



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

INTERIM REPORT 2012



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Mr. SUN Yong Sen, *Deputy Chairman*
Dr. MAO Shuzhong
Mr. LIU Yongshun
(appointed on 19 September 2011)
Mr. Johannes Petrus MULDER
Ms. Gloria WONG
Mr. KONG Siu Keung

Non-executive Director

Mr. LIU Benren, *Deputy Chairman*

Independent Non-executive Directors

Mr. YUEN Kim Hung, Michael
Mr. YUNG Ho
Mr. CHAN Kai Nang
Mr. MA Jianwu
Dr. LIANG Dunshi
(resigned on 19 September 2011)

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

Corporate Information

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

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
Oversea-Chinese Banking Corporation Limited
Rabobank International
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank

COMPANY WEBSITE ADDRESS

www.pihl-hk.com

Management Discussion and Analysis

RESULTS OVERVIEW

BUSINESS REVIEW

For the six months ended 30 September 2011 (“the Period”), Prosperity International Holdings (H.K.) Limited (the “Company”) achieved satisfactory financial results in continuing operations. The Group’s turnover recorded 14% growth and rose to HK\$4,090 million from HK\$3,578 million, compared to the same period last year. However, gross profit decreased by 33% to approximately HK\$67 million from HK\$100 million during the same period last year.

Profit for the Period dropped significantly to approximately HK\$30 million, versus around HK\$1,074 million during the same period last year. It was mainly due to the substantial gain in the same period last financial year, generated from the disposal of the Group’s majority interest in a clinker and cement manufacturing business in the PRC at a consideration of HK\$3,800 million.

Profit for the Period from continuing operations is approximately HK\$30 million, compared with incurring a loss of around HK\$90 million during the same period a year earlier. Basic earnings per share from continuing operations stood at HK0.08 cents, compared with incurring basic loss per share of HK0.83 cents the previous year.

The directors of the Company do not recommend a payment of any interim dividend for the Period. (2010: Nil)

Iron Ore Trading

The Group’s iron ore business is undertaken by Prosperity Minerals Holdings Limited (“PMHL”), a subsidiary of the Company. It has been operating since 1992 and sources iron ore, for shipment and use in the PRC, from major international iron ore producers in South Africa, Brazil and Australia, as well as from South East Asia, Thailand and Malaysia in particular. The majority of the Group’s iron ore is sold to large steel manufacturers in the PRC.

During the Period, the iron ore segment recorded 23% year-on-year growth in revenue, which rose from HK\$3,207 million to HK\$3,956 million. Segment results, however, decreased 45% to HK\$28.3 million, compared to HK\$51.6 million from the same period last year.

Management Discussion and Analysis

In the six months ended 30 September 2011, PMHL shipped 2.8 million tonnes of iron ore (2010: 2.7 million tonnes). Revenue for the Period increased due to higher average selling prices compared to the same period last year. However, segment result per tonne is lower as margins continue to come under pressure due to the abandonment of the industry's annual price fixing and greater direct trade between miners and steel mills.

During the Period, PMHL shipped 159,000 tonnes of Brazilian iron ore from United Goalink Limited, in which PMHL holds an effective 35% interest.

On 10 May 2011, Prosperity Materials Macao Commercial Offshore Limited ("PMMC"), a wholly owned subsidiary of PMHL, entered into an off-take agreement with Nanjing Iron and Steel Group International Trade Co., Limited and Grace Wise Pte Limited ("Grace Wise"). PMMC will to act as exclusive agent to Grace Wise in respect of all transactions under the agreement and provide Grace Wise with administrative services such as handling shipping documents and liaising with payment banks. For these services, Grace Wise will pay PMMC a commission of US\$2 (HK\$15.6) per dry tonne of iron ore shipped.

On 27 July 2011, PMHL exercised its option under the off-take agreement with Blackrock Metals Inc. ("Blackrock") to pay a further deposit of HK\$249.6 million to secure a total of 4 million tonnes of iron ore over a four year period from Blackrock's mining project located in the Chibougamau area, Québec, Canada. This followed the initial deposit of HK\$62.4 million which was provided to Blackrock on 24 March 2011 to secure 800,000 tonnes of iron ore. These deposits (in total HK\$312 million) have been provided to PMHL by an advance from Industrial and Commercial Bank of China (Asia) Limited.

On 15 November 2011, PMMC entered into an agency agreement with Jiangsu Prosperity Steel Co. Limited ("Jiangsu Steel") to supply up to 1.81 million tonnes of iron ore to Jiangsu Steel over a 14 months period. Jiangsu Steel will pay PMMC a commission of US\$2 (HK\$15.6) per dry metric tonne of iron ore plus a handling charge of US\$2 (HK\$15.6) per dry tonne of iron ore if the letter of credit, in relation to shipment, includes payment terms of 90 days.

Management Discussion and Analysis

The Group strongly believes in the long term sustainability of the Chinese iron ore import market. Iron ore prices in China experienced a significant fall of around 30% in October 2011 due to a combination of China's austerity measures to rein in inflation, continued rationalisation and iron ore de-stocking by Chinese steel mills together with continuing global economic uncertainties. Nonetheless, in November 2011 there was a sharp rebound in prices, which industry commentators say underlines the Chinese steel industry's resilience. Similarly, substantial industry-wide changes have led to iron ore trading being more capital intensive and higher risk. However, the Group's policy of securing long term sources and supplies of iron ore tonnage for future shipments puts it in a strong position.

Real Estate Development Projects

PMHL has operated a real estate investment and development division since February 2010 which is focused on creating a portfolio of PRC property and development assets with good upside potential and manageable risk.

PMHL holds interests in an existing commercial building and a new commercial and residential development, both located in downtown Guangzhou City, Guangdong Province, the PRC, through its wholly-owned subsidiary, Bliss Hero Investment Limited ("Bliss Hero HK"). Bliss Hero HK owns approximately 11,472 square metres of office and commercial space in SilverBay Plaza which had 97% occupancy at 30 September 2011. Bliss Hero HK also holds a 55% interest in a commercial and residential development project named Oriental Landmark which is currently under construction. The presale process for the first phase of residential units in Oriental Landmark commenced in early October 2011. PMHL began receiving presale deposits from potential buyers in mid November 2011 and will commence presales in December 2011 or January 2012.

Revenue under the real estate segment represents rental income from SilverBay Plaza. Until revenue from Oriental Landmark, Dongfang Wende Plaza in a prime location in central Guangzhou City, is recognised upon completion in fiscal 2012-13, the segment will continue to report a loss due to administrative expenses. Consequently, revenue under the real estate segment declined from a gain of HK\$7 million to a loss of HK\$27 million during the Period.

Management Discussion and Analysis

PMHL holds a 50% interest in a joint venture with a local party to develop a combined recreation, commercial and residential project in Changzhou City, Fujian Province, in the south eastern PRC. The development will offer high end accommodation and hot spring resort facilities. Construction of the first phase, including 50 low rise residential units and the clubhouse, is underway. PMHL will continue to review the market to determine the best timing for presales. Up to 30 September 2011, PMHL had made a total investment of approximately HK\$296.4 million.

PMHL also holds a 50% interest in a joint venture with a local party to develop a commercial property comprising both office and retail space in Hangzhou City, Zhejiang Province. A preliminary development plan remains subject to government approval although construction is expected to commence in 2012. Up to 30 September 2011, PMHL had made a total investment of approximately HK\$248 million.

The Chinese Government's efforts to cool economic growth and lower property prices continue to have an effect on sales volumes and property prices throughout the country. That said, PMHL's real estate development project, Oriental Landmark, is located in a prime location in central Guangzhou City where demand for high quality residential property and retail space remains high and has been least affected by these Government policies.

Taking account of enquiries and visits of potential buyers together with the prevailing market dynamics in similar locations in Guangzhou City, PMHL believes that the presale price and results at Oriental Landmark will be in line with its expectations.

Similarly, the real estate development projects in Changzhou City and Hangzhou City are in good locations and are being developed at low cost which provides PMHL with a buffer against any potential weakness in selling prices. Management is confident that both of these development projects will be successful.

Management Discussion and Analysis

Clinker and Cement Trading Business and Operation

During the Period, several factors had adversely affected on the export of clinker and cement from the PRC, resulting in the declining volume. One of the main reasons for this is the continual appreciation of the Renminbi. Inflation coupled with the rise of production cost of clinker and cement from China contributes to escalating costs of goods, resulting in a decrease in export from China.

To combat rising costs for energy such as fossil fuel, which caused production costs for clinker and cement in the PRC to climb persistently, the Group had to adjust its procurement strategy. In search of a more stable source, the Group has begun importing clinker and cement from Vietnam, while actively seeking more regions which can provide supply with competitive prices and quality.

The Group's management experience and expertise along with the Group's extensive regional sales network helped to alleviate some of the above-mentioned pressures, and the Group purchased and sold approximately 485,933 tonnes of clinker and cement during the Period and generated revenues of approximately HK\$129 million from this segment.

In April 2010, the Group, through PMHL, disposed of its cement business in the PRC but retained its 33.06% interest in Anhui Chaodong Cement Company Limited ("ACC"). ACC is located in Anhui Province in the eastern PRC. For the six months ended 30 September 2011, ACC contributed an attributable profit of HK\$65.2 million (2010: loss of HK\$5.4 million). ACC had produced and sold more cement and clinker in the six months to end September than in the first half of fiscal 2010–11 as the second new clinker line commenced operation at the end of last year, lowering average production cost. In addition, demand in ACC's region was strong and average selling prices were higher. ACC is listed on the Shanghai Stock Exchange (600318) and on 30 September 2011, PMHL's 33.06% interest in ACC's market capitalisation was RMB1,096.8 million (approximately HK\$1,337.1 million).

The investment in ACC, which was made in 2007, is a good example of how the Group identifies opportunities and then enhances returns. In this case, too, our leadership led to ACC's successful rationalisation and expansion.

Management Discussion and Analysis

On 1 September 2010, PMHL acquired a 25% equity interest in Liaoning Changqing Cement Company Limited (“Liaoning Changqing”) in Liaoning Province, in the northern PRC. Liaoning Changqing completed construction of a new 2 million tonnes per annum cement and clinker production line in April 2010 and normal production commenced on 2 July 2010. Following the completion of a share issuance in August 2011, PMHL’s interest in Liaoning Changqing was diluted from 25% to 16.11%, with PMHL’s partner, TCC International Holdings Limited (“TCC International”), holding the balance. At the same time, the name of the cement plant was changed from Liaoning Changqing to TCC Liaoyang Cement Company Limited (“TCC Liaoyang”). During the period under review, TCC Liaoyang recorded an operating profit of HK\$1.6 million. However, the share issuance in August 2011 caused dilution of PMHL’s shareholding and ‘a loss on deemed disposal’ of HK\$16.2 million. This meant that TCC Liaoyang incurred an attributable loss of HK\$14.6 million for the period (2010: profit of HK\$0.3 million).

Overall, the Group’s cement plants performed in line with management’s expectations during the Period.

Granite Material Production

With regard to our granite material production business, the Group had entered into this business by acquiring the Xiang Lu Shan Granite Mining Site in Guangxi Province, the PRC. The mining permit linked to this site was renewed with the Ministry of Land and Resources in October 2008 for a period of ten years. The site allows the Group to produce up to 40,000 m³ (equivalent to approximately 102,000 tonnes) of granite products per annum from this site.

As for the feldspar powder plant, it is designed for production capacity of 100,000 tonnes per annum, and had commenced trial operation during the Period.

Management Discussion and Analysis

Operation of Public Port and Other Related Facilities Business

Since October 2006, the Group became involved in the investment of the public port and the provision of warehousing services in Jiangsu Province, the PRC. The Group entered this business via a joint venture with Anhui Conch Venture Investment Company Limited, in which the Group owns 25% of its stake.

The public port is located in Jiangdu City of Jiangsu Province, and 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). The public port has a terminal storage area of approximately 360,000 m², and the terminal can support huge throughput of 8 million tonnes per year.

Last financial year, the Group was granted all relevant licenses necessary for the operation of the port. As a result of the Group's effort in accelerating the construction process of port facilities, berths for 70,000 tonnage vessels has commenced operations since early 2011. The other berths are expected to commence operation by mid 2012.

LIQUIDITY AND FINANCIAL RESOURCE

As at 30 September 2011, the Group's total bank and cash balances were approximately HK\$1,436 million (31 March 2011: HK\$1,707 million) and total borrowings were approximately HK\$1,840 million (31 March 2011: HK\$1,497 million).

The debt-to-equity ratio of the Group as at 30 September 2011, calculated on the basis of total interest bearing debts divided by owners' equity, was approximately 0.77 (31 March 2011: 0.59).

Management Discussion and Analysis

HUMAN RESOURCES

As at 30 September 2011, the Group had a total of 151 staff members, 74 of them based in the PRC and 77 based in Hong Kong.

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

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

CHARGE ON GROUP ASSETS

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

- (a) pledged bank deposits of approximately HK\$63,936,000 (31 March 2011: approximately HK\$77,530,000);
- (b) 100% equity interest in Sharp Advance International Limited, an indirect wholly-owned subsidiary of the Company;
- (c) 60% equity interest in WM Aalbrightt Investment Holdings (Hong Kong) Limited, an indirectly 60% owned subsidiary of the Company;
- (d) 33.06% equity interest in Anhui Chaodong Cement Co., Ltd.; and
- (e) investment properties, investment properties under development and properties under development for sale in which their carrying amount as at 30 September 2011 was HK\$220,020,000, HK\$Nil and HK\$Nil respectively (31 March 2011: HK\$195,912,000, HK\$697,908,000 and HK\$1,474,230,000 respectively).

Management Discussion and Analysis

OUTLOOK

Facing the turbulent economic climate, the management maintains a prudent but positive attitude towards our operating environment. Although it is uncertain when the global economy will have its inevitable rebound, the Group will stay prepared by focusing on iron ore trading and mineral resources, which remained our major source of income. The Group will also capitalize on its strengthened capital base and proactively seek profitable global iron ore resources so as to provide cost-effective supplies to PRC steel mills as well as to discover other promising prospects in the mineral resources industry.

Another strategic focus for the Group is its real estate development business. We will persist with our efforts in creating a portfolio of property and development assets in China. In spite of the government's measure to regulate the property market, we had successfully expanded from Guangdong into Fujian and Zhejiang provinces. The Group will continue to further strengthen our footholds in these provinces, while seeking more advantageous opportunities in the property markets in any other prosperous and fast-growing regions in mainland China.

Backed by a combination of these strategies, our experienced management and our solid foundation, the Group is confident that our continued investment and development of different businesses will effectively solidify our leading position in respective markets. Moving forward, we will strive to become one of the leading suppliers of building materials and mineral resources in Asia. The Group aims to generate high-yielding return streams for ourselves and our shareholders in the long run.

Condensed Consolidated Income Statement

The board of directors of the Company (the “Board”) is pleased to announce the condensed consolidated results of the Group for the six months ended 30 September 2011, together with the comparative figures for the corresponding period of last year, as follows:

	Note	For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Continuing operations			
Turnover	3	4,089,922	3,577,716
Cost of goods sold		(4,023,346)	(3,477,714)
Gross profit		66,576	100,002
Other income	4	19,058	22,375
Selling and distribution costs		(11,664)	(19,042)
Administrative expenses		(110,042)	(173,663)
Loss from operations		(36,072)	(70,328)
Finance costs	6	(13,137)	(10,604)
Share of profits less losses of associates		66,797	(5,089)
Share of profits less losses of jointly controlled entities		(12,011)	—
Fair value gain/(loss) on derivative financial instruments		6,035	(11,133)
Fair value gain on investment properties and investment properties under development		43,393	9,996
Gain on disposal of financial assets at fair value through profit or loss		1,248	—
Loss on deemed disposal of partial interest in an associate		(16,180)	—
Profit/(loss) before tax		40,073	(87,158)
Income tax expense	7	(10,355)	(2,492)
Profit/(loss) for the period from continuing operations		29,718	(89,650)
Discontinued operation			
Profit for the period from discontinued operation	9	—	1,163,821
Profit for the period	8	29,718	1,074,171

Condensed Consolidated Income Statement

		For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
	Note		
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		5,310	(45,786)
Profit from discontinued operation		—	621,247
		5,310	575,461
Non-controlling interests			
Profit/(loss) from continuing operations		24,408	(43,864)
Profit from discontinued operation		—	542,574
		24,408	498,710
Earnings/(loss) per share			
From continuing and discontinued operations			
— basic (HK cents)	10(a)	0.08	10.40
— diluted (HK cents)	10(a)	0.08	10.34
From continuing operations			
— basic (HK cents)	10(b)	0.08	(0.83)
— diluted (HK cents)	10(b)	0.08	N/A

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit for the period	29,718	1,074,171
Other comprehensive income:		
Exchange differences on translating foreign operations	69,353	5,227
Exchange differences reclassified to income statement on disposal of subsidiaries, associates and a jointly controlled entity	—	(1,968)
Fair value (loss)/gain on available-for-sale financial assets	(44,090)	3,195
Other comprehensive income for the period, net of tax	25,263	6,454
Total comprehensive income for the period	54,981	1,080,625
Attributable to:		
Owners of the Company	10,035	580,785
Non-controlling interests	44,946	499,840
	54,981	1,080,625

Condensed Consolidated Statement of Financial Position

	Note	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
ASSETS			
Non-current assets			
Investment properties	12	220,020	195,912
Investment properties under development	12	874,688	697,908
Property, plant and equipment	12	17,613	18,618
Goodwill		38,105	38,105
Interests in associates	13	587,473	523,669
Interests in jointly controlled entities	14	715,783	592,098
Other intangible assets		192,640	192,640
Available-for-sale financial assets		131,477	75,476
Non-current prepayments		387,850	138,093
		3,165,649	2,472,519
Current assets			
Properties under development for sale		1,529,127	1,474,230
Trade and bills receivables	15	186,529	68,246
Financial assets at fair value through profit or loss		—	15,109
Held-to-maturity investment		—	41,543
Prepayments, deposits and other receivables		976,423	1,116,057
Pledged bank deposits		63,936	77,530
Bank and cash balances		1,436,183	1,706,754
		4,192,198	4,499,469
Total assets		7,357,847	6,971,988
EQUITY			
Capital and reserves			
Share capital	16	63,950	63,950
Reserves		2,337,200	2,456,307
Equity attributable to owners of the Company		2,401,150	2,520,257
Non-controlling interests		1,998,570	1,990,385
Total equity		4,399,720	4,510,642

Condensed Consolidated Statement of Financial Position

		As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
	Note		
LIABILITIES			
Non-current liabilities			
Bank borrowings	17	592,091	149,441
Deferred tax liabilities		393,461	373,618
		985,552	523,059
Current liabilities			
Trade and bills payables	18	293,129	173,206
Other payables and deposits received		425,724	403,724
Current tax liabilities		2,558	2,070
Derivative financial instruments		2,629	11,263
Current portion of bank borrowings	17	1,248,365	1,347,628
Current portion of obligations under finance leases		170	396
		1,972,575	1,938,287
Total liabilities		2,958,127	2,461,346
Total equity and liabilities		7,357,847	6,971,988
Net current assets		2,219,623	2,561,182
Total assets less current liabilities		5,385,272	5,033,701

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company												
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Foreign currency		Merger reserve (Unaudited) HK\$'000	Share-based payment reserve		Investment reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained Profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
			translation reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000		Share-based payment reserve (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000						
At 1 April 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	
Total comprehensive income for the period	-	-	33,198	-	-	-	(28,473)	-	5,310	10,035	44,946	54,981	
Transfer of share premium to contributed surplus	-	(1,000,000)	-	1,000,000	-	-	-	-	-	-	-	-	
Recognition of share-based payments	-	-	-	-	-	11,148	-	-	-	11,148	-	11,148	
Dividend paid	-	-	-	(127,899)	-	-	-	-	-	(127,899)	(67,899)	(195,798)	
Deemed disposal of partial interests in subsidiaries	-	-	-	-	-	(1,339)	-	-	(11,052)	(12,391)	31,138	18,747	
Changes in equity for the period	-	(1,000,000)	33,198	872,101	-	9,809	(28,473)	-	(5,742)	(119,107)	8,185	(110,922)	
At 30 September 2011	63,950	1,035,544	82,391	886,979	(12,880)	24,054	(17,695)	50	338,757	2,401,150	1,998,570	4,399,720	

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital	Share premium	Foreign currency translation reserve	Contributed surplus	Merger reserve	Share-based payment reserve	Investment reserve	Other reserve	Retained Profits	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 April 2010, as previously reported	55,177	1,661,196	4,662	14,878	—	6,109	—	50	109,712	1,851,784	1,378,072	3,229,856
Adjustment for business combination under common control	—	—	—	—	419,470	—	—	—	—	419,470	583,200	1,012,670
At 1 April 2010, as restated	55,177	1,661,196	4,662	14,878	419,470	6,109	—	50	109,712	2,271,254	1,971,272	4,242,526
Total comprehensive income for the period	—	—	2,129	—	—	—	3,195	—	575,461	580,785	499,840	1,080,625
Consideration for purchase of entity under common control	—	—	—	—	(445,875)	—	—	—	—	(445,875)	—	(445,875)
Transfer of profit of entity under common control	—	—	—	—	1,616	—	—	—	(1,616)	—	—	—
Transfer of other comprehensive income of entity under common control	—	—	(5,212)	—	5,212	—	—	—	—	—	—	—
Transfer of non-controlling interests of entity under common control	—	—	—	—	22,437	—	—	—	—	22,437	(22,437)	—
Cancellation of share options	—	—	—	—	—	(3,773)	—	—	—	(3,773)	—	(3,773)
Issue of shares upon exercise of share options	600	5,044	—	—	—	(964)	—	—	—	4,680	—	4,680
Recognition of share-based payments	—	—	—	—	—	4,451	—	—	—	4,451	—	4,451
Repurchase of shares	(211)	(9,272)	—	—	—	—	—	—	—	(9,483)	—	(9,483)
Dividend paid	—	—	—	—	—	—	—	—	(155,696)	(155,696)	—	(155,696)
Deemed disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	(4,958)	(4,958)	46,184	41,226
Transferred to income statement on disposal of subsidiaries, associates and a jointly controlled entity	—	—	—	—	—	—	—	—	—	—	(126,250)	(126,250)
Changes in equity for the period	389	(4,228)	(3,083)	—	(416,610)	(286)	3,195	—	413,191	(7,432)	397,337	389,905
At 30 September 2010	55,566	1,656,968	1,579	14,878	2,860	5,823	3,195	50	522,903	2,263,822	2,368,609	4,632,431

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 September	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash used in operating activities	(177,263)	(3,723)
Net cash (used in)/generated from investing activities	(261,756)	1,039,320
Net cash generated from financing activities	163,062	170,235
Net (decrease)/increase in cash and cash equivalents	(275,957)	1,205,832
Effect of foreign exchange rate changes	5,386	921
Cash and cash equivalents at beginning of period	1,706,754	809,126
Cash and cash equivalents at end of period	1,436,183	2,015,879
Analysis of cash and cash equivalents		
Bank and cash balances	1,436,183	2,015,879

Notes to Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

Basis of Preparation

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

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

This announcement contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the annual financial statements for the year ended 31 March 2011. The condensed consolidated financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes Hong Kong Financial Reporting Statements ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and interpretations) issued by the HKICPA.

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

The condensed consolidated financial information should be read in conjunction with the 2011 annual financial statements. The accounting policies and method of computation used in the preparation of the condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2011 except as stated in Note 2 to the condensed consolidated financial information.

Notes to Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES

Except as described below the accounting policies adopted in the preparation of these interim financial information are the same as those used in the annual financial statements for the year ended 31 March 2011.

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

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HK(IFRIC)-Int 14 (Amendments)	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2010

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

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. TURNOVER

The Group was principally engaged in the manufacturing and sales of clinker and cement (discontinued operation), mining and processing of granite and selling of granite products, trading of clinker, cement and other building materials, trading of iron ore and real estates leasing and development during the six months ended 30 September 2011. The Group’s turnover represents the sales of goods to customers, net of discount and returns, and the rental income received from real estates leasing.

Notes to Condensed Consolidated Financial Statements

4. OTHER INCOME

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Commission received	510	2,496
Compensation income	—	1,799
Despatch income	2,827	9,671
Dividend income	1,028	—
Interest income	4,364	2,766
Exchange difference, net	1,646	1,459
Government grant	—	2,480
Others	8,683	4,520
	19,058	25,191
Representing:		
Continuing operations	19,058	22,375
Discontinued operation (Note 9)	—	2,816
	19,058	25,191

Notes to Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION

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

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

	Discontinued operation		Continuing operations			Total HK\$'000
	Manufacture and sales of clinker and cement HK\$'000	Trading of iron ore HK\$'000	Trading of clinker, cement and other building materials HK\$'000	Mining and processing of granite and selling of granite products HK\$'000	Real estates leasing and development HK\$'000	
For the six months ended 30 September 2011 (Unaudited)						
Revenue from external customers	–	3,955,758	129,394	–	4,770	4,089,922
Segment profit /(loss)	–	28,301	(3,544)	(1,888)	(27,045)	(4,176)

Notes to Condensed Consolidated Financial Statements

	Discontinued operation		Continuing operations			Total HK\$'000
	Manufacture and sales of clinker and cement HK\$'000	Trading of iron ore HK\$'000	Trading of clinker, cement and other building materials HK\$'000	Mining and processing of granite and selling of granite products HK\$'000	Real estates leasing and development HK\$'000	
For the six months ended						
30 September 2010 (Unaudited)						
Revenue from external customers	166,241	3,207,002	365,804	—	4,910	3,743,957
Segment profit/(loss)	48,032	51,558	8,897	(1,771)	7,083	113,799

Reconciliation of reportable segment profit or loss:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Total profit or loss of reportable segments	(4,176)	113,799
Elimination of segment profit before tax from discontinued operation	—	(38,641)
Other profit or loss	1,456	—
Share of profits less losses of associates	66,797	—
Share of profits less losses of jointly controlled entities	(12,011)	—
Fair value gain on investment properties and investment properties under development	43,393	9,996
Fair value gain/(loss) on derivative financial instruments	6,035	(11,133)
Gain on disposal of financial assets at fair value through profit or loss	1,248	—
Loss on deemed disposal of partial interest in an associate	(16,180)	—
Unallocated amounts	(46,489)	(161,179)
Consolidated profit/(loss) before tax from continuing operations	40,073	(87,158)

Notes to Condensed Consolidated Financial Statements

6. FINANCE COSTS

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within 5 years	36,471	37,605
Less: Borrowing costs capitalised into investment properties under development and properties under development for sale	(23,793)	(17,673)
	12,678	19,932
Finance lease charges	459	63
	13,137	19,995
Representing:		
Continuing operations	13,137	10,604
Discontinued operation (Note 9)	—	9,391
	13,137	19,995

Borrowing costs were capitalised at a rate of 7.22% (2010: 6.25%) per annum for six months ended 30 September 2011.

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax	632	12,952
Deferred tax	9,723	—
	10,355	12,952
Representing:		
Continuing operations	10,355	2,492
Discontinued operation (Note 9)	—	10,460
	10,355	12,952

Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the six months ended 30 September 2010 and 2011. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

Notes to Condensed Consolidated Financial Statements

8. PROFIT FOR THE PERIOD

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

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation and amortisation	2,174	1,365
Salaries, bonus, allowances and other costs	41,640	105,580
Share-based payments	11,148	4,451
Retirement benefits scheme contributions	1,300	1,514

9. 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 Business Limited ("Pro-Rise") and an independent third party (the "Purchaser"), Pro-Rise would dispose of the entire equity interest in Upper Value Investments Limited and its subsidiaries except for Prosperity Minerals Management Limited and Prosperity Minerals Investment Limited which holds 33.06% of Anhui Chaodong Cement Co., Ltd (the "Disposal Group") to the Purchaser, together with a shareholder loan payable by the Disposal Group (the "Transaction"). The aggregate consideration for the Transaction, which is payable in cash, is HK\$3.8 billion, subject to adjustments for the outstanding shareholder loan due from the Disposal Group.

The Disposal Group is principally engaged in the business of the manufacture and sales of clinker and cement in the People's Republic of China (the "PRC"). The Disposal Group was classified as disposal group held for sale on 11 December 2009 and the Group discontinued its manufacture and sales of clinker and cement business accordingly. The Transaction was completed on 30 April 2010, on which date the Group passed the control of the Disposal Group to the Purchaser.

Notes to Condensed Consolidated Financial Statements

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

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

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

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

Notes to Condensed Consolidated Financial Statements

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

Notes to Condensed Consolidated Financial Statements

10. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 September 2011 of approximately HK\$5,310,000 (six months ended 30 September 2010: approximately HK\$575,461,000) and the weighted average number of ordinary shares of 6,394,962,539 (six months ended 30 September 2010: 5,532,270,163) in issue during the six months ended 30 September 2011.

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2011 is based on the profit attributable to owners of the Company for the six months ended 30 September 2011 of approximately HK\$5,310,000 (six months ended 30 September 2010: approximately HK\$575,461,000) and the weighted average number of ordinary shares for the six months ended 30 September 2011 of 6,417,626,498 (six months ended 30 September 2010: 5,564,293,106), being the weighted average number of ordinary shares of 6,394,962,539 (six months ended 30 September 2010: 5,532,270,163) in issue during the six months ended 30 September 2011 used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 22,663,959 (six months ended 30 September 2010: 32,022,943) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the six months ended 30 September 2011.

(b) From continuing operations

Basic earnings/(loss) per share

The calculation of basic earnings (six months ended 30 September 2010: loss) per share from continuing operations is based on the profit from continuing operations attributable to owners of the Company for the six months ended 30 September 2011 of approximately HK\$5,310,000 (six months ended 30 September 2010: loss of approximately HK\$45,786,000) and the weighted average number of ordinary shares of 6,394,962,539 (six months ended 30 September 2010: 5,532,270,163) in issue during the six months ended 30 September 2011.

Notes to Condensed Consolidated Financial Statements

Diluted earnings per share

The calculation of diluted earnings per share from continuing operations for the six months ended 30 September 2011 is based on the profit from continuing operations attributable to owners of the Company of approximately HK\$5,310,000 and the weighted average number of ordinary shares for the six months ended 30 September 2011 of 6,417,626,498, being the weighted average number of ordinary shares of 6,394,962,539 in issue during the six months ended 30 September 2011 used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 22,663,959 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the six months ended 30 September 2011.

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

11. DIVIDEND

No interim dividend has been declared by the Board for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

12. INVESTMENT PROPERTIES, INVESTMENT PROPERTIES UNDER DEVELOPMENT, AND PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2011, additions to investment properties, investment properties under development, and property, plant and equipment amounted to approximately of HK\$17,216,000, HK\$112,731,000 and HK\$792,000 respectively. No property, plant and equipment were disposed of during the same period.

13. INTERESTS IN ASSOCIATES

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Share of net assets other than goodwill	527,947	451,179
Goodwill	59,526	72,490
	587,473	523,669
Representing:		
Listed investment outside Hong Kong	413,678	339,605
Unlisted investments	173,795	184,064
	587,473	523,669

Notes to Condensed Consolidated Financial Statements

Details of the Group's associates at 30 September 2011 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by subsidiary	Principal activities
Jiangdu Haichang Port Industrial Company Limited	The PRC	RMB220,000,000	25%	Operation of public port and the facilities business
Anhui Chaodong Cement Co. Ltd	The PRC	RMB242,000,000	33.06%	Manufacturing and sale of clinker and cement
TCC Liaoyang Cement Company Limited ("TCC Liaoyang") (Formerly known as Liaoning Changqing Cement Co., Ltd.)	The PRC	RMB371,000,000	16.11%	Manufacturing and sale of clinker and cement

Although the Group holds less than 20% of the voting power of TCC Liaoyang, the Group exercises significant influence over TCC Liaoyang because the Group is entitled to appoint a director out of the four directors of TCC Liaoyang.

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Unlisted investments		
Share of net assets	428,174	445,536
Goodwill	138,547	120,807
Amount due from a jointly controlled entity	47,404	68,544
Loan to a subsidiary of a jointly controlled entity	22,116	—
Deposit paid for additional capital injection to a jointly controlled entity	122,331	—
	758,572	634,887
Less: Impairment losses	(42,789)	(42,789)
	715,783	592,098

Notes to Condensed Consolidated Financial Statements

Details of the Group's jointly controlled entities as at 30 September 2011 are as follows:

Name	Place of incorporation	Particulars of registered/paid-up capital	Percentage of interest held by subsidiary	Voting power held by subsidiary	Principal activities
Hangzhou Rongxing Properties Development Co., Ltd	The PRC	RMB400,000,000/ RMB200,000,000	50%	50%	Property development
Changtai Jinhongbong Real Estate Development Co. Ltd.	The PRC	RMB100,000,000	50%	50%	Property development
United Goalink Limited	British Virgin Islands	US\$2	35%	50%	Investment holding

15. TRADE AND BILLS RECEIVABLES

In relation to the trading of clinker and cement and iron ore, the Group receives from each customer an irrevocable documentary credit issued at sight by a bank undertaking payment to the Group upon the presentation of relevant documents as required by the issuing bank. The Group's credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
0 to 90 days	181,577	63,441
91 to 180 days	—	—
181 to 365 days	—	4,805
Over 365 days	4,952	—
	186,529	68,246

Notes to Condensed Consolidated Financial Statements

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2011 (Audited) and 30 September 2011 (Unaudited)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2011 (Audited) and 30 September 2011 (Unaudited)	6,394,962,539	63,950

17. BANK BORROWINGS

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Bank loans	1,518,334	899,342
Trust receipt loans	322,122	597,727
	1,840,456	1,497,069

Notes to Condensed Consolidated Financial Statements

The bank borrowings are repayable as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
On demand or with one year	1,159,138	1,294,953
In the second year	311,676	91,181
In the third to fifth years, inclusive	343,801	82,799
After five years	25,841	28,136
	1,840,456	1,497,069
Less: Amount due for settlement within 12 months	(1,159,138)	(1,294,953)
Amount due for settlement after one year which contain a repayment on demand clause	(89,227)	(52,675)
Amount due for settlement after 12 months	592,091	149,441

18. TRADE AND BILLS PAYABLES

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

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Due within 1 month or on demand	228,120	93,896
Due after 6 months	65,009	67,413
Due after 1 year	—	11,897
	293,129	173,206

Notes to Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
(a) Purchase of iron-ore from a related company	—	71,900
(b) Interest income from jointly controlled entities	3,181	—
(c) Purchase of iron-ore from a jointly controlled entity	72,255	—
(d) Services fee paid to a jointly controlled entity	21,455	—
(e) Compensation of key management personnel		
Directors' fees	1,352	615
Basic salaries, allowances and benefits in kind	10,654	32,290
Retirement benefits scheme contributions	476	205
Share-based payments	4,714	—
	17,196	33,110

Notes to Condensed Consolidated Financial Statements

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
(f) Prepayments for purchase of iron ore Included in non-current prepayments A related company (Note)	62,400	62,400
Included in current prepayments A subsidiary of a jointly controlled entity	54,290	15,631
	116,690	78,031
(g) Loan to a subsidiary of a jointly controlled entity included in other receivables	75,175	48,532
(h) Other payable to a jointly controlled entity	21,455	—
(i) Guarantees from a director	54,402	106,370
(j) Guarantees from a director and a company with common director and beneficial shareholder	49,375	50,396
(k) Amount due to a director included in other payables	73,350	67,813

Note: Mr. Wong is also a director of and has beneficial interest in the company.

20. CONTINGENT LIABILITIES

As at 30 September 2011, the Group did not have any significant contingent liabilities (31 March 2011: Nil).

21. COMMITMENTS

The Group had the following commitments:

(a) Operating lease commitments — as lessee

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

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Within one year	4,644	3,141
In the second to fifth years, inclusive	1,010	1,989
	5,654	5,130

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

Notes to Condensed Consolidated Financial Statements

(b) Operating lease commitments – as lessor

The Group leases out investment properties and motor vehicles under operating leases. The lease 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 30 September 2011, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Within one year	6,480	8,705
In the second to fifth years inclusive	10,809	13,424
Over five years	963	—
	18,252	22,129

(c) Capital and other commitments

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	62,431	100,870

In respect of its interests in jointly controlled entities, the jointly controlled entities are committed to incur capital expenditure of approximately HK\$344,732,000 (31 March 2011: HK\$491,572,000), of which the Group's share of this commitment is approximately HK\$172,366,000 (31 March 2011: HK\$245,786,000).

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform to current period's presentation.

Other Information

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2011 (2010: 21,120,000 shares).

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

As at 30 September 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 Model 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:

Other Information

(a) Long positions in ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse		
Mr. Wong Ben Koon ("Mr. Wong")	1,832,510,697	2,244,907,131 (Note)	22,640,000	4,100,057,828	64.11%
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 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.

(b) Long positions in share options

Number of share options held by the Directors and chief executive of the company as at 30 September 2011:

Name	Number of options held	Number of underlying shares
Dr. Mao Shuzhong	30,000,000	30,000,000
Mr. Liu Yongshun	15,000,000	15,000,000
Mr. Johannes Petrus Mulder	30,000,000	30,000,000
Ms. Gloria Wong	10,000,000	10,000,000
Mr. Kong Siu Keung	10,000,000	10,000,000
	95,000,000	95,000,000

Other Information

(c) Short positions in ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse		
Mr. Wong	—	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.

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

Other Information

Save as disclosed above, as at 30 September 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

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

Other Information

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

Name or category of participant	Number of share options outstanding as at 1 April 2011	Granted during the Relevant Period	Exercised during the Relevant Period	Number of options outstanding as at 30 September 2011	Date of grant of share options	Exercisable Period	Exercise price of share options HK\$	Closing price of the shares immediately before date of grant of share options HK\$
Director								
Dr. Mao Shuzhong	—	30,000,000	—	30,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Liu Yongshun	—	15,000,000	—	15,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Johannes Petrus Mulder	—	30,000,000	—	30,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Ms. Gloria Wong	—	10,000,000	—	10,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Mr. Kong Siu Keung	—	10,000,000	—	10,000,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
Other								
Other employees	—	36,800,000	—	36,800,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
	—	131,800,000	—	131,800,000				

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

Other Information

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 1 April 2011 to 30 September 2011 are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2011	Granted during the Relevant period	Number of options outstanding as at 30 September 2011	Date of grant of share options	Exercisable period	Exercise price of share options GBP	Price of share at date of grant of options GBP
Other employees							
2007 options	1,500,000	(1,500,000)	—	9 October 2007	9 October 2009 to 9 October 2017	0.61	1.60
2009 options	5,590,000	—	5,590,000	28 October 2009	28 October 2011 to 27 October 2013	0.70	0.70

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

Other Information

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

So far as is known to any Director or chief executive of the Company, as at 30 September 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 PMGL, Max Start and Max Will	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	4,077,417,828	
		Directly beneficially owned	22,640,000	
			4,100,057,828	64.11%
Central Huijin Investment Ltd.	(c)	Through controlled corporation	318,540,373	4.98%

Other Information

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 PMGL	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.
- (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 contract 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 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 30 September 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.

Other Information

AUDIT COMMITTEE

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

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

The audit committee held one meeting during the Relevant Period. The audit committee has reviewed the Group's unaudited interim information for the six months ended 30 September 2011.

CORPORATE GOVERNANCE

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

Communications with shareholders

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

Whilst the Board endeavours to maintain an on-going dialogue with its shareholders, the chairman of the Company may not always be able to attend general meetings due to other important business engagements. Mr. Kong Siu Keung, being an executive Director, attended the annual general meeting of the Company on 5 September 2011 and was delegated to make himself available to answer questions if raised at the meeting. The absence of the chairman of the Company in the annual general meeting constituted a deviation from the CG Code.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

APPRECIATION

On behalf of the Company, I would like to express my sincere gratitude to our shareholders and business partners for their confidence and loyal support to the Group. In addition, I would like to take this opportunity to thank the management and all staff members for their dedication and valuable contribution. As we enter into the second half of the financial year 2012, we look forward to achieving continued growth for the Group.

By order of the Board

Prosperity International Holdings (H.K.) Limited

Wong Ben Koon

Chairman

Hong Kong, 30 November 2011

Other Information

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

Executive Directors

Mr. Wong Ben Koon (*Chairman*)

Mr. Sun Yong Sen (*Deputy Chairman*)

Dr. Mao Shuzhong

Mr. Johannes Petrus Mulder

Ms. Gloria Wong

Mr. Liu Yongshun

Mr. Kong Siu Keung

Non-Executive Director

Mr. Liu Benren (*Deputy Chairman*)

Independent Non-Executive Directors

Mr. Yuen Kim Hung, Michael

Mr. Yung Ho

Mr. Chan Kai Nang

Mr. Ma Jianwu