—	—	10,295	237,950	774,720	1,012,670
At 1 April 2010, as restated	55,177	1,661,196	4,915	14,878	227,402	6,109	—	50	120,007	2,089,734	2,152,792	4,242,526
Total comprehensive income for the year	—	—	44,278	—	—	—	10,778	—	326,913	381,969	381,901	763,870
Consideration for purchase of entity under common control	—	—	—	—	(240,282)	—	—	—	—	(240,282)	(205,593)	(445,875)
Purchases of non-controlling interest (Note 32(c) and 42 (d))	8,384	378,576	—	—	—	—	—	—	114,105	501,065	(501,065)	—
Issue of new shares upon exercise of share options (Note 32(d))	600	5,044	—	—	—	(964)	—	—	—	4,680	—	4,680
Recognition of share-based payments	—	—	—	—	—	9,100	—	—	—	9,100	46,745	55,845
Repurchase of shares (Note 32(e))	(211)	(9,272)	—	—	—	—	—	—	—	(9,483)	—	(9,483)
Deemed disposal of partial interest in a subsidiary (Note 42(e))	—	—	—	—	—	—	—	—	(105,394)	(105,394)	222,045	116,651
Dividend paid	—	—	—	—	—	—	—	—	(111,132)	(111,132)	(44,757)	(155,889)
Transferred to income statement on disposal of subsidiaries, associates and a jointly controlled entity (Note 42(b))	—	—	—	—	—	—	—	—	—	—	(61,683)	(61,683)
Changes in equity for the year	8,773	374,348	44,278	—	(240,282)	8,136	10,778	—	224,492	430,523	(162,407)	268,116
At 31 March 2011	63,950	2,035,544	49,193	14,878	(12,880)	14,245	10,778	50	344,499	2,520,257	1,990,385	4,510,642

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		656,847	126,104
Adjustments for:			
Income tax expense		12,869	45,718
Finance costs		41,776	43,089
Interest income		(6,570)	(2,569)
Depreciation		3,401	28,328
Amortisation		—	8,583
Share-based payments		55,845	5,145
Share of profits less losses of associates		(15,103)	(96,423)
Fair value gain on investment properties and investment properties under development		(19,732)	(22,094)
Reversal of impairment of properties under development for sale		—	(23,200)
Share of profits less losses of jointly controlled entities		(4,134)	—
Impairment loss on interests in a jointly controlled entity		42,789	17,838
Net gain on financial assets at fair value through profit or loss		(10,680)	—
Fair value loss on derivative financial instruments		7,747	77,064
Gain on disposal of discontinued operation		(850,153)	—
Gain on deemed disposal of partial interests in subsidiaries		—	(760)
Operating (loss)/profit before working capital changes		(85,098)	206,823
Decrease/(increase) in inventories		20,199	(19,908)
Increase in properties under development for sale		(103,709)	(83,817)
(Increase)/decrease in trade and bills receivables		(3,583)	164,039
Increase in prepayments, deposits and other receivables		(471,469)	(226,310)
Decrease in trade and bills payables		(52,124)	(82,107)
Increase in other payables and deposits received		450,542	104,220
Cash (used in)/generated from operating activities		(245,242)	62,940
Income tax paid		(10,797)	(29,632)
Net cash (used in)/generated from operating activities		(256,039)	33,308
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in pledged bank deposits		(22,949)	(28,866)
Interest received		6,570	2,569
Acquisition of subsidiaries		(835,614)	311,525
Cash flow arising on business combination under common control		—	248,833
Purchases of property, plant and equipment		(82,457)	(604,653)
Proceeds from disposal of property, plant and equipment		—	2,770
Payment for lease prepayments		—	(53,403)
Addition of investment properties		(17,989)	—
Addition of investment properties under development		(42,136)	(19,942)
Investment in an associate		(114,722)	(34,538)
Acquisition of a jointly controlled entity		(268,756)	—
Capital contributions to jointly controlled entities		(175,991)	—
Advance to jointly controlled entities		(117,073)	—
Proceed from disposal of discontinued operation	42(b)	2,496,013	—
Acquisition of available-for-sales financial assets		(58,872)	—
Acquisition of held-for-maturity investment		(41,543)	—
Acquisition of financials assets at fair value through profit or loss		(22,570)	—
Proceed from disposal of financial assets at fair value through profit or loss		18,141	—
Net proceed from deemed disposal of partial interest in subsidiaries	42(e)	30,202	—
Deposit received for disposal of subsidiaries		—	800,000
Dividends received from an associate		—	15,439
Increase in non-current prepayments		—	(190,936)
Net cash generated from investing activities		750,254	448,798

	2011 HK$'000	2010 HK$'000 (restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loans raised	1,623,399	626,658
Repayment of bank loans	(1,037,435)	(352,451)
Repayment of obligations under finance leases	(787)	(695)
Finance lease charges paid	(83)	(103)
Interests paid	(62,977)	(42,986)
Dividend paid	(111,132)	—
Dividend paid to non-controlling shareholders	(44,757)	—
Proceeds from issuance of shares	4,680	4,575
Proceeds from issuance of shares of a subsidiary	—	7,638
Repurchase of shares	(9,483)	—
Net cash generated from financing activities	361,425	242,636
NET INCREASE IN CASH AND CASH EQUIVALENTS	855,640	724,742
Effect of foreign exchange rate changes	41,988	916
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	809,126	83,468
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,706,754	809,126
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	1,706,754	809,126
Representing:		
Continuing operations	1,706,754	572,941
Discontinued operation	—	236,185
	1,706,754	809,126

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 48 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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. 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) Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" requires the changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

The above requirements of HKAS 27 (Revised) has been applied prospectively from 1 April 2010 and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	2011 HK$'000	2010 HK$'000
Decrease in other income	(58,345)	—
Decrease in earnings per share (HK cents)		
- Continuing and discontinued operations	1.03	—
Increase in losses per share (HK cents)		
- Continuing operations	1.03	—

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) Operating segments

As a result of the amendment to HKFRS 8 *"Operating Segments"* arising from the Improvements to HKFRSs (2009) omnibus standard, the measure of total assets for each reportable segment is only required to be presented if it is regularly provided to the Group's chief operating decision makers ("CODM"). Segment assets of the Group are not reported to the Group's CODM regularly. As a result, reportable segment assets have not been presented in these consolidated financial statements.

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. BASIS OF PREPARATION

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 dated 31 May 2010 entered into between Pro-Rise Business Limited ("Pro-Rise", a subsidiary of the Company) as purchaser and Splendid City Limited and Cheong Sing Merchandise Agency Limited (companies of which Mr. Wong Ben Koon ("Mr. Wong"), a director of the Company and his associates have beneficial interest) as vendor, 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$836 million. The consideration of the Business Combination was determined with reference to (i) the consideration payable for the assignment of all the amounts advanced by Mr. Wong and his associates 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 taking into consideration a property revaluation carried out as at 31 March 2010 by an independent property valuer and deducting non-controlling interests of Bliss Hero as at 31 March 2010. 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 his associates 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 with reference to the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" ("AG 5") issued by the HKICPA, as if the Business Combination had occurred from 24 September 2009, the date when the Group and Bliss Hero first came under common control of Mr. Wong and his associates. As a result, the comparative figures in the consolidated financial statements have been restated accordingly.

The consolidated income statements, statements of comprehensive income and consolidated statements of cash flows include the results and cash flows of Bliss Hero and its subsidiaries (collectively referred to as the "Bliss Hero Group") since the date when the Bliss Hero Group first came under the common control.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the Bliss Hero Group as if the Group structure as at 31 March 2011 had been in existence at 31 March 2010. The net assets of the Bliss Hero Group are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

3. BASIS OF PREPARATION *(Continued)*

The following tables summarise the combined results of operations and the financial positions of the Group and the Bliss Hero Group for the year ended 31 March 2010 and as at 31 March 2010 to reflect the impact of the effect of the Business Combination:

	The Group (as previously reported before the Business Combination) HK$'000	The Bliss Hero Group HK$'000	The Group (as restated after the Business Combination) HK$'000
For the year ended 31 March 2010			
Results of continuing operations:			
Turnover	2,559,682	4,974	2,564,656
(Loss)/profit for the year	(44,580)	28,569	(16,011)
As at 31 March 2010			
Financial position:			
Non-current assets	744,373	768,668	1,513,041
Current assets	6,996,902	1,538,771	8,535,673
Total assets	7,741,275	2,307,439	10,048,714
Non-current liabilities	72,007	784,719	856,726
Current liabilities	4,439,412	510,050	4,949,462
Total liabilities	4,511,419	1,294,769	5,806,188
Net assets	3,229,856	1,012,670	4,242,526

4. 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 investment properties and investment properties under development, available-for-sale financial assets, financial assets at fair value through profit or loss and 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 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 5 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 consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interest having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination (other than under common control) and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

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 (cc) below. Impairment losses of goodwill are recognised in consolidated profit or loss 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 non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and 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 and is initially recognised at cost. Identifiable assets and 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 and 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 and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and 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) Joint venture

A Joint venture 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 and 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 and 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 and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in consolidated profit or loss, 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 that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that jointly controlled entity and (ii) the Group's share of the net assets of that jointly controlled entity plus any remaining goodwill relating to that jointly controlled entity and 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 entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. 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 exchange rates at the end of each reporting period. Gain and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(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 consolidated profit or loss as part of the gain 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.

4. 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 profit or loss during the 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 profit or loss.

(g) 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, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases

The Group as lessee

(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 finance lease payable. 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.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights 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.

(j) Backlogs

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

(k) 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 of land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to the estimated selling price less estimated costs of completion and selling expenses. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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 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.

(m) 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 a 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 profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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 except in the case of financial assets at fair value through profit or loss.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the investments' 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 investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(iii) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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.

(p) 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.

(q) 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 (r) to (v) below.

(r) 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.

(s) 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 profit or loss on a straight-line basis over the terms of the guarantee contracts.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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.

(u) Equity instruments

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

(v) Derivative financial instruments

Derivative are initially recognised and subsequently measured at fair value. Changes in fair value of derivatives are recognised in profit or loss as they arise.

(w) 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.

Rental income is recognised on a straight-line basis over the lease term.

Commission and despatch income is recognised on an accrual basis.

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

(x) 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 profit or loss 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) 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 in 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).

(z) 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 profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) 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 recognised in profit or loss 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 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 profit or loss, 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.

(bb) 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 joint venture;

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) 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, investment properties and investment properties under development, deferred tax assets, financial assets at fair value through profit or loss, available-for-sale financial assets, properties under development for sale 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 profit or loss, 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

(dd) 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.

(ee) 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. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. 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) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the cash-generating unit to which goodwill has been allocated. The fair value less costs to sell 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.

(b) 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.

(c) Fair values of investment properties and investment properties under development

All investment properties of the Group are revalued as at the date of financial position by an independent qualified professional valuer on rental income approach by taking into account the net rental income of the properties or direct comparison approach by making reference to comparable sale transaction as available in the relevant market. For investment properties under development, their valuation are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

The assumptions adopted in the property valuations are based on the market conditions existing at the date of financial position, with reference to current market sale prices and rental income in the existing market for similar properties in the same location. Given the volatility of the property market of Hong Kong and the People's Republic of China (the "PRC") and the unique nature of individual properties, the actual value may be higher or lower than estimated at the date of financial position.

Further, an increase in cost to completion will result in decrease in fair value of investment properties under development.

(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.

The directors carefully evaluate tax implications of disposal of the cement business and a capital gain tax provision is set up accordingly. The directors consider that the provision made for the current year, which is still subject to assessment by the local tax bureau, are sufficient. The provision will be reconsidered periodically to take into account all changes in future tax legislations. Should any additional amount of the capital gain tax become payable upon completion of the assessment by the local tax bureau, additional provision may be required in future accounting periods.

5. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Net realisable value of properties under development for sale

The Group's properties under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion, and the costs to be incurred in selling the properties based on prevailing market conditions. If there is an increase in costs to completion or a decrease in net sales value, impairment provision of properties under development for sale may be resulted. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provison would affect profit or loss in future years.

(f) 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.

(g) Derivative financial instruments

As disclosed in note 40 to the financial statements, the fair values of the derivative financial instruments at the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of Prosperity Minerals Holdings Limited ("PMHL") and the expected dividend yield. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative component in the period in which such determination is made.

(h) 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 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.

5. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(i) Share-based payment expenses

The fair value of the share options granted to the directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Company's share-based payment reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including foreign currency risk, price 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 United States dollars ("US$"), British Pounds ("GBP") 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$'000
Year ended 31 March 2011		
US$	**2%/(2%)**	**(751)/751[(i)]**
GBP	**2%/(2%)**	**1,064/(1,064)[(ii)]**
RMB	**2%/(2%)**	**40/(40)[(iii)]**
Year ended 31 March 2010 (restated)		
US$	2%/(2%)	(861)/861[(i)]
GBP	2%/(2%)	148/(148)[(ii)]
RMB	2%/(2%)	205/(205)[(iii)]

(i) This is mainly a result of foreign exchange gain/(loss) on trade and bills receivable, prepayments, deposits and other receivables, bank and cash balances, trade and bills payables, bank borrowings and other payables dominated in US$.

(ii) This is mainly a result of the foreign exchange gain/(loss) on cash and bank balances dominated in GBP.

(iii) This is mainly a result of the foreign exchange gain/(loss) on trade and bills receivables, prepayments, deposits and other receivables, bank and cash balances, trade and bills payables and other payables dominated in RMB.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Price risk

The Group's financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity securities price risk.

At 31 March 2011, if the share price of the investments had increased/decreased by 10% with all other variables held constant, profit after tax and other comprehensive income for the year would be HK$1,262,000 (2010: Nil) and HK$7,548,000 (2010: Nil) higher/lower respectively, arising as a result of the fair value gain/loss on the investments.

(c) Credit risk

The carrying amount of available-for-sale financial assets, financial assets at fair value through profit or loss, held to maturity investment, trade and bills receivables, other receivables, deposits, 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 2011, the three largest trade and bills receivables represent approximately 83% (2010: 97%) 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 28 to the financial statements.

(d) Liquidity risk

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

For borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

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

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2011			
Bank borrowings subject to a repayment on demand clause	**64,922**	—	—
Other bank borrowings	**1,305,150**	**89,974**	**73,167**
Obligation under finance leases	**411**	—	—
Trade and other payables	**173,206**	—	—
Other payables	**403,012**	—	—
At 31 March 2010 (Restated)			
Bank borrowings subject to a repayment on demand clause	185,719	—	—
Other bank borrowings	235,624	512,989	10,692
Obligation under finance leases	869	411	—
Trade and other payables	259,496	—	—
Other payables	485,926	—	—

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity analysis of the bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000
At 31 March 2011	**8,470**	**8,447**	**25,342**	**31,133**
At 31 March 2010 (restated)	39,538	46,691	105,752	33,275

(e) Interest rate risk

The Group's exposure to interest rate risk mainly arises from its bank deposits and bank borrowings. The bank deposits and borrowings of HK$1,783,583,000 (2010 (restated): HK$615,596,000) and HK$288,854,000 (2010 (restated): HK$206,873,000) respectively 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 2011		
Bank deposits	**10/(10)**	**1,784/(1,784)(i)**
Bank borrowings	**100/(100)**	**(2,889)/2,889(ii)**
Year ended 31 March 2010 (restated)		
Bank deposits	10/(10)	616/(616)](i)
Bank borrowings	100/(100)	(2,069)/2,069(ii)

(i) This is mainly a result of the increase/(decrease) in interest income on bank balances.

(ii) This is mainly a result of the (increase)/decrease in interest expenses on bank borrowings.

(f) Categories of financial instruments as at 31 March

	2011 HK$'000	2010 HK$'000 (restated)
Financial assets:		
Available-for-sale financial assets	**75,476**	—
Financial assets at fair value through profit or loss - held for trading	**15,109**	—
Held-to-maturity investment	**41,543**	—
Loans and receivables (including cash and cash equivalents)	**1,978,126**	830,109
Financial liabilities:		
Financial liabilities at fair value through profit or loss		
Held for trading	**11,263**	89,965
Financial liabilities measured at amortised cost	**2,073,287**	2,431,433

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) 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 respective fair values.

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 2011:

	Fair value measurement using		
Description	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Available-for-sale financial assets			
Equity securities listed in Hong Kong	75,476	—	75,476
Financial assets at fair value through profit or loss			
Equity securities listed in Hong Kong	15,109	—	15,109
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	—	11,263	11,263

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

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

7. TURNOVER

	2011 HK$'000	2010 HK$'000 (restated)
Manufacturing and sales of clinker and cement	166,241	858,269
Mining and processing of granite and selling of granite products	–	8,291
Trading of clinker, cement and other building materials	555,635	495,157
Trading of iron ore	7,572,539	2,056,234
Rental income	8,317	4,974
	8,302,732	3,422,925
Representing:		
Continuing operations	8,136,491	2,564,656
Discontinued operation (Note 12)	166,241	858,269
	8,302,732	3,422,925

8. OTHER INCOME

	2011 HK$'000	2010 HK$'000 (restated)
Compensation received	1,799	154
Commission received	7,969	2,411
Rental income	1,933	880
Despatch income	29,212	23,636
Interest income	6,570	2,569
Exchange difference, net	1,485	2,459
Others	10,988	8,117
	59,956	40,226
Representing:		
Continuing operations	57,140	32,566
Discontinued operation (Note 12)	2,816	7,660
	59,956	40,226

9. 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 CODM for the purposes of resources allocation and performance assessment, the Group has identified the following five 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

(v) Real estate investment and development

The accounting policies of the operating segments are the same as those described in Note 4 to the financial statements. Segment profits or losses do not include share of profits less losses of associates and jointly controlled entities, impairment loss on interests in a jointly controlled entity, fair value loss on derivative financial instruments, net gain on financial assets at fair value through profit or loss, fair value gain on investment properties and investment properties under development, reversal of impairment of properties under development for sale, finance costs, income tax expense and other corporate income and expenses.

Information about reportable segment revenue and profit or loss is 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	Real estate investment and development HK$'000	Total HK$'000
Year ended 31 March 2011						
Revenue from external customers	166,241	—	555,635	7,572,539	8,317	8,302,732
Segment profit/(loss)	48,029	(3,336)	8,884	81,095	(31,833)	102,839
Interest revenue	—	5	7	1,202	284	1,498
Interest expense	9,391	—	2,444	9,023	15,968	36,826
Depreciation and amortisation	—	448	94	418	1,322	2,282
Income tax expense	10,463	—	1,541	—	535	12,539

9. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

	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	Real estate investment and development HK$'000	Total HK$'000
Year ended 31 March 2010 (Restated)						
Revenue from external customers	858,269	8,291	495,157	2,056,234	4,974	3,422,925
Segment profit/(loss)	143,628	(2,661)	25,886	44,369	(4,141)	207,081
Interest revenue	2,172	12	10	108	267	2,569
Interest expense	35,312	—	1,291	1,600	1,894	40,097
Depreciation and amortisation	34,743	66	81	452	797	36,139
Income tax expense	32,646	—	2,115	—	10,957	45,718

Reconciliations of reportable segment revenue and profit or loss:

	2011 HK$'000	2010 HK$'000 (restated)
Revenue		
Total revenue from reportable segments	8,302,732	3,422,925
Elimination of revenue from discontinued operation	(166,241)	(858,269)
Consolidated revenue from continuing operations	8,136,491	2,564,656
Profit or loss		
Total profit or loss of reportable segments	102,839	207,081
Other profit or loss	15,943	12,366
Share of profits less losses of associates	15,103	96,423
Share of profits less losses of jointly controlled entities	4,132	—
Impairment loss on interests in a jointly controlled entity	(42,789)	(17,838)
Net gain in financial assets at fair value through profit or loss	10,680	—
Fair value loss on derivative financial instruments	(7,747)	(77,064)
Fair value gain on investment properties and investment properties under development	19,732	22,094
Reversal of impairment of properties under development for sale	—	23,200
Finance costs	(41,776)	(43,089)
Elimination of profit before tax from discontinued operation	(38,638)	(174,761)
Unallocated amounts	(256,554)	(51,351)
Consolidated loss before tax from continuing operations	(219,075)	(2,939)

9. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

Geographical information:

	Revenue	
	2011 HK$'000	2010 HK$'000 (restated)
Taiwan	365,846	426,614
The PRC	7,580,987	2,069,500
Others	189,658	68,542
Discontinued operation	166,241	858,269
Consolidated total	8,302,732	3,422,925

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

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

	2011 HK$'000	2010 HK$'000 (restated)
Customer a	2,051,751	579,466
Customer b	1,973,782	501,695
Customer c	1,889,300	298,773
Customer d	1,647,602	296,595
Customer e	—	712,288

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000 (restated)
Interest on bank loans wholly repayable within 5 years	68,616	58,046
Less: Borrowing costs capitalised into investment properties under development and properties under development for sale	(26,923)	(15,060)
	41,693	42,986
Finance lease charges	83	103
	41,776	43,089
Representing:		
Continuing operations	32,385	7,777
Discontinued operation (Note 12)	9,391	35,312
	41,776	43,089

Borrowing costs were capitalised at a rate of 7.05% (2010: 7.29%) per annum for the year ended 31 March 2011.

11. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000 (restated)
Hong Kong Profits Tax		
Provision for the year	1,543	707
(Over)/under-provision in prior year	(2)	1,408
	1,541	2,115
PRC corporate income tax	10,798	25,337
Deferred tax (Note 37)	530	18,266
	12,869	45,718
Representing:		
Continuing operations	2,406	13,072
Discontinued operation (Note 12)	10,463	32,646
	12,869	45,718

11. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is provided at 16.5% (2010: 16.5%) on the estimated assessable profit for the year ended 31 March 2011.

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

Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Corporate Income Tax at a rate of 25% (2010: 25%) during the year ended 31 March 2011.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which has taken effect from 1 January 2008. As a result of the grandfather arrangement under the New Tax Law, the preferential policies enjoyed by one of the disposed subsidiary, Yingde Dragon Mountain Cement Co., Ltd. ("YDM"), remained effective until the preferential periods were expired in 2009. Accordingly, the Corporate Income Tax rate of YDM was 12.5% in its financial year ended 31 December 2009 and had changed to 25% thereafter.

Under the PRC tax law, dividends received by foreign investors from its investment in foreign-invested enterprises in respect of its profits earned since 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by treaty. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC enterprises to the extent that the earnings would be distributed in the foreseeable future. As at 31 March 2011 and 2010, there was no temporary difference relating to the undistributed profits of the PRC enterprises and no deferred tax liabilities in respect of the undistributed profits were recognised.

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

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:

	2011 HK$'000	2010 HK$'000 (restated)
Profit before tax	669,716	171,822
Tax at the applicable rates in the jurisdictions concerned	268,791	43,528
Tax effect of income that are not taxable	(331,999)	(117,690)
Tax effect of expenses that are not deductible	63,181	126,531
Tax effect of unrecognised temporary differences	5	6
Tax effect of tax loss not recognised	12,893	3,944
Tax effect of tax concession	–	(12,009)
(Over)/under-provision in prior year	(2)	1,408
Income tax expense	12,869	45,718

12. 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 ("Upper Value") and its subsidiaries except for Prosperity Minerals Management Limited ("PMM") 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 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 the Group passed the control of the Disposal Group to the purchaser.

The profit from discontinued operation for the year ended 31 March 2011 and 2010 is analysed as follows:

	2011 HK$'000	2010 HK$'000
Profit of discontinued operation	28,175	142,115
Gain on disposal of discontinued operation (note 42(b))	850,153	–
	878,328	142,115

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

	2011 HK$'000	2010 HK$'000
Turnover	166,241	858,269
Cost of goods sold	(112,305)	(622,807)
Gross profit	53,936	235,462
Other income	2,816	7,660
Selling and distribution costs	(1,114)	(7,884)
Administrative expenses	(7,609)	(83,951)
Profit from operations	48,029	151,287
Finance costs	(9,391)	(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	38,638	174,761
Income tax expense	(10,463)	(32,646)
Profit for the year	28,175	142,115

During the year, the Disposal Group received approximately HK$32,152,000 (2010: HK$257,452,000) in respect of operating activities, paid approximately HK$111,290,000 (2010: HK$616,181,000) in respect of investing activities and paid approximately HK$2,605,000 (2010 paid: HK$7,502,000) in respect of financing activities.

13. PROFIT FOR THE YEAR

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

	2011 HK$'000	2010 HK$'000 (restated)
Auditor's remuneration	1,200	1,100
Amortisation of other intangible assets	–	8,583
Cost of inventories sold (note (a))	7,691,043	2,617,883
Depreciation	3,401	28,328
Impairment loss on interests in a jointly controlled entity	42,789	17,838
Net rental receivable from investment properties, net of direct outgoing of HK$1,123,000 (2010: HK$554,000)	7,194	4,420
Operating lease charges:		
– Land and buildings	4,922	6,699
– Hire of motor vehicles	1,427	1,178
Equity settled share-based transaction to non-controlling interests (note (b))	46,745	–
Staff costs including Directors' emoluments		
Salaries, bonuses, allowances and other costs	180,483	125,051
Share-based payments	9,100	5,145
Retirement benefits scheme contributions	2,975	5,998
	192,558	136,194

Note:

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

	2011 HK$'000	2010 HK$'000 (restated)
Depreciation	—	18,984
Staff costs	2,133	49,711
	2,133	68,695

(b) In December 2010, certain individuals were entitled to 30% equity interest of Lead Hero Investment Limited ("Lead Hero"), a subsidiary of the Group, for their services provided to the Group. The fair value of which approximates to the carrying value of the net assets of Lead Hero. The Group recognsied the value of the 30% equity interest of Lead Hero as expense with a corresponding increase in the balance of non-controlling interest.

14. 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:

	2011 HK$'000	2010 HK$'000 (restated)
Fees		
Independent non-executive directors	1,538	585
Non-executive director	708	—
Other emoluments:		
Executive directors		
– Basic salaries, allowances and benefits in kind	30,937	12,550
– Retirement benefits scheme contributions	706	262
Independent non-executive directors		
– Retirement benefits scheme contributions	25	6
	33,914	13,403

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

The emoluments of each director for the years ended 31 March 2011 and 2010 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	—	9,807	10,000	426	20,233
Mr. SUN Yong Sen	—	1,070	—	—	1,070
Dr. MAO Shuzhong (Note (a))	—	2,100	500	90	2,690
Mr. Johannes Petrus MULDER (Note (b))	—	2,560	100	50	2,710
Ms. Gloria WONG (Note (b))	—	1,200	—	50	1,250
Mr. KONG Siu Keung	—	2,100	1,500	90	3,690
Mr. LIU Benren (Note (c))	708	—	—	—	708
Mr. YUEN Kim Hung, Michael	675	—	—	9	684
Mr. YUNG Ho	195	—	—	—	195
Mr. CHAN Kai Nang (Note (c))	354	—	—	16	370
Mr. MA Jianwu (Note (c))	128	—	—	—	128
Dr. LIANG Dunshi (Note (c))	142	—	—	—	142
Mr. MO Kwok Choi (Note (d))	44	—	—	—	44
Total for 2011	**2,246**	**18,837**	**12,100**	**731**	**33,914**
Name of Director					
Mr. Wong	—	3,649	5,151	179	8,979
Mr. SUN Yong Sen	—	1,000	—	—	1,000
Dr. MAO Shuzhong (Note (a))	—	450	—	23	473
Mr. KONG Siu Keung	—	1,200	1,100	60	2,360
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

Notes:
(a) Appointed on 6 January 2010.
(b) Appointed on 1 June 2010.
(c) Appointed on 17 August 2010.
(d) Resigned on 17 August 2010.

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

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

The five highest paid individuals in the Group during the year included two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2010: three) highest paid individuals are set out below:

	2011 HK$'000	2010 HK$'000
Salaries and allowances	15,446	5,320
Discretionary bonus	16,724	2,357
Share-based payments	—	4,178
Retirement benefits scheme contributions	253	220
	32,423	12,075

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
HK$1,000,001 to HK$1,500,000	—	1
HK$2,500,001 to HK$3,000,000	—	1
HK$3,500,001 to HK$4,000,000	1	—
HK$8,000,001 to HK$8,500,000	1	1
HK$20,000,001 to HK$20,500,000	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.

15. RETIREMENT BENEFITS 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.

16. DIVIDENDS

PMHL, a 64.92%-owned subsidiary of the Company, has proposed to declare a final dividend of US9 cents (HK$0.7) (2010: US9 cents (HK$0.7)) and a special dividend of US9 cents (HK$0.7) (2010: Nil) per ordinary share of 1 pence each in the share capital of PMHL for the year ended 31 March 2011. The proposal will be put to the resolution of the shareholders of PMHL at its annual general meeting to be held on 26 August 2011.

Subject to the shareholders of PMHL approving the final and special dividend, the Board proposed to declare a final dividend of HK2 cents (2010: HK2 cents) per ordinary share of HK$0.01 each in the capital of the Company for the year ended 31 March 2011. The payment of such final dividend will be by way of distribution out of the contribution surplus account, subject to the reduction of the share premium account being approved by the shareholders of the Company at the forthcoming annual general meeting. The total amount of final dividend will amount to approximately HK$127,899,000 (2010: HK$110,354,000).

The proposed final dividends are not recognised as liabilities at 31 March 2011.

17. EARNINGS/(LOSS) 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$326,913,000 (2010 (restated): HK$67,689,000); and (ii) the weighted average number of ordinary shares of 5,644,968,000 (2010: 3,913,560,000) in issue during the year.

Diluted earnings per share

The effect of all potential ordinary shares are anti-dilutive for the years ended 31 March 2011 and 2010.

(b) From continuing operations

Basic loss per share

The calculation of basic loss 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$138,005,000 (2010 (restated): HK$11,493,000) and the denominator used is the same as that detailed in (a) above for basic earnings per share.

Diluted earnings per share

The effect of all potential ordinary shares are anti-dilutive for the years ended 31 March 2011 and 2010.

(c) From discontinued operation

Basic earnings per share

Basic earnings per share from discontinued operation attributable to owners of the Company for the year ended 31 March 2011 is HK8.23 cents (2010: HK2.00 cents) per share, based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK$464,918,000 (2010: HK$79,182,000 and denominator used are the same as those detailed in (a) above for basic earnings per share.

Diluted earnings per share

The effect of all potential ordinary shares are anti-dilutive for the years ended 31 March 2011 and 2010.

18. 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 2009	—	80	253	645	230	193	—	1,401
Additions	733	—	—	6,118	797	23,830	574,009	605,487
Acquisition of subsidiaries (Note 42(a))	537,308	562	—	15,963	1,682	849,891	354,914	1,760,320
Additions through business combination under common control	—	—	—	7,694	402	—	—	8,096
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	—	21	8	742	41	1,177
At 31 March 2010 (restated)	—	633	253	12,084	1,019	1,059	1,598	16,646
Additions	—	2,657	107	1,154	435	2,836	5,397	12,586
Transfer	—	—	—	—	—	658	(658)	—
Exchange differences	—	—	—	94	16	128	171	409
At 31 March 2011	**—**	**3,290**	**360**	**13,332**	**1,470**	**4,681**	**6,508**	**29,641**
Accumulated depreciation								
At 1 April 2009	—	34	43	237	92	38	—	444
Adjustment for business combination under common control	—	—	—	4,005	231	—	—	4,236
Charge for the year	4,911	313	25	3,265	321	19,352	141	28,328
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	—	23	8	159	—	230
At 31 March 2010 (restated)	—	347	68	6,615	399	108	—	7,537
Charge for the year	—	469	26	2,122	336	448	—	3,401
Exchange differences	—	—	—	55	9	21	—	85
At 31 March 2011	**—**	**816**	**94**	**8,792**	**744**	**577**	**—**	**11,023**
Carrying amount								
At 31 March 2011	**—**	**2,474**	**266**	**4,540**	**726**	**4,104**	**6,508**	**18,618**
At 31 March 2010 (restated)	—	286	185	5,469	620	951	1,598	9,109

At 31 March 2011, the carrying amount of property, plant and equipment held by the Group under finance leases was approximately HK$1,557,000 (2010 (restated): HK$2,467,000) (Note 36).

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 35 and 44).

19. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

	Investment properties		Investment properties under development	
	2011 HK$'000	2010 HK$'000 (restated)	2011 HK$'000	2010 HK$'000 (restated)
At beginning of year	173,689	—	591,912	—
Additions through business combination under common control	—	160,098	—	562,968
Additions	17,989	—	59,016	19,942
Fair value (losses)/gains	(2,489)	13,479	22,221	8,615
Exchange differences	6,723	112	24,759	387
At end of year	195,912	173,689	697,908	591,912

(a) The Group's investment properties and investment properties under development at their carrying amounts are analysed as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Medium-term leases		
In the PRC	878,320	765,601
In Hong Kong	15,500	—
	893,820	765,601

19. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT *(Continued)*

(b) Majority of the investment properties are rented out under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The fair values of the Group's investment properties and investment properties under development as at 31 March 2011 and 31 March 2010 have been arrived at on the basis of valuations carried out by Jones Lang LaSalle Sallmanns Limited, an independent qualified professional valuer. The valuations of investment properties have been arrived at adopting direct comparison approach with reference to comparable transactions for similar properties in the same location and condition or calculated by reference to net rental income allowing for reversionary income potential.

For investment properties under development, the valuations have been arrived at adopting direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and profession fees relevant to the stage of construction as at date of valuation and reminder of the cost and fees expected to by incurred for completing the development.

(c) At 31 March 2011, investment properties and investment properties under development were pledged as security for the Group's bank borrowings (Notes 35 and 44).

20. GOODWILL

	2011 HK$'000	2010 HK$'000
At beginning of year	38,105	—
Acquisition of subsidiaries (Note 42(a))	—	405,427
Transfer to disposal group held for sale	—	(367,548)
Exchange differences	—	226
At end of year	38,105	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:

	2011 HK$'000	2010 HK$'000
Trading of iron ore		
Prosperity Materials Macao Commercial Offshore Limited ("MCO")	38,105	38,105
Manufacture and sales of clinker and cement (Discontinued operation)		
Chongqing Changxing Cement Co., Limited ("Chongqing Changxing") 重慶昌興水泥有限公司	—	79,031
Liaoning Changqing Cement Co., Limited ("Liaoning Changqing") 遼寧昌慶水泥有限公司	—	54,551
Yingde Dragon Mountain Cement Co., Limited ("YDM") 英德龍山水泥有限責任公司	—	233,740
	—	367,322
Total	38,105	405,427

The recoverable amount of the CGUs are determined from fair value less costs to sell. The key assumptions for the fair value less cost to sell determination are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using post-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% (2010: 0%). The rate used to discount the forecast cash flows from the trading of iron ore business is 20% (2010: 11.6%).

21. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000	Backlogs HK$'000	Total HK$'000
Cost			
At 1 April 2009	192,640	—	192,640
Acquisition of subsidiaries (Note 42(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 and 2011	**192,640**	—	**192,640**
Accumulated amortisation			
At 1 April 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 and 2011	—	—	—
Carrying amount			
At 31 March 2010 and 2011	**192,640**	—	**192,640**

At 31 March 2011, the mining rights represent the mining permits of granite mining sites located in the PRC and have validity period of ten years until 17 September 2018.

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 35 and 44).

The Group carried out review of the recoverable amount of the mining right in relation to the granite mining site as at 31 March 2011, with reference to the valuation report issued by an independent qualified valuer. No impairment is noted as at 31 March 2011.

22. INTERESTS IN ASSOCIATES

	2011 HK$'000	2010 HK$'000
Investments in the PRC:		
Share of net assets other than goodwill	435,083	1,193,773
Goodwill	72,490	176,096
Financial guarantee issued	—	10,188
Exchange differences	16,096	1,377
	523,669	1,381,434
Transfer to disposal group held for sale	—	(1,003,088)
	523,669	378,346
Representing:		
Listed investment outside Hong Kong	339,605	315,024
Unlisted investments	184,064	63,322
	523,669	378,346

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:

	2011 HK$'000	2010 HK$'000
Manufacture and sales of clinker and cement		
Anhui Chaodong Cement Co., Ltd. ("Anhui Chaodong") 安徽巢東水泥股份有限公司	36,440	36,440
Liaoning Changqing	35,709	—
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd. and Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd. 保山昆鋼嘉華建材有限公司及雲南昆鋼嘉華水泥建材有限公司	—	78,323
Prosperity Conch Cement Co., Ltd. 英德海螺水泥有限責任公司	—	60,992
	72,149	175,755
Others		
Jiang Du Haichang Port Industrial Company Limited ("Jiang Du Haichang") 江都海昌港務實業有限責任公司	341	341
	72,490	176,096

22. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates at 31 March 2011 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by a subsidiary	Principal activities
Anhui Chaodong (Note (a), (b) and (c))	The PRC	RMB 242,000,000	33.06%	Manufacturing and sales of clinker and cement
Jiang Du Haichang (Note (b) and (c))	The PRC	RMB 220,000,000	25%	Not yet commenced business
Liaoning Changqing (Note (c))	The PRC	US$33,500,584	25%	Manufacturing and sales of clinker and cement

Notes:

(a) The market value of the Group's interest in a listed associate, Anhui Chaodong, amounted to approximately RMB1,676,000,000 (equivalent to approximately HK$1,989,318,000) (2010: RMB741,600,000 (equivalent to HK$846,865,000)). During the year, the shares in Anhui Chaodong were pledged to secure bank borrowings granted to the Group (Notes 35 and 44).

(b) In respect of the year ended 31 March 2011, Anhui Chaodong, Jiang Du Haichang and Liaoning Changqing, were included in the consolidated financial statements of the Group based on the most recent available financial statements drawn up to 31 December 2010, but taking into account the effect of significant transactions or events that occurred in the subsequent period from 1 January 2011 to 31 March 2011. 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.

(c) The English translation of the companies' name is for reference only. The official names of these companies are in Chinese.

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

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2011					
100 per cent	**3,715,957**	**2,283,341**	**1,432,616**	**962,442**	**49,495**
Group's share	**1,145,760**	**694,581**	**451,179**	**316,937**	**15,103**

	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 share	754,358	412,793	341,565	131,820	19,799

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 HK$'000	2010 HK$'000
Unlised investments:		
Share of net assets	445,536	—
Goodwill	120,807	—
Amount due from a jointly controlled entity	68,544	90,108
	634,887	90,108
Less: Impairment losses	(42,789)	(22,198)
Transfer to disposal group held for sale	—	(67,910)
	592,098	—

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

Details of the jointly controlled entities at 31 March 2011 are as follows:

Name	Place of incorporation/ registration	Particular of registered capital	Percentage of interest held by a subsidiary	Voting power held by a subsidiary	Principal activities
Hangzhou Rongxing Properties Development Co. Ltd. (Note (c))	The PRC	RMB200,000,000	50%	50%	Property development
Changtai Jinhongbong Real Estate Development Co. Ltd.("Changtai") (Note (a) and (c))	The PRC	RMB100,000,000	50%	50%	Property development
United Goalink Limited ("UGL") (Note (b))	BVI	US$2	35%	50%	Investment holding

Notes:

(a) In May 2010, the Group acquired 50% equity interest in Changtai at a consideration of RMB195,000,000 (equivalent to approximately HK$228,134,000). The fair value of net assets acquired was approximately HK$109,060,000. Changtai is engaged in the property development in Fujian Province, the PRC. The acquisition resulted in recognition of goodwill of approximately HK$119,074,000, which is attributable mainly to the benefit of skills and technical talent of the acquired business' work force and the synergies expected to be achieved from integrating the entity into the Group's existing real estate development business.

(b) In December 2010, the Group completed the subscription for a 35% effective interest in UGL and its subsidiary which is engaged in the exploration and production of iron ore in Brazil, for a consideration of US$20,000,000 (equivalent to approximately HK$156,000,000). At completion, the fair value of UGL and its subsidiaries was approximately HK$226,422,000 and the Group recognised an impairment loss of HK$42,789,000 on interest in a jointly controlled entity.

(c) The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The following amounts are the Group's share of the jointly controlled entities that are accounted for by the equity method of accounting.

	2011 HK$'000	2010 HK$'000
At 31 March		
Current assets	374,268	53,703
Non-current assets	249,779	60,598
Current liabilities	(155,953)	(123,388)
Non-current liabilities	(65,347)	–
Net assets/(liabilities)	402,747	(9,087)
Year ended 31 March		
Turnover	15,311	–
Expenses	11,179	–

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK$'000	2010 HK$'000
Equity securities listed in Hong Kong, at fair value	75,476	–

The fair values of listed securities are based on current bid prices.

25. NON-CURRENT PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Prepayments for purchase of iron ore (Note (b))	124,800	—
Prepayments for property, plant and equipment	10,684	12,144
Prepayments for leases	2,609	2,827
Deposit for an investment project (Note (a))	—	114,269
	138,093	129,240

Notes:

(a) The deposits for investment project as at 31 March 2010 represented a deposit for the acquisition of investment in Changtai amounted to approximately HK$114,269,000. The deposits were recognised as an investment in a jointly controlled entity during the year ended 31 March 2011.

(b) As at 31 March 2011, the Group has entered into off-take agreements with certain iron ore suppliers with respect to the balance of prepayments of approximately HK$124,800,000 (2010: Nil), which are expected to be recovered or recognised as expense after one year.

26. PROPERTIES UNDER DEVELOPMENT FOR SALE

At 31 March 2011, the properties under development for sale were located in Yue Xin District, Guangzhou, the PRC. The land use rights of the properties were granted for terms commencing from 13 October 2004 and 15 November 2007 of 50 years for commercial, tourism and entertainment use and 70 years for residential use respectively. The properties under development for sale are expected to be completed and available for sale within twelve months.

At 31 March 2011, the Group's properties under development for sale were pledged as security for the Group is bank borrowings (Notes 35 and 44).

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000 (restated)
Equity securities listed in Hong Kong, at fair value	15,109	—

The listed securities are classified as held for trading. The fair values of listed securities are based on current bid prices.

28. 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:

	2011 HK$'000	2010 HK$'000
0 to 90 days	63,441	150,438
91 to 180 days	—	—
181 to 365 days	4,805	4,623
	68,246	155,061

As of 31 March 2011, trade receivables of approximately HK$4,805,000 (2010: HK$4,623,000) were past due but not impaired. These relate to a number of independent customers. The aging analysis of these trade receivables is as follows:

	2011 HK$'000	2010 HK$'000
Over 6 months	4,805	4,623

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

	2011 HK$'000	2010 HK$'000
HK$	4	4
US$	63,437	150,434
RMB	4,805	4,623
	68,246	155,061

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000 (restated)
Prepayments		
– purchase of iron ore (Note (a))	959,470	485,620
– investment properties under development and properties under development for sale	29,673	28,567
– others	1,318	1,410
	990,461	515,597
Other deposits	17,201	2,343
Other receivables	57,822	21,500
Amounts due from a non-controlling shareholder of a subsidiary (Note (b))	—	22,224
Amount due from an associate (Note (c))	2,044	1,459
Loan to a subsidiary of a jointly controlled entity (Note (d))	48,529	—
	1,116,057	563,123

Notes:

(a) It has been the practice of the Group to make prepayments to independent suppliers and distributors nominated by the suppliers for securing iron ore supply. The directors are of the view that these arrangements provide the Group with access to new and reliable source of iron ore and facilitate the development of business relationships with the iron ore suppliers and their nominated distributors.

Included in the total balance of prepayments as at 31 March 2011 was a balance of prepayments with several independent suppliers and distributors nominated by a supplier (the "Supplier") which amounted to approximately HK$930,142,000 ("Prepayments") (2010: HK$412,534,000). On 27 June 2011, MCO entered into an iron ore master off-take agreement (the "Off-take Agreement") with these independent suppliers and nominated distributors. Pursuant to the Off-take Agreement, the supplier and nominated distributors agreed to sell, and MCO agreed to purchase, the contracted tonnage of iron ore within the off-take period from 27 June 2011 to 26 June 2014. The Off-take Agreement prescribed that MCO has the right but not the obligation to purchase iron ore over a three-year period at the prevailing market price. Pursuant to the Off-take Agreement, a pre-determined amount will be deducted from the Prepayments as part payment for the iron-ore purchase and the Prepayments are expected to be fully utilised within the off-take period. The shareholders of the Supplier have charged all their shares in the Supplier in favour of the Group as security for the performance of the Off-take Agreement. The Directors are of the view that the Prepayments will be recovered in full.

(b) At 31 March 2010, the amount due from a non-controlling shareholder of a subsidiary of the Group is unsecured, interest free and has no fixed terms of repayment.

(c) At 31 March 2011, the amount due from an associate is interest free, unsecured and has no fixed term of repayment.

(d) At 31 March 2011, the loan to a subsidiary of a jointly controlled entity is interest bearing at 8 % per annum, unsecured and repayable within one year.

30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The bank deposits of approximately HK$1,783,583,000 (2010: (restated) HK$615,596,000) 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 44 to the financial statements.

Included in pledged bank deposits and bank and cash balances is an amount of approximately HK$122,949,000 as at 31 March 2011 (2010 (restated): HK$251,280,000) 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.

31. DISPOSAL GROUP HELD FOR SALE

Saved as disclosed in Note 12 to the financial statements, the assets and liabilities attributable to the manufacture and sales of clinker and cement business, which were sold on 30 April 2010, 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 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 non-controlling 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.

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

(a) Interests in a jointly controlled entity

	2010 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.

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 non-controlling 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
0 to 90 days	412,237

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

(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
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
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.

32. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 April 2009, 31 March 2010 and 2011		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 April 2009		2,175,981,060	21,760
Issue of new shares for acquisition of subsidiaries (Note 42(a))	(a)	3,243,726,480	32,437
Issue of new shares upon exercise of share options	(b)	98,000,000	980
At 31 March 2010		5,517,707,540	55,177
Issue of new shares for purchase of non-controlling interests	(c)	838,374,999	8,384
Issue of new shares upon exercise of share options	(d)	60,000,000	600
Repurchase of shares	(e)	(21,120,000)	(211)
At 31 March 2011		**6,394,962,539**	**63,950**

Notes:

(a) 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.

(b) 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 4(y) to the financial statements.

(c) During the year ended 31 March 2011, 838,374,999 new ordinary shares of the Company of HK$0.01 each were issued at prices ranged from HK$0.45 to HK$0.48 per share as the consideration for further acquisition of 11.58% equity interests in PMHL from certain non-controlling shareholders of PMHL. The premium on the issue of shares of approximately HK$378,576,000 was credited to the Company's share premium account.

(d) During the year ended 31 March 2011, options were exercised to subscribe for 60,000,000 ordinary shares of the Company at a consideration of approximately HK$4,680,000 of which HK$600,000 was credited to share capital, HK$4,080,000 was credited to the share premium account and the balance of HK$964,000 has been transferred from share-based payment reserve to share premium account in accordance with policy set out in Note 4(y) to the financial statements.

(e) During the year ended 31 March 2011, 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.

32. SHARE CAPITAL *(Continued)*

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 2011, the Group's strategy, which was unchanged from 2010, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-equity ratio at 31 March 2011 and at 31 March 2010 were 33% and 21% (restated), 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.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011 HK$'000	2010 HK$'000
Property, plant and equipment	40	53
Investments in subsidiaries	2,158,504	1,791,413
Financial assets at fair value through profit or loss	15,109	—
Other current assets	5,906	2,151
Bank borrowings	—	(6,287)
Other current liabilities	(78,314)	(9,977)
NET ASSETS	2,101,245	1,777,353
Share capital	63,950	55,177
Reserves (Note 34(b))	2,037,295	1,722,176
TOTAL EQUITY	2,101,245	1,777,353

34. 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 2009		67,090	2,049	24,256	93,395
Total comprehensive income for the year		—	—	35,760	35,760
Issue of new shares for acquisition of subsidiaries	32(a)	1,589,426	—	—	1,589,426
Issue of new shares upon exercise of share options	32(b)	4,680	(1,085)	—	3,595
At 31 March 2010		1,661,196	964	60,016	1,722,176
Total comprehensive income for the year		—	—	52,867	52,867
Issue of new shares for purchase of non-controlling interests	32(c)	378,576	—	—	378,576
Issue of new shares upon exercise of share options	32(d)	5,044	(964)	—	4,080
Repurchase of shares	32(e)	(9,272)	—	—	(9,272)
Dividend paid		—	—	(111,132)	(111,132)
At 31 March 2011		**2,035,544**	**—**	**1,751**	**2,037,295**

34. 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 4(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) Merger reserve

The excess of the consolidated net assets represented by the shares in subsidiaries acquired over the nominal value of the shares issued by PMHL in exchange under the combination was transferred to merger reserve.

(v) 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 4(y) to the financial statements.

(vi) Investments reserve

The investments reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impared.

(vii) 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.

35. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000 (restated)
Secured		
Bank loans	899,342	693,572
Trust receipt loans	597,727	192,317
	1,497,069	885,889
Unsecured		
Bank loans	—	122
	1,497,069	886,011

The borrowings are repayable as follows:

	2011 HK$'000	2010 HK$'000 (restated)
On demand or within one year	1,294,953	225,499
In the second year	91,181	524,812
In the third to fifth years, inclusive	82,799	106,866
After five years	28,136	28,834
	1,497,069	886,011
Less: Amount due for settlement within 12 months	(1,294,953)	(225,499)
Amount due for settlement after one year which contain a repayment on demand clause	(52,675)	(165,153)
Amount due for settlement after 12 months	149,441	495,359

None of the amount of bank borrowings due for settlement after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

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
2011				
Bank loans	163,153	37,484	698,705	899,342
Trust receipt loans	—	—	597,727	597,727
2010 (restated)				
Bank loans	524,238	46,168	123,288	693,694
Trust receipt loans	—	—	192,317	192,317

35. BANK BORROWINGS *(Continued)*

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

	2011 HK$'000	2010 HK$'000 (restated)
Bank loans	**1.2% to 7.0%**	3.0% to 7.3%
Trust receipt loans	**2.0% to 2.6%**	2.0% to 2.5%

Bank borrowings of approximately HK$1,208,214,000 (2010: (restated) HK$679,137,000) 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 2011, none of the covenants had been breached. 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 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.

36. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK$'000	2010 HK$'000 (restated)	2011 HK$'000	2010 HK$'000 (restated)
Within one year	**411**	869	**396**	786
In the second to fifth years, inclusive	**—**	411	**—**	397
	411	1,280	**396**	1,183
Less: future finance charges	**(15)**	(97)	**N/A**	N/A
Present value of lease obligations	**396**	1,183	**396**	1,183
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(396)**	(786)
			—	397

The leases are arranged at a term of 2 to 3 years.

At 31 March 2011, the borrowing rate was 3.4%-8.3% (2010 (restated): 3.4%-7.7%). 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 18) revert to the lessor in the event of default. All finance lease obligations are denominated in HK$.

37. DEFERRED TAX

Deferred tax assets

	Fair value difference of lease prepayments HK$'000	Others HK$'000	Total HK$'000
At 1 April 2009	—	—	—
Acquisition of subsidiaries (Note 42(a))	854	28	882
Transfer to disposal group held for sale	(854)	(28)	(882)
At 31 March 2010 and 31 March 2011	—	—	—

Deferred tax liabilities

	Revaluation of properties under development for sale HK$'000	Depreciation charges in excess of related depreciation allowance HK$'000	Revaluation of investment properties and investment properties under development HK$'000	Tax losses HK$'000	Impairment of properties under development for sale HK$'000	Fair value difference of property, plant and equipment HK$'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 2009	—	—	—	—	—	—	—	48,160	—	—	48,160
Acquisition of subsidiaries (Note 42(a))	—	—	—	—	—	22,413	89,027	59,154	22,250	1,665	194,509
Adjustment for business combination under common control	194,116	217	123,952	(8,773)	(5,709)	—	—	—	—	(2,361)	301,442
Charged/(credited) to profit or loss for the year	—	5	5,524	(535)	5,800	(165)	(440)	(1,533)	9,459	151	18,266
Exchange difference	332		177	(6)	(91)	—	—	—	9	20	441
Transfer to disposal group held for sale	—	—	—	—	—	(22,248)	(88,587)	(57,621)	(31,718)	(1,674)	(201,848)
At 31 March 2010 (restated)	194,448	222	129,653	(9,314)	—	—	—	48,160	—	(2,199)	360,970
Charged/(credited) to profit or loss for the year	—	(78)	5,554	(5,639)	—	—	—	—	—	693	530
Exchange difference	7,528	—	5,140	(484)	—	—	—	—	—	(66)	12,118
At 31 March 2011	**201,976**	**144**	**140,347**	**(15,437)**	—	—	—	**48,160**	—	**(1,572)**	**373,618**

The Group has unused tax losses of approximately HK$118,658,000 (2010 (restated): HK$45,409,000) 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.

Except for the cumulative tax losses of approximately HK$20,561,000 (2010 (restated): HK$811,000) as at 31 March 2011 expiring within five years, the remaining tax losses do not expire under the current tax legislation.

38. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables is as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Due within 1 month or on demand	93,896	253,846
Due after 6 months	67,413	—
Due after 1 year	11,897	5,650
	173,206	259,496

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

	2011 HK$'000	2010 HK$'000 (restated)
US$	93,124	222,187
RMB	80,082	37,309
	173,206	259,496

39. OTHER PAYABLES AND DEPOSITS RECEIVED

	2011 HK$'000	2010 HK$'000 (restated)
Deposit received for disposal of subsidiaries	–	800,000
Accrued expenses	18,992	35,096
Other payables	309,951	40,256
Receipts in advance	712	1,171
Rental deposits	2,581	2,113
Amount due to a director	67,813	408,461
Dividend payables	3,675	–
	403,724	1,287,097

The amount due to a director is unsecured, interest free and repayable on demand.

40. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 HK$'000	2010 HK$'000
Derivative financial instruments	11,263	89,965

Upper Value, an indirectly owned subsidiary of the Company included in the Disposal Group, which was acquired by the Company through the acquisition of PMHL (Note 42(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 ended 31 March 2011, 870 warrants have been exercised to subscribe for 11,227,888 ordinary shares of PMHL and the proceeds from exercise of the warrants amounted to approximately HK$119,000,000 (2010: HK$7,600,000). As a result, derivative financial instruments which amounted to HK$86,449,000 (2010: Nil) were derecognised.

The fair value of the warrants were estimated at the end of reporting period using the Binomial Lattio model and the assumption used in the model are as follows:

Warrant value	GBP 6,917.5
Expected volatility	65.28%
Risk free rate	1.36%
Expected life of warrant (years)	2
Expected dividend yield	4.52%

Expected volatility was based on the historical daily volatility of the share price of PMHL.

The expected life of warrant was determined based on the terms of the warrant.

The expected dividend yield was based on PMHL's average historical dividend yield.

During the year, loss on re-measurement of the derivative financial instruments to fair value amounted to approximately HK$7,747,000 (2010: HK$77,064,000) was recognised as a result of the increase in published price of PMHL.

41. 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.

41. 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 2009	Exercised during the year	Number of options outstanding as at 31 March 2010	Exercised during the year	Number of options outstanding as at 31 March 2011	Date of grant of share options	Exercisable period	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)	—	—	—	30 July 2004 (iii)	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 (iv)	28 June 2007 to 27 June 2016	0.078	0.068
	84,000,000	(24,000,000)	60,000,000	(60,000,000)	—				
Other employees									
2004 options	24,000,000	(24,000,000)	—	—	—	30 July 2004 (iii)	28 December 2005 to 27 June 2014	0.023	0.023
2005 options	20,000,000	(20,000,000)	—	—	—	28 July 2005 (iii)	28 December 2006 to 27 June 2015	0.034	0.034
2007 options	30,000,000	(30,000,000)	—	—	—	20 August 2007 (iv)	21 June 2008 to 20 June 2017	0.093	0.098
	74,000,000	(74,000,000)	—	—	—				
	158,000,000	(98,000,000)	60,000,000	(60,000,000)	—				

41. 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:

	2011		2010	
	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	**60,000,000**	**0.078**	158,000,000	0.059
Exercised during the year	**(60,000,000)**	**0.078**	(98,000,000)	0.047
Outstanding at the end of year	—	—	60,000,000	0.078
Exercisable at the end of year	—	—	60,000,000	0.078

The weighted average closing share price immediately before exercise of the share options during the year was HK$0.50 (2010: HK$0.48).

At 31 March 2010, the options outstanding have a weighted remaining contractual life of 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 vesting period for the share options are 18 months after commencement of the option period.

(iv) The vesting period for the share options are 12 months after commencement of the option period.

41. 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 2011 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	Cancelled during the year	Number of options outstanding as at 31 March 2011	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	(2,680,000)	1,500,000	9 October 2007	9 October 2009 to 9 October 2017	0.62	1.60
2009 options	—	5,820,000	—	—	5,820,000	(230,000)	5,590,000	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	(2,910,000)	7,090,000				

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

	At 31 March 2011		At 31 March 2010	
	Number of share options	Weighted average exercise price GBP	Number of share options	Weighted average exercise price GBP
Outstanding at beginning of year / 24 September 2009	**10,000,000**	**0.67**	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	**(2,910,000)**	**0.62**	(3,000,000)	0.62
Outstanding during the year	**7,090,000**	**0.69**	10,000,000	0.67
Exercisable at end of the year	**1,500,000**	**0.62**	4,180,000	0.62

The weighted average closing share price immediately before exercise of the shares options for the year ended 31 March 2010 was GBP1.62.

The options outstanding at 31 March 2011 have a weighted remaining contractual life of approximately 3.4 years (2010: 5 years).

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

41. 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.

42. 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)

42. 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
Non-controlling 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.

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

(b) Disposal of subsidiaries

As referred in note 12 to the financial statements, the Group completed the disposal of the Disposal Group on 30 April 2010.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	2,401,235
Lease prepayments	607,073
Goodwill	367,377
Other intangible assets	338,275
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	65,131
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)
Net assets of the Disposal Group	1,495,198
Non-controlling interests	(61,683)
Release of foreign currency translation reserve	(1,969)
Assignment of shareholder loan	1,093,427
Direct consultancy fee and other direct costs	424,874
Gain on disposal of discontinued operations	850,153
Total consideration	3,800,000
Net cash inflow arising on disposal:	
Cash consideration	3,800,000
Less: Consultancy fee paid	(149,550)
Balance received in previous years	(800,000)
Consideration receivable	(200,000)
Net cash consideration received	2,650,450
Cash and cash equivalents disposed of	(154,437)
Net cash inflow in respect of the Disposal Group	2,496,013

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

(c) Major non cash transactions

(i) During the year ended 31 March 2011, 838,374,999 new ordinary shares of the Company of HK$0.01 each were issued at price ranged from HK$0.45 to HK$0.48 per share as the consideration for further acquisition of 11.58% equity interests in PMHL.

(ii) 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.

(iii) During the year ended 31 March 2010, additions of property, plant and equipment of approximately HK$1,115,000 (restated) were financed by the finance leases.

(d) Purchase of Non-controlling Interests

During the year, the Group acquired 11.58% equity interests in PMHL from certain non-controlling shareholders of PMHL at a consideration of approximately HK$386,960,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

Net assets at the date of acquisition were as follows:

	HK$'000
Net assets in the subsidiary acquired	501,065
Fair value of consideration	(386,960)
Difference recognised directly in equity	114,105
Net cash outflow arising in purchase:	
Consideration	386,960
Consideration satisfied by issue of the Company's shares (Note 32(c))	(389,960)
	—

(e) Deemed disposal of partial interest in a subsidiary

During the year, PMHL issued 11,227,888 ordinary shares upon the exercise of warrants and repurchased 5,188,989 ordinary shares of which 671,000 were cancelled. The effect of the change in ownership interest in PMHL is as follows:

	HK$'000
Net assets in the subsidiary disposed of	222,045
Derecognition of derivative financial instruments	(86,449)
Cash consideration	(30,202)
Difference recognised directly in equity	105,394

43. CONTINGENT LIABILITIES

As at 31 March 2011, 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$106 million (2010: HK$84 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 2011, the Group did not have any significant contingent liabilities (2010: Nil).

44. BANKING FACILITIES

As at 31 March 2011, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits (Note 30), investment properties (Note 19), investment properties under development (Note 19), properties under development for sale (Note 26) 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$76.3 million, amounts due from fellow subsidiaries of approximately HK$0.5 million and bank deposits of approximately HK$3.4 million;

(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 related company;

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

(i) personal guarantee executed by Mr. Wong; and

(j) assignment of the off-take agreement for a minimum of total 4,000,000 tonnes of iron ore.

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

(a) the charge over certain bank deposits (Note 30), property, plant and equipment, lease prepayments and mining rights of the Disposal Group, investment properties (Note 19), investment properties under development (Note 19) and properties under development for sale (Note 26) 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) corporate guarantee of a related Company;

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

(j) personal guarantee executed by Mr. Wong.

45. COMMITMENTS

As at 31 March 2011, 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:

	2011 HK$'000	2010 HK$'000
Within one year	3,141	3,076
In the second to fifth years, inclusive	1,989	2,730
	5,130	5,806

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) Operating lease commitments – as lessor

The Group leases out investment properties and motor vehicles under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 31 March 2011, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Within one year	8,705	4,745
In the second to fifth years inclusive	13,424	10,266
	22,129	15,011

(c) Capital and other commitments

	2011 HK$'000	2010 HK$'000 (restated)
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	100,870	206,918
Capital contribution to a subsidiary	—	262,080

In respect of its interests in jointly controlled entities (see note 23), the jointly controlled entities are committed to incur capital expenditure of approximately HK$491,572,000 (2010: Nil), of which the Group's share of this commitment is approximately HK$245,794,000 (2010: Nil).

(d) Purchase commitments

The Group entered into raw materials supply contracts with an iron ore supplier, with a duration of seven years. Pursuant to the contracts, 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 31 March 2011, the Group had purchase commitments in relation to the purchase of iron ore of 1,460,000 tonnes (2010: 2,920,000 tonnes) not provided for in the financial statements.

46. 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:

(a) Rental expenses for the year

	2011 HK$'000	2010 HK$'000
A related company	—	423

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 is also the director of and has beneficial interests in PMIL.

(b) Compensation of key management personnel

	2011 HK$'000	2010 HK$'000
Directors' fees	1,538	585
Basic salaries, allowances and benefits in kind	35,779	16,810
Retirement benefits scheme contributions	846	415
	38,163	17,810

(c) Purchase of iron ore during the year

	2011 HK$'000	2010 HK$'000
A related company (Note)	100,183	—

(d) Prepayments for purchase of iron ore during the year and balance as at 31 March 2011

	2011 HK$'000	2010 HK$'000
Included in non-current prepayments		
A related company (Note)	62,400	—
Included in current prepayments		
A subsidiary of a jointly controlled entity	15,631	—
	78,031	—

(e) Loan to a jointly controlled entity during the year and balance as at 31 March 2011

	2011 HK$'000	2010 HK$'000
A subsidiary of a jointly controlled entity	48,532	—

Note: Mr. Wong is also a director of and has beneficial interest in these companies

47. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 May 2011, MCO, Grace Wise and Nanjing Iron & Steel Group International Trade Co., Ltd. ("Nanjing Steel Group"), entered into an iron ore master off-take agreement. Pursuant to this agreement, Grace Wise agreed to sell, and Nanjing Steel Group agreed to purchase, the contracted annual tonnage of iron ore within the off-take period from 1 June 2011 to 31 May 2021. The master off-take agreement prescribes the purchase of Nanjing Steel Group from Grace Wise up to 19,000,000 metric tonnes of iron ore over a ten-year period, which is capped at up to 1,000,000 metric tonnes of iron ore for the first year commencing 1 June 2011 and up to 2,000,000 metric tonnes of iron ore per year thereafter. MCO acts as the exclusive introducing agent for Grace Wise in respect of the transactions under the agreement and will provide Grace Wise with various administrative services, such as handling shipping documents and liaising with payments banks. Grace Wise will pay MCO for its services a commission equivalent to US$2 per dry metric tonne of iron ore shipped to Nanjing Steel under the agreement.

(b) On 27 June 2011, MCO entered into the Off-take Agreement with several independent suppliers and distributors nominated by a supplier (the “Supplier”) for the purchase of iron ore over a three-year period at the prevailing market price. In addition, the shareholders of the Supplier have charged all their shares in the Supplier in favour of the Group as security for the performance of the Off-take Agreement. Further details are disclosed in note 29 to the consolidated financial statements.

(c) After the end of reporting period, the directors proposed a final dividend for the year. Further details are disclosed in the note 16 to the consolidated financial statements.

48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2011 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activies
Bliss Hero	Hong Kong	3,000,100 ordinary shares of HK$ 1 each	—	64.92%	Investment holding
#△ Guangzhou Bliss Hero Real Estate Development Limited	The PRC	Registered capital of HK$ 245,000,000	—	64.92%	Property leasing
*△ Guangzhou Fuchun Dongfang Real Estate Investment Company Limited	The PRC	Registered capital of RMB 420,000,000	—	35.71%	Property development, sales and leasing
#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
Lead Hero	BVI	33,334 ordinary shares of US$1 each	—	45.44%	Investment holding
MCO	Macao	100,000 ordinary shares of MOP 1 each	—	100%	Trading of iron ore
PMHL	Jersey	141,504,064 ordinary shares of GBP0.01 each	64.92%	—	Investment Holding
PMM	Hong Kong	100,000 ordinary shares of HK$ 1 each	—	64.92%	Provision of human resources and administrative services
Pro-Rise	BVI	1,000 ordinary shares of US$ 1 each	—	64.92%	Investment Holding
Profit World Ventures Limited	BVI	20,000 ordinary shares of US$ 1 each	100%	—	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	Macao	1 ordinary share of MOP 100,000 each	—	64.92%	Trading of clinker and cement
Prosperity Minerals Limited	Hong Kong	2 ordinary shares of HK$ 2 each	—	64.92%	Provision of advisory, planning and administrative services

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activies
Prosperity Trading Limited	Hong Kong	10,000 ordinary shares of HK$ 1 each	—	100%	Trading of building materials
Sharp Advance	BVI	1 ordinary share of US$ 1 each	—	100%	Investment Holding
Success Top Enterprise Limited	Hong Kong	2 ordinary shares of HK$ 1 each	—	100%	Trading of building materials
Super Data Limited Limited	BVI	1,000 ordinary shares of US$ 1 each	—	64.92%	Provision of chartering services
WM Aalbrightt	Hong Kong	100,000 ordinary shares of HK$ 1 each	—	60.00%	Investment holding
△ Zhejiang Changxing Investment Co. Ltd	The PRC	Registered capital of US$ 58,600,000	—	64.92%	Investment holding

\# a wholly-owned foreign enterprise established in the PRC

* a sino foreign equity joint venture established in the PRC

△ the English translation of the companies' name is for reference only. The offical name of these companies are in Chinese

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2011.

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				
	2011 HK$'000	2010 HK$'000 (restated)	2009 HK$'000	2008 HK$'000	2007 HK$'000
RESULTS					
Continuing operations					
Turnover	8,136,491	2,564,656	786,492	648,611	550,597
(Loss)/profit before tax	(219,075)	(2,939)	23,937	40,024	20,911
Income tax expense	(2,406)	(13,072)	(878)	(1,491)	(1,565)
(Loss)/profit from continuing operations	(221,481)	(16,011)	23,059	38,533	19,346
Profit from discontinued operation	878,328	142,115	—	—	—
Profit for the year	656,847	126,104	23,059	38,533	19,346
Attributable to:					
Owners of the Company	326,913	67,689	24,573	38,533	19,346
Non-controlling interests	329,934	58,415	(1,514)	—	—
	656,847	126,104	23,059	38,533	19,346

	As at 31 March				
	2011 HK$'000	2010 HK$'000 (restated)	2009 HK$'000	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES					
Non-current assets	2,472,519	1,513,041	228,488	221,842	12,828
Current assets	4,499,469	8,535,673	147,046	94,211	73,472
Current liabilities	(1,938,287)	(4,949,462)	(80,612)	(93,938)	(63,171)
Non-current liabilities	(523,059)	(856,726)	(77,781)	(48,307)	—
Total equity	4,510,642	4,242,526	217,141	173,808	23,129
Attributable to:					
Owners of the Company	2,520,257	2,089,734	160,897	116,095	23,129
Non-controlling interests	1,990,385	2,152,792	56,244	57,713	—
	4,510,642	4,242,526	217,141	173,808	23,129

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