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

Annual Report 2012

Lead Our Future

明燈引領

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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

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

NOMINATION COMMITTEE (established on 30 March 2012)

Mr. CHAN Kai Nang, *Chairman*

Mr. MA Jianwu

Mr. KONG Siu Keung

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
Hong Kong Branch

Hang Seng Bank Limited

Industrial and Commercial Bank of China (Asia) Limited

Overseas-Chinese Banking Corporation Limited

Rabobank International Hong Kong Branch

Standard Chartered Bank (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Bank of East Asia Limited

COMPANY WEBSITE

www.pihl-hk.com

Strategic Planning

出謀劃策

This year had been full of challenges for Prosperity International Holdings (H.K.) Limited (the "Company", together with its subsidiaries, collectively the "Group"). This is not least because of the PRC Government's continued efforts to control domestic inflation and the real estate market which have impacted all of our business units. However, I believe we have laid further strong foundations for future growth.

RESULTS OVERVIEW

The results of the Company dropped significantly this year compared to last year mainly because of the substantial extraordinary gain in the prior year from 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. The Group's turnover from continuing operations for the year dropped 24% to approximately HK$6,190 million compared to around HK$8,136 million for the year ended 31 March 2011. Loss from continuing operations for the year decreased by 84%, to approximately HK$36 million, versus around HK$221 million during the same period a year earlier. The Board does not recommend a payment of a final dividend for the year (2011: HK 2 cents per share).

BUSINESS REVIEW

Iron Ore Operations

The total tonnage shipped of iron ore operations under Prosperity Minerals Holdings Limited ("PMHL"), a major subsidiary of the Company, during the year was 4.8 million tonnes (2011: 6.3 million tonnes). Iron ore trading contributed a segment profit of HK$36.9 million (2011: HK$81.1 million)

In recent years, the iron ore industry has undergone a number of fundamental changes, including the shift from annual benchmark price setting to quarterly in 2010 (outside the spot market). At the same time, the major producers have sought to transact a larger proportion of their business directly with steel mills. Both of these factors have led to an inevitable squeeze on traders' margins. These were the reasons why we had re-cast our iron ore trading model and, like other players, sought to invest directly in future raw material supplies at competitive prices. By transforming the business from the low risk, low capital — and low margin — trading model to a more capital intensive one, the Group targeted to improve profitability and the quality of earnings. Thus, PMHL has invested, either as principal or in the form of off-take agreements, in a range of schemes in Asia, Brazil and Canada which guarantee tonnage at a competitive price for the short, medium and long terms.

However, investment in new iron ore mines is a long term business and an attractive rate of return is not immediate; and our 35 per cent holding in United Goalink Limited ("UGL) in Brazil is a case in point. During the year, UGL shipped a total of 218,808 tonnes of raw, unprocessed iron ore with approximately 58% iron content and contributed an attributable loss of HK$13.2 million for the year (2011: profit of HK$5.5 million). Since our investment in December 2010, annual production capacity has increased from 3,000 tonnes to 450,000 tonnes and construction of an iron ore processing plant is underway, which will further increase production to 1 million tonnes per annum. Once completed, the processing plant will also increase the quality of the iron ore to 62% iron content or higher (which sells for more). The increase in production in volume will also lower production cost per tonne.

Property Investment and Development

Our key development project, Oriental Landmark, is located in downtown Guangzhou, a Tier 1 city and a regional capital in the southern PRC which enjoys consistent economic growth. Sales at Oriental Landmark continued to be robust and were agreed at prices per square metre which exceeded original expectations. Up to 24 June 2012, PMHL has sold 164 units in the first residential block (out of 184 units) and 98 units in the second residential block (out of 158 units).

The revenue and income on property sales are recognised when legal title passing to the buyers. In turn, this is determined by the issue of an occupation permit by the relevant local government authority which is expected to be issued in fiscal year 2014. In addition, completion of Oriental Landmark in fiscal year 2014 will provide the Company with stable, recurrent rental income from the 35,868 square metres of commercial area in the shopping arcade and the 500 car park spaces located in one of the busiest areas in Guangzhou.

PMHL's investment property SilverBay Plaza, which is also in Guangzhou, remains almost fully let. Elsewhere, our commercial joint venture in Hangzhou City, Zhejiang Province is awaiting government planning approval. In addition, we are revising the development plans for our combined recreational, commercial and residential project in Changzhou City near Xiamen in Fujian Province to be in line with the PRC government's policies applicable to the property market.

Clinker and Cement Business

The export of clinker and cement from the PRC was affected by the sluggish global economy brought by sovereign debt crisis in Europe, weakening the demand for the clinker and cement. Inflation of the Renminbi coupled with the rise of production cost of clinker and cement from China contributes to escalating costs of goods, resulting in further decrease in export volume from China.

Nevertheless, 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, generating revenues of approximately HK$309 million.

Anhui Chaodong Cement Company Limited ("ACC"), in which PMHL owns 33.06%, performed satisfactorily in the year under review and contributed profit of HK$121.1 million, compares to HK$15 million in fiscal year 2011. ACC is listed on the Shanghai Stock Exchange and as at 31 March 2012 our stake had a value of approximately HK$1.1 billion. ACC is, in my view, an excellent contributor and an important store of value for the Company. PMHL also has a 16.11% equity interest in TCC Liaoning Cement Company Limited ("TCC Liaoning Cement") in Liaoning Province, in the northern PRC. TCC Liaoyang Cement made a profit contribution HK$16.4 million for the year, compared with a HK$0.5 million loss in the previous year.

Business Operations of Public Port and Related Facilities

Since the Group formed a joint venture in late 2006 to develop its business operations of public port and related facilities, government authorities granted approvals for the necessary licenses in 2010. The construction of the berths for 70,000 tonnage vessels was completed for trial operations in early 2011 and the construction of the remaining berths is expected to be completed by the end of 2012. During the year, it achieved a turnover of HK$35 million and handled an approximately 2,598,000 tonnes of products, of which majority were coal.

PROSPECTS

We maintain a prudent but positive attitude towards our operating environment amid the turbulent economic climate. We will stay prepared by focusing on iron ore trading and mineral resources as this business segment remained our major source of income. Although we are not certain when the global economy will rebound, the expansion of and growth in the Group's mineral resources business will continue to be the prime focus.

We believe that being a principal rather than simply an agent will strengthen our market position and enhance returns of our iron-ore trading business. And, aside from some short term weakness in iron ore prices, the medium to long term outlook for iron ore on a global basis is excellent and I am very excited about the prospects for our business. Accordingly, PMHL has entered into several iron ore off-take agreements with well resourced companies in Malaysia and Canada and we are actively seeking further attractive opportunities to invest in iron ore and other mineral resources, based on the expected future demand for these products in the PRC.

Our strategy in the property development division has been to identify well-located sites in major cities which we could develop at low cost and have high potential rates of return. The current focus of PMHL is on successful completion of the existing development project in Guangzhou and bringing both Changzhou and Hangzhou projects on stream.

With the above-mentioned strategies, our experienced management and solid foundation, we are developing a business which seeks to generate first class investment returns over time. We also believe that we can evolve into a successful mineral resources company and, through execution of our strategy, the medium to long term prospects of the Company are very good with an aim to generate high-yielding return streams for the shareholders in the long run.

WORD OF THANKS

On behalf of the Company, I would like to express my deepest gratitude for the steadfast support from our shareholders and business partners. I also wish to thank the management and staff for their enormous dedication over the year. The Group will keep driving forward to build a strong and successful future at home and abroad.

Wong Ben Koon
Chairman

Hong Kong, 29 June 2012

Concerted Efforts

群策群力

RESULTS OVERVIEW

During the reporting year, Prosperity International Holdings (H.K.) Limited (the "Company", together with its subsidiaries, collectively the "Group") recorded a turnover from continuing operations of approximately HK$6,190 million representing a decrease of 24% compared with around HK$8,136 million for the year ended 31 March 2011. Gross profit decreased by 27% to approximately HK$122 million from HK$168 million last year. Loss from continuing operations for the year decreased by 84%, to approximately HK$36 million, versus around HK$221 million during the same period a year earlier. The results of the Group dropped significantly this year was mainly attributable to the substantial extraordinary gain from discontinuance of the Group's majority interests in a clinker and cement manufacturing business in the PRC at a consideration of HK$3,800 million in prior year. Basic loss per share stood at HK0.77 cents, compared with earnings per share HK5.79 cents the previous year.

The board of directors of the Company (the "Board") does not recommend a payment of final dividend for the year (2011: HK 2 cents per share).

IRON ORE OPERATIONS

The Group is engaged in the trading of iron ore through its wholly-owned subsidiary, Prosperity Minerals Holdings Limited ("PMHL"), which either purchases iron ore from its suppliers (principally mine owners) and sells to its customers in the PRC or acts as agent between the mine operators and customers.

PMHL has over 20 years of experience in iron ore trading, which, together 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 Company provides support in the areas of logistics, financial solutions and technical support, as well as assisting customers to locate and acquire iron ore which meets their requirements.

During the year under review, PMHL's iron ore trading business sourced iron ore directly from suppliers in South Africa, Brazil and South East Asia, in particular Malaysia.

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

PRC Steel Market

Against the backdrop of the long term transition of the Chinese economy towards full industrialisation, necessitating the continued urbanisation of millions of people, the steel industry of the PRC recorded yet another milestone in 2011 by producing 683 million tonnes of crude steel. This was achieved despite the global economic slowdown and constitutes a year-on-year increase of 7.1%. PRC crude steel production represented 45.8 per cent of global production in 2011, up 9% from five years ago. The PRC's current domination of the world steel industry is underlined by the fact that six of the global top ten steel companies are Chinese. Japan, as the second largest steel producer after China, produced 107 million tonnes of crude steel in 2011, only 15.6 per cent of the Chinese production.

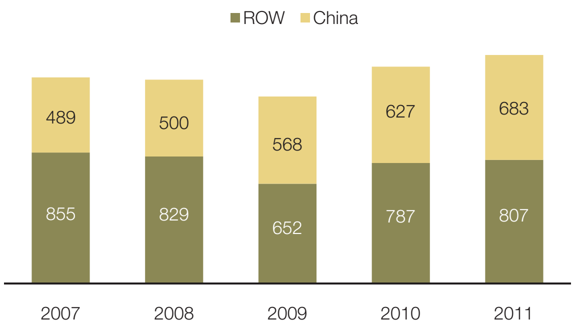
Although it might be argued that the 7.1% increase in production for 2011 is rather modest compared to the 10.2% increase in the previous year, when viewed in absolute terms, growth of 56 million tonnes is substantially higher than the total steel production of the largest European supplier, Germany, in 2011. With a GDP growth of 9.2% last year in the PRC, these figures confirm the resilience of the Chinese steel industry to respond to increased steel demand. Despite the magnitude of these figures, the per capita apparent steel consumption remains at the relatively low level of 459 kilograms compared to South Korea (1,156 kilograms) and even Japan (506 kilograms), putting into perspective the fact that the Chinese economy is still developing towards maturity, whilst suggesting further growth in the medium term.

The continued growth of the Chinese steel industry over many years has reached such a point that even relatively small percentage increases in the demand for raw materials like iron ore and coal to support this growth are putting real pressure on raw materials suppliers. This becomes apparent when one considers that a 56 million tonnes annual increase in steel production relates to an incremental iron ore requirement of approximately 100 million tonnes, which is substantially more than the annual iron ore production of a country like South Africa, the fourth largest supplier to China.

PRC Iron Ore Market

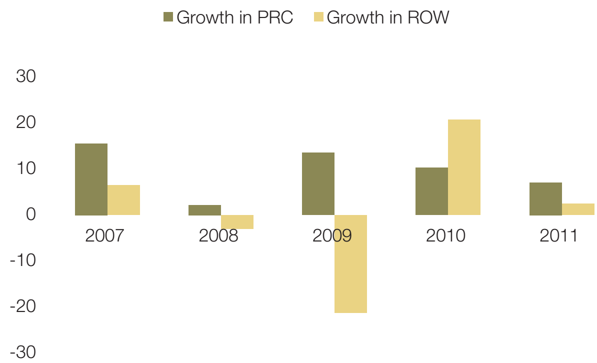
The PRC imported a record 686 million tonnes of iron ore in 2011, an increase of 11% compared to 2010 and 79% more than in 2007. Likewise, PRC domestic production of iron ore increased by 27%, or 284 million tonnes, to a record 1,327 million tonnes. This large increase in domestic production of comparatively lower quality iron ores, typical of the Chinese material, underscores the fact that imported iron ore was still in tight supply, as had been the case for a number of years.

Global Steel Production: China vs Rest of the World (ROW) 2007–2011 (in million tonnes)



Source: Worldsteel Association

Percentage Growth in Steel Production: The PRC and the Rest of the World (ROW) 2007–2011 (%)



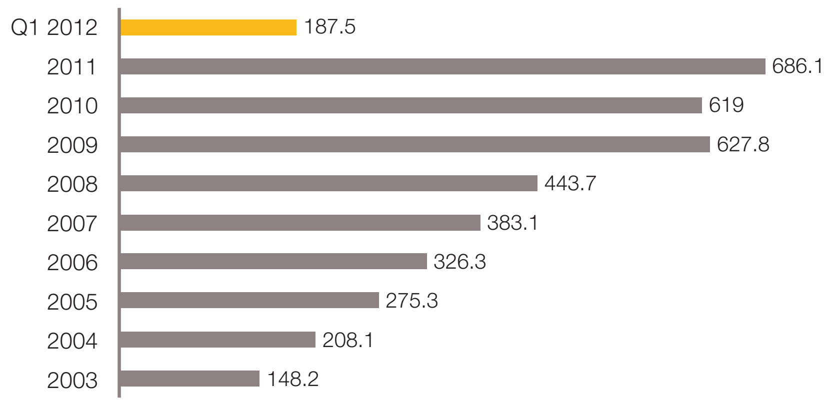
Source: Worldsteel Association

PRC Supply of Iron Ore to Steel Mills

Year	Domestic Production (crude ore) Million tonnes	Domestic Production (crude ore) % change	Imports Million tonnes	Imports % change
2007	707	+18%	384	+17%
2008	808	+13%	444	+16%
2009	880	+8%	628	+41%
2010	1,043	+19%	619	–2%
2011	1,327	+27%	686	+11%

Source: umetal.com

PRC Iron Ore Import Quantities
2003–11 and Q1 2012
(in million tonnes)



Source: umetal.com

Despite the limited success of the efforts by the PRC to diversify its supply of iron ore, it still relied primarily on its top three suppliers, namely Australia, Brazil and India, albeit at a lower proportion than in the past. These three countries accounted for 75% of imports in 2011 (2010: 80%). It is notable, however, that the imports from India declined by 24% (23 million tonnes) in 2011 due to restrictions placed on iron ore exports by the Indian Government. On the other hand the imports from Australia and Brazil rose by 12% and 9% respectively, while the fourth largest supplier, South Africa, increased its exports to the PRC by 22% to 36 million tonnes.

Countries supplying in excess of 1 million tonnes of iron ore to the PRC increased from 18 in 2007 to 23 in 2011, underlining the policy of the PRC to diversify the supply base. Notwithstanding substantial growth in tonnage supplied by the traditional big three iron ore producing countries of Australia, Brazil and India, recent years have also seen the emergence of mid-sized suppliers of between 10 and 20 million tonnes. Their numbers have increased from only one such country in 2007 to six in 2011.

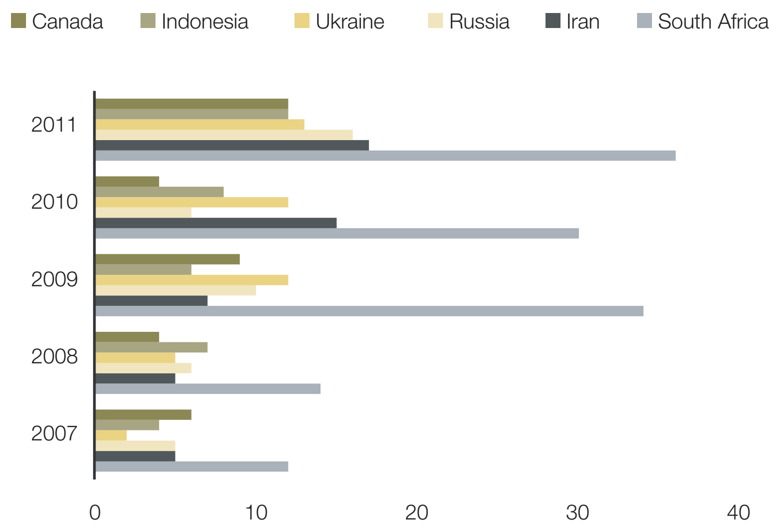
Taking advantage of expected further growth of the Chinese steel industry, the traditional suppliers of iron ore have embarked on major expansions of current operations, some of which have been completed. The industry has also seen the entrance of a large number of junior mining companies exploring for new deposits and developing of new mines with a view of taking advantage of the diversification of the supply base. Numerous projects are being undertaken, inter alia in locations such as Australia, Brazil, Canada and West and Central Africa.

It is against this background that PMHL has adapted its strategy to become more directly involved in the exploration and mining of iron ore.

Iron Ore Trading

In current year, the Group's iron ore trading business shipped a total of 4.8 million tonnes of iron ore (2011: 6.3 million tonnes) and contributed a segment profit of HK$36.9 million (2011: HK$81.1 million). The reduced number of shipments was due to a significant decrease in raw material prices between October 2011 and February 2012. During this period the major producers withheld shipments from the spot market in anticipation of prices recovering. The decrease in the Group's shipments also reflects the increasingly challenging environment for iron ore traders and underlines the importance of increasing the Group's access to reliable medium to long term supplies of iron ore at competitive prices.

Mid-sized suppliers of iron ore to the PRC 2007–2011 (in million tonnes)



Source: China's Customs Statistics

Investment in United Goalink Limited ("UGL")

PMHL holds an effective 35% interest in UGL, a joint venture company engaged in the exploration and production of iron ore in the State of Ceará, Brazil. UGL owns approximately 600 square kilometres of exploration rights and 3 square kilometres of mining concession in Ceará. In the year under review, UGL reported an attributable loss of HK$13.2 million (2011: profit of HK$5.5 million).

Currently, UGL sells unprocessed iron ore with an iron content of approximately 58% from the existing mine. UGL intends to generate a profit as soon as possible and the first shipment from UGL was completed in March 2011, four months after the Group's investment. However, as is the case with other iron ore producers, it reserves the right to withhold shipments when market prices are not favourable. In the final quarter of 2011 and in early 2012, UGL made no shipments, which understandably impacted the revenue and cash flow of the project. During this time, UGL continued to incur administrative and operating expenses, including limited exploration of the 36 exploration sites. Shipments resumed in February 2012 and UGL expects to make regular shipments in the coming months, subject to iron ore prices.

The Group had granted several loans to UGL and up to the date of this report. On full drawdown, total loans from the Group to UGL will be approximately US$37.8 million (approximately HK$294.8 million). The loans have been used to fund (i) increased annual production at the existing mine from 3,000 tonnes, at the time of the Group's investment, to 450,000 tonnes; (ii) other administrative and operating costs; (iii) construction of a processing plant; (iv) upgrading of facilities; and (v) limited exploration on some of the exploration sites. UGL has already purchased the majority of the machinery and equipment for the processing plant which will increase the quality of the iron ore mined to 62% iron content or higher and will gradually increase annual production to 1 million tonnes. The processing plant is expected to be fully operational by the end of 2012. Increased production volumes and higher quality, higher priced iron ore should lower production costs per tonne and enhance profit and cash flow to the Group.

UGL is committed to increasing the scale and quality of its existing production and to it being profitable. It will also continue to allocate some resources to preliminary exploration work on some of the 36 exploration sites to evaluate the best locations for further mining.

Potential Investment in Iron Ore Assets in Malaysia

On 10 February 2012 and 7 March 2012, PMHL announced a proposed investment in All Wealthy Capital Limited, an iron ore resource development company with iron ore assets in Malaysia. The proposed investment remains subject to certain conditions being fulfilled, including approval being obtained from the independent board of PMHL and the independent shareholders of the Company.

REAL ESTATE INVESTMENT AND DEVELOPMENT

The PRC Government's initiatives to control domestic inflation by restricting loan growth and placing constraints on the purchasing of residential property in major cities have brought about a reduction in the number of transactions and, in some areas, a decline in prices.

Guangzhou City, Guangdong Province, PRC

PMHL owns approximately 11,472 square metres of office and commercial space in SilverBay Plaza, an existing commercial building, and has a 55% interest in Oriental Landmark, a new commercial and residential development, both located in downtown Guangzhou. Guangzhou is a regional capital in southern China and is located in the Pearl River Delta, the foremost economic zone in the south.

SilverBay Plaza was completed in 2004 and, as at 31 March 2012, had 100% occupancy. SilverBay Plaza contributed approximately HK$10 million in rental income for the year (2011: HK$8.3 million).

Oriental Landmark is located in downtown Guangzhou within a few minutes' walking distance from Beijing Road, a popular pedestrianised shopping street. The 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 169,204 square metres.

Presales in the first block of residential units commenced in late December 2011 and up to 24 June 2012, 164 of the 184 units available had been sold at an average selling price of approximately RMB31,000 per square metre. Presales of the second block commenced on 21 April 2012 and, through 24 June 2012, 98 units (out of 158) had been sold at an average selling price of RMB34,000 per square metre.

Presale prices and results have exceeded the Group's original expectations. This is mitigated, in part, by higher than budgeted costs, including sales commission. However, the net result is still a very positive one for the Group. The revenue and income on property sales are recognised when legal title is passed to the buyer. In turn, this is determined by the issue of an occupation permit by the relevant local government authority. The Company believes that occupation permits will be issued in fiscal year 2014, which is also when the first revenue and profit will be booked. In the meantime, operating losses will continue in fiscal year 2013, although the Group will benefit from the presales cash flow. Up to 24 June 2012, the Company had received approximately RMB553 million (approximately HK$685 million) from presales. Following completion, Oriental Landmark will provide the Company with stable, recurrent rental income from the 35,868 square metres of commercial area in the shopping arcade and the 500 car park spaces located in one of the busiest areas in Guangzhou.

In August 2010, the Group invested HK$836 million to acquire its interests in Oriental Landmark and SilverBay Plaza, both of which have been self-funding since the Group's investment.

Changzhou City, Fujian Province, PRC

In May 2010, the Group entered into a 50:50 joint venture agreement to develop a combined recreational, commercial and residential project in Changzhou City, Fujian Province, in the southern PRC.

The development is located 39 kilometres from Xiamen City, which is classed as a special economic zone in the PRC. Xiamen is the economic and financial centre of Fujian Province and the largest city in the province.

The development will offer high-end accommodation and hot spring resort facilities on a site area of 4,953 Mu (approximately 3,302,000 square metres), of which 1,600 Mu (approximately 1,066,667 square metres) will be used for development. The joint venture company will acquire the land for development while the land for the hot spring resort facilities is being leased from the local government. Up to 31 March 2012, 384 Mu (approximately 256,013 square metres) have been purchased, with the remainder to be acquired gradually, most probably over the next two or three of years.

Under the joint venture agreement, the Group's maximum investment is RMB480 million (approximately HK$594 million). Up to 31 March 2012, the Company had invested a total of RMB242 million (approximately HK$300 million) in the project.

The PRC Government's policies have impacted the original development plan of this project, which is now planned to comprise smaller, lower priced units in order to attract a larger number of buyers.

Hangzhou City, Zhejiang Province, PRC

In February 2011, the Group acquired the rights for use of land on a site in Hangzhou City, the capital of Zhejiang Province in the eastern PRC, which is held in a 50:50 joint venture company.

Hangzhou City is situated in the Yangtze River Delta, the most affluent economic region in the PRC. It is only a 45-minute train journey from Shanghai and one of the most popular tourist destinations in the PRC. The development is located in the scenic West Lake District, 30 to 40 minutes from Hangzhou International Airport and close to the Song Dynasty Village, a popular tourist area.

The site comprises a total area of 55,589 square metres with a developable gross floor area of 111,200 square metres.

The land premium, which is paid to the local government for the use of land, has been paid in full but the development plan still awaits governmental approval.

Up to 31 March 2012, the Company had invested RMB200 million (approximately HK$248 million) in the project.

CLINKER AND CEMENT TRADING AND OPERATIONS

During the year, the export of clinker and cement from the PRC was adversely affected by its loss of competitiveness caused by inflation, strong Renminbi and high demand for clinker and cement in the PRC domestic market.

To combat the challenges of exporting clinker and cement faced by China, the Group had to adjust its procurement strategy by switching to lower cost countries such as Vietnam, while actively seeking more regions which can provide supply with competitive prices and quality.

The Group's management experience and expertise along with its extensive regional network helped to alleviate some of the above-mentioned challenges, and generating a revenue of approximately HK$309 million.

Regarding the cement manufacturing business, the Group currently through PMHL held 33.06% interest in Anhui Chaodong Cement Company Limited ("ACC") and 16.11% interest in TCC Liaoning Cement Company Limited ("TCC Liaoning").

ACC performed very well in the year, reporting an attributable profit of HK$121.1 million (2011: HK$15 million). ACC has a designed saleable production capacity of 5.1 million tonnes of cement and clinker per annum. The third 2 million tonnes per annum clinker production line at ACC is under construction and is expected to be operational by the end of 2012. During the year under review, ACC sold 4.58 million tonnes of cement and clinker.

ACC is listed on the Shanghai Stock Exchange and, as at 31 March 2012, its closing share price was RMB11.22 at which ACC's market capitalisation was RMB2.7 billion (approximately HK$3.35 billion), valuing the Group's shareholding at approximately HK$1.11 billion.

ACC's shareholders approved a cash dividend of RMB0.1 per ordinary share at an annual general meeting held on 11 May 2012 to be paid on or before 11 July 2012. The Group will be entitled to RMB8 million before tax (approximately HK$10.1 million).

TCC Liaoning is located near Shenyang, the capital city of Liaoning Province in the northern PRC and it reported an attributable profit of HK$16.4 million for the year (2011: loss of HK$0.5 million).

TCC Liaoning has a designed saleable production capacity of 2 million tonnes of cement and clinker per annum and, during the year under review, sold 1.87 million tonnes.

Following the completion of a share issue in 2011, the Group's interest in TCC Liaoning was diluted from 25% to 16.11% and a loss of dilution of HK$16 million was recorded. The Group's partner in TCC Liaoning, TCC International Holdings Limited, took up all the new shares. At the same time, the name of the cement plant was changed from Liaoning Changqing Cement Company Limited to TCC Liaoyang Cement Company Limited and subsequently changed again to TCC Liaoning Cement Company Limited.

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, including the dimension stones and the feldspar powder, per annum from the site.

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 square metres. The terminal can support throughput of 8 million tonnes per year.

The government authorities granted approvals for the necessary licenses in 2010 and the construction of the berths for 70,000 tonnage vessels were completed in early 2011 and the construction of the remaining berths is expected to be completed by the end of 2012.

For the first year commencing the operation, it achieved a turnover of HK$35 million and handled approximately 2,598,000 tonnes of throughput, of which majority were coal, with a breakeven result. Following the completion of the remaining berths for 5,000 tonnage vessels and auxiliary facilities, e.g. conveyor belt, at the end of the year, the operations of the port will be conducted in more effective and efficient ways, and it is expected the investment will be generating a handsome result after full operation.

FINANCIAL REVIEW

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

RESULTS OF OPERATIONS

Turnover from continuing operations and net loss attributable to owners of the Company for the year ended 31 March 2012 was HK$6,190 million and HK$49 million, representing a decrease of approximately 24% and 64% respectively, as compared to HK$8,136 million and HK$138 million, respectively, for the previous financial year. The substantial decrease in profit for the year is mainly attributable to the disposal of majority interests in cement manufacturing business in China, bringing a gain of approximately HK$850 million, in last year. The basic loss per share from continuing operations for the Year were 0.77 cents when compared with HK2.44 cents for the previous financial year.

The Group's distribution and selling expenses from continuing operations was HK$51 million for the Year as compared to HK$45 million for the previous financial year. It represented about 0.8% of the revenue for the year ended 31 March 2012 and slightly increased as compared to that of 0.6% for the previous financial year. 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 decrease of approximately 27% to HK$297 million in 2012 was mainly due to the decrease in corporate activities during the year. The Group's finance costs from continuing operations was HK$89 million, of which HK$53 million was capitalized into investment properties under development and properties under development for sale, as compared to HK$59 million, of which HK$27 million was capitalized, for the previous year. The increase is due to the increase in the average amounts of the outstanding bank borrowings with higher average interest rates 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 2012, 100 warrants remained unexercised. The gain on re-measurement of derivative financial instruments to fair value amounted to approximately HK$7.2 million (2011: loss of HK$7.7 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' fund of the Group as at 31 March 2012 was HK$2,397 million (31 March 2011: HK$2,520 million). As at 31 March 2012, the Group had current assets of HK$3,613 million (31 March 2011: HK$4,499 million) and current liabilities of HK$2,230 million (31 March 2011: HK$1,938 million). The current ratio was 1.62 as at 31 March 2012 as compared to 2.32 at 31 March 2011. 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 2012, the Group had outstanding bank borrowings of HK$1,847 million (31 March 2011: HK$1,497 million). As at 31 March 2012, the Group maintained bank balances and cash of HK$1,395 million (31 March 2011: HK$1,707 million). The Group's debt-to-equity ratio (total borrowings over shareholders' equity) increased from 0.59 as at 31 March 2011 to 0.77 as at 31 March 2012. 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 predominantly 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. 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, investment properties, investment properties under development and properties for sale under development by the Group;

(b) 33.06% equity interests in ACC, an associate of the Group; and

(c) 44.85% equity interests in Lead Hero Investments Limited, an indirectly owned subsidiary of the Group.

COMMITMENTS

As at 31 March 2012, 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:

	2012 HK$'000	2011 HK$'000
Within one year	3,470	3,141
In the second to fifth years, inclusive	741	1,989
	4,211	5,130

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

(b) Capital and Other Commitments

	2012 HK$'000	2011 HK$'000
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	29,780	100,870

In respect of its interests in jointly controlled entities, the jointly controlled entities are committed to incur capital expenditure of approximately HK$44,850,000 (2011: 491,572,000), of which the Group's share of this commitment is approximately HK$22,425,000 (2011: 245,794,000).

(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 similar locations in the region. At 31 March 2012, the Group had no purchase commitments in relation to the purchase of iron ore. At 31 March 2011, the Group had purchased commitments of 1,460,000 tonnes not provided for in the financial statements.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2012, the Group had a total of 280 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. Furthermore, a share option scheme operated by PMHL whereby the directors of PMHL are authorised, at their discretion, to invite employees of PMHL and its subsidiaries, to take up options to subscribe the shares of PMHL.

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.

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 the major source of income. Indeed, the expansion of and growth in the Group's mineral resources business will continue to be the prime focus.

The key strategy for growth is to secure reliable sources of iron ore at competitive prices for sale to steel mills in the PRC, as we expect aside from some short term weakness in iron ore prices, the medium to long term outlook for iron ore on a global basis is excellent. Accordingly, PMHL has entered into several iron ore off-take agreements with well resourced companies in Malaysia and Canada. Furthermore, we believe that being a principal rather than simply an agent will strengthen our market position and enhance returns. Therefore, PMHL is actively seeking further attractive opportunities to invest in iron ore and other mineral resources, based on the expected future demand for these products in the PRC.

Turning to the property development division, the strategy has been to identify well-located sites in major cities which we could develop at low cost and which offer high potential rates of return. These investments, which are in Renminbi, also afford an important diversification from predominantly US dollar-denominated investments — and thereby help the Group to manage currency risk. Currently, the focus is on successful completion of the PMHL's existing development project in Guangzhou and, further out, bringing both Changzhou and Hangzhou on stream. Of course, any potential new projects will be very carefully vetted before any commitment is made.

Backed by a combination of these strategies, the experienced management and solid foundation, the Group is confident that the continued investment and development of different businesses will effectively solidify the competitiveness in respective markets. Moving forward, the Group 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 the shareholders in the long run.

DIRECTORS

Executive directors

Mr. WONG Ben Koon, aged 59, 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 50, 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. LIU Yongshun, aged 51, has been appointed as an executive director of the Company with effect from 19 September 2011. Before the appointment, Mr. Liu was appointed as a deputy chief executive officer of the Company on 1 June 2011 and will continue to hold such position of the Company. Mr. Liu has extensive experience in raw material supply management for iron and steel making, mineral resource development and raw material trading. Mr. Liu obtained his bachelor's degree in ironing making from Maanshan Institute of Iron Steel (East China University of Metallurgy/Anhui University of Technology) in 1983. He subsequently obtained his Executive Master of Business Administration degree from China Europe International Business School in 2005. He was the president of the Department of Mineral Resources, Shanghai Baosteel Group International Economic and Trading Co., Ltd. from November 2001 to May 2005. He was appointed as deputy general manager of the Purchase Centre of Baosteel Corporation from May 2005 to April 2006. He acted as deputy general manager of Baosteel Trading Co., Ltd. from May 2006 to April 2007. In April 2007, Mr. Liu was appointed as non-executive director of APAC Resources Limited ("APAC"), a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and re-designated as executive director and chief executive officer of the APAC in July 2007. Mr. Liu resigned as chief executive officer of APAC on December 2009 and has been re-designated as non-executive director of APAC from April 2010 until he resigned on 1 March 2012.

Mr. Johannes Petrus MULDER, aged 65, 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 29, was appointed as an executive director of the Company on 1 June 2010. Ms. Wong has over 5 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 43, 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 19 years' experience in finance and accounting field. Mr. Kong is a member of the nomination committee of the Company.

Non-executive director

Mr. LIU Benren, aged 69, 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 was appointed as a non-executive director of Fosun International Limited, a listed company on the Stock Exchange and retired on 21 June 2012. Mr. Liu had previously served as 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 and retired on 25 May 2012, a 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 51, 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 17 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. Yuen has been appointed as an independent non-executive director of New Universe International Group Limited, a listed company on Growth Enterprise Market of the Stock Exchange, since 24 April 2002.

Mr. YUNG Ho, aged 67, 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 66, 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. Mr. Chan is the chairman of the nomination committee of the Company and a member of remuneration committee of the Company.

Mr. MA Jianwu, aged 63, 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. Mr. Ma is a member of audit committee of the Company and a member of nomination committee of the Company.

SENIOR MANAGEMENT

Mr. TOK Beng Tiong, aged 40, 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 14 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 re-joined the Group in January 2005.

Mr. LI Siu Ming Patrick, aged 49, 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 50, 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 64, 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 51, 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 Oriental Landmark.

Mr. TONG Yi, Tony, aged 33, 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 36, 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 33, 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 31, 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 Chartered Institute of Management Accountant, 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 nine years' experience working in international accounting firms and companies listed in Hong Kong.

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 of the Company (the "Director" or the "Board") 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 2012, except for one non-compliance that is discussed under the section "Communications with Shareholders" in this report and the Board considered that the deviation is immaterial given the size, nature and circumstances of the Group.

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 2012.

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 seven executive Directors, one non-executive Director and four 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. 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 of the Board)

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)

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 13 Board meetings held during the year ended 31 March 2012 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")	10/13
Mr. Sun Yong Sen	9/13
Dr. Mao Shuzhong	9/13
Mr. Liu Yongshun (appointed on 19 September 2011)	7/8
Mr. Johannes Petrus Mulder	10/13
Ms. Gloria Wong	10/13
Mr. Kong Siu Keung	13/13
Mr. Liu Benren	11/13
Mr. Yuen Kim Hung, Michael	13/13
Mr. Yung Ho	13/13
Mr. Chan Kai Nang	13/13
Mr. Ma Jianwu	11/13
Dr. Liang Dunshi (resigned on 19 September 2011)	3/5

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 policies. 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 44 to the financial statements.

Save as disclosed above and in note 44 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, except that Ms. Gloria Wong, the executive Director, is the daughter of Mr. Wong, the Chairman of the Company.

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 terms of reference of audit committee of the Company (the "Audit Committee") has been revised in March 2012 in compliance with the provisions set out in the CG Code. 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 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. 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
3. 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 attendance record of each 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. Yuen Kim Hung, Michael (Chairman of audit committee)	2/2
Mr. Yung Ho	2/2
Mr. Ma Jianwu	1/2

During the year ended 31 March 2012, the Audit Committee (i) reviewed the reports from the auditor of the Company (the "Auditor"), accounting principles and practices adpoted by the Group in relation to the annual results for the year ended 31 March 2011 and the interim results for the six months ended 30 September 2011; (ii) reviewed the financial reports for the year ended 31 March 2011 and for the six months ended 30 September 2011 and recommended the same to the Board for approval; (iii) 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; and (iv) concurred with the Board regarding the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee has also reviewed with the management and the Auditor the audited consolidated financial statements of the Company for the year ended 31 March 2012. 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 41 of this annual report.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was set up in March 2005 and its term of reference has been revised in March 2012 in full compliance with the provisions set out in CG Code. It 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.

The emoluments of Directors and senior management of the Company are based on skills, knowledge and performance, together with reference to the prevailing market conditions. In addition, the Company has established a Share Option Scheme to provide incentives and rewards to eligible participants and to attract suitable personnel for continuous development of the Group.

Three meetings had been held during the Year to discuss remuneration related matters. The Remuneration Committee reviewed and made recommendations to the Board on bonus payments and increments in salary and housing allowance (if any) for the executive Directors and senior management of the Company.

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. Chan Kai Nang	3/3

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was set up on 30 March 2012 and has adopted the terms of reference of Nomination Committee in full compliance with provisions set out in the CG Code. It is currently constituted by three Directors, namely, Mr. Chan Kai Nang (Chairman of the nomination committee), Mr. Ma Jianwu and Mr. Kong Siu Keung.

The major duties and responsibilities of the Nomination Committee shall be:

(a) to review the structure, size and composition (including the skills, knowledge, and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors, having regarded to the requirements under the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer.

During the Year, the Nomination Committee did not hold any meeting.

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 5 September 2011 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$2,458,000, of which HK$1,100,000 was incurred for statutory audit and HK$1,358,000 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.

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 45 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 2012 is set out in the consolidated income statement on page 42 and the state of affairs of the Group as at 31 March 2012 are set out in the consolidated statement of financial position on pages 44 and 45.

The Directors do not recommend the payment of a final dividend for the Year (2011: HK2 cents per share). Details of which are set out in note 15 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 2012 is set out on page 110. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 17 to the 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 18 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2012 are set out in note 45 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 30 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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year, respectively.

RESERVES

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 46 of the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2012, 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$1,964 million (2011: HK$2,037 million). The Company's share premium, in the amount of approximately HK$1,036 million as at 31 March 2012 (2011: HK$2,036 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 90% of total sales and sales to the largest customer included therein amounted to approximately 35% of total sales. The Group's five largest suppliers accounted for approximately 94% of total purchases for the Year and purchases from the largest supplier included therein amounted for approximately 86% 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. Liu Yongshun (appointed on 19 September 2011)
Mr. Johannes Petrus Mulder
Ms. Gloria Wong
Mr. Kong Siu Keung

Non-executive Director:

Mr. Liu Benren

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)

In accordance with bye-law 87 of the Company's bye-laws, Dr. Mao Shuzhong, Mr. Johannes Petrus Mulder, Ms. Gloria Wong and Mr. Liu Benren will 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 2011. His appointment is subject to termination by, among other matters, either party giving not less than three months' written notice.

Mr. Liu Yongshun entered into a service contract with the Company for a term of three years commencing from 19 September 2011. 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 and Mr. Ma Jianwu 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 13 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 44 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 2012, 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	1,832,510,697	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 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 2012, 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 39 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. Share options to subscribe for 131,800,000 ordinary shares were 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 2012, Prosperity Materials Macao Commercial Offshore 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 Holdings 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 indirectly, with the business of the Group.

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 2012, 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	4,077,417,828	
		Directly beneficially owned	22,640,000	
			4,100,057,828	64.11%

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) & (c)	Through controlled corporation	151,397,515	2.37%
PMGL	(a) & (c)	Directly beneficially owned	151,397,515	2.37%
Ms. Shing Shing Wai	(b) & (c)	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) 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 2012, 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 2012, 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 2012, 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 44 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. 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 didn't purchase any iron ore from Grace Wise (2011: US$12,844,000 (approximately HK$100,183,200)).

2. 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 2012, the Group did not exercise the option as to purchase the iron ore from Century Holding. For details, please refer to the announcement of the Company dated 15 March 2011.

3. Continuing connected transaction with respect to iron ore off-take agreement with Nanjing Iron and Steel Group Internationals Co., Limited ("Nanjing Steel") and Grace Wise Pte Limited ("Nanjing Steel Off-take Agreement").

   On 10 May 2011, Grace Wise as seller, Nanjing Steel as buyer and MCO as introducing agent entered into the Nanjing Off-take Agreement, pursuant to which Grace Wise shall sell, and Nanjing Steel shall purchase, the contracted annual tonnage of iron ore commencing from 10 May 2011 and ending on 31 May 2021 in accordance with the terms thereof. MCO acts as exclusive introducing agent for Grace Wise in respect of the transactions contemplated under the Nanjing Steel Off-take Agreement. As exclusive introducing agent for Grace Wise, MCO shall provide Grace Wise with administrative assistance such as handling shipping documents and liaising with payment banks. In consideration of the services of MCO to Grace Wise, Grace Wise shall pay MCO the Commission of US$2.00 per dry metric ton of the ore shipped under the Nanjing Steel Off-take Agreement.

   During the Year, Nanjing Steel didn't purchase any iron ore from Grace Wise.

4. Continuing connected transaction with respect to iron ore agency agreement with Jiangsu Prosperity Steel Co., Ltd* ("Jiangsu Steel") and MCO ("Agency Agreement").

   On 15 November 2011, Jiangsu Steel as buyer and MCO, an indirect wholly-owned subsidiary of PMHL, as agent entered into the Agency Agreement, pursuant to which MCO agreed to use its best effort to secure delivery to Jiangsu Steel up to 1.81 million metric tons of iron ore of agreed specifications and provide Jiangsu Steel with administrative assistance such as handling shipping documents and liaising with payment banks during the 15 November 2011 to 31 December 2012. In consideration of the services rendered by MCO to Jiangsu Steel, Jiangsu Steel shall pay MCO (a) the Commission of US$2 per dry metric ton of iron ore shipped under the Agency Agreement; and (b) the LC Handling Charge of US$2 per dry metric ton of iron ore shipped, if the payment term of the letter of credit issued on behalf of Jiangsu Steel in relation to any particular shipment is 90 days.

   During the Year, MCO received HK$7,837,000 from Jiangsu Steel as the serviced rendered in accordance with the Agency Agreement.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above continuing connected transaction, and are of the opinion that the continuing connected transactions 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 respective agreements; and

(iii) in accordance with the respective agreements 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.

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, 29 June 2012

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 42 to 109, which comprise the consolidated statement of financial position as at 31 March 2012, 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 necessary 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 2012, 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

29 June 2012

	Note	2012 HK$'000	2011 HK$'000
Continuing operations			
Turnover	6	6,190,034	8,136,491
Cost of goods sold		(6,068,008)	(7,968,358)
Gross profit		122,026	168,133
Other income	7	58,587	57,140
Selling and distribution costs		(50,973)	(45,429)
Administrative expenses		(297,265)	(408,434)
Loss from operations		(167,625)	(228,590)
Finance costs	9	(35,689)	(32,385)
Share of profits less losses of associates		137,487	15,103
Share of profits less losses of jointly controlled entities		(15,445)	4,132
Net gain on sale of available-for-sale financial assets		11,673	—
Net gain on financial assets at fair value through profit or loss		1,248	10,680
Impairment loss on available-for-sale financial assets		(27,928)	—
Fair value gain/(loss) on derivative financial instruments		7,231	(7,747)
Fair value gain on investment properties and investment properties under development		85,272	19,732
Loss on deemed disposal of partial interest in an associate		(16,180)	—
Loss before tax		(19,956)	(219,075)
Income tax expense	10	(15,956)	(2,406)
Loss for the year from continuing operations		(35,912)	(221,481)
Discontinued operation			
Profit for the year from discontinued operation	11	—	878,328
(Loss)/profit for the year	12	(35,912)	656,847
Attributable to:			
Owners of the Company			
Loss from continuing operations		(49,387)	(138,005)
Profit from discontinued operation		—	464,918
(Loss)/profit attributable to owners of the Company		(49,387)	326,913
Non-controlling interests			
Profit/(loss) from continuing operations		13,475	(83,476)
Profit from discontinued operation		—	413,410
Profit attributable to non-controlling interests		13,475	329,934
		(35,912)	656,847
(Loss)/earnings per share			
From continuing and discontinued operations			
— basic (HK cents)	16(a)	(0.77)	5.79
— diluted (HK cents)	16(a)	N/A	N/A
From continuing operations			
— basic (HK cents)	16(b)	(0.77)	(2.44)
— diluted (HK cents)	16(b)	N/A	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
(Loss)/profit for the year	(35,912)	656,847
Other comprehensive income:		
Exchange differences on translating foreign operations	103,363	92,388
Exchange differences reclassified to income statement on disposal of subsidiaries, associates and a jointly controlled entity	—	(1,969)
Fair value gains reclassified to income statement on disposal of available-for-sale financial assets	(15,333)	—
Fair value gains on available-for-sale financial assets	2,180	16,604
Other comprehensive income for the year	90,210	107,023
Total comprehensive income for the year	54,298	763,870
Attributable to:		
Owners of the Company	(7,325)	381,969
Non-controlling interests	61,623	381,901
	54,298	763,870

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	17,626	18,618
Investment properties	18	222,494	195,912
Investment properties under development	18	985,746	697,908
Goodwill	19	38,105	38,105
Other intangible assets	20	192,640	192,640
Interests in associates	21	666,350	523,669
Interests in jointly controlled entities	22	778,419	592,098
Available-for-sale financial assets	23	140,675	75,476
Non-current prepayments	24	823,473	138,093
		3,865,528	2,472,519
Current assets			
Properties under development for sale	25	1,577,304	1,474,230
Available-for-sale financial assets	23	49,573	—
Financial assets at fair value through profit or loss	26	—	15,109
Held-to-maturity investment		6,197	41,543
Trade and bills receivables	27	87,095	68,246
Prepayments, deposits and other receivables	28	471,448	1,116,057
Current tax assets		1,097	—
Pledged bank deposits	29	25,919	77,530
Bank and cash balances	29	1,394,532	1,706,754
		3,613,165	4,499,469
TOTAL ASSETS		7,478,693	6,971,988
Capital and reserves			
Share capital	30	63,950	63,950
Reserves	32	2,333,007	2,456,307
Equity attributable to owners of the Company		2,396,957	2,520,257
Non-controlling interests		2,009,799	1,990,385
Total equity		4,406,756	4,510,642
Non-current liabilities			
Bank borrowings	33	437,649	149,441
Deferred tax liabilities	35	403,892	373,618
		841,541	523,059

	Note	2012 HK$'000	2011 HK$'000
Current liabilities			
Trade and bills payables	36	68,205	173,206
Other payables and deposits received	37	747,935	403,724
Derivative financial liabilities	38	1,435	11,263
Current portion of bank borrowings	33	1,409,756	1,347,628
Current portion of obligations under finance leases	34	—	396
Current tax liabilities		3,065	2,070
		2,230,396	1,938,287
Total liabilities		3,071,937	2,461,346
TOTAL EQUITY AND LIABILITIES		7,478,693	6,971,988
Net current assets		1,382,769	2,561,182
Total assets less current liabilities		5,248,297	5,033,701

Approved by the Board of Directors on 29 June 2012

Wong Ben Koon
Chairman and Executive Director

Kong Siu Keung
Executive Director

	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	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 30(a) and 40(b))	8,384	378,576	–	–	–	–	–	–	114,105	501,065	(501,065)	–
Issue of new shares upon exercise of share options (Note 30(b))	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 30(c))	(211)	(9,272)	–	–	–	–	–	–	–	(9,483)	–	(9,483)
Deemed disposal of partial interest in a subsidiary (Note 40(c))	–	–	–	–	–	–	–	–	(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 40(a))	–	–	–	–	–	–	–	–	–	–	(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

	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 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 year	–	–	50,545	–	–	–	(8,483)	–	(49,387)	(7,325)	61,623	54,298
Transfer of share premium to contributed surplus	–	(1,000,000)	–	1,000,000	–	–	–	–	–	–	–	–
Capital injection from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	4	4
Recognition of share-based payments	–	–	–	–	–	16,944	–	–	–	16,944	1,919	18,863
Deemed disposal of partial interest in a subsidiary (Note 40(c))	–	–	–	–	–	(1,339)	–	–	(3,681)	(5,020)	23,767	18,747
Dividend paid	–	–	–	(127,899)	–	–	–	–	–	(127,899)	(67,899)	(195,798)
Changes in equity for the year	–	(1,000,000)	50,545	872,101	–	15,605	(8,483)	–	(53,068)	(123,300)	19,414	(103,886)
At 31 March 2012	**63,950**	**1,035,544**	**99,738**	**886,979**	**(12,880)**	**29,850**	**2,295**	**50**	**291,431**	**2,396,957**	**2,009,799**	**4,406,756**

	Note	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		(35,912)	656,847
Adjustments for:			
Income tax expense		15,956	12,869
Finance costs		35,689	41,776
Interest income		(21,411)	(6,570)
Depreciation		4,765	3,401
Allowance for trade and other receivables		9,835	—
Write off of non-current prepayments		6,263	—
Share-based payments		18,863	55,845
Share of profits less losses of associates		(137,487)	(15,103)
Fair value gain on investment properties and investment properties under development		(85,272)	(19,732)
Share of profits less losses of jointly controlled entities		15,445	(4,132)
Impairment loss on interests in a jointly controlled entity		—	42,789
Impairment loss on available-for-sale financial assets		27,928	—
Net gain on sale of available-for-sale financial assets		(11,673)	—
Net gain on financial assets at fair value through profit or loss		(1,248)	(10,680)
Fair value loss on derivative financial instruments		(7,231)	7,747
Gain on disposal of discontinued operation		—	(850,153)
Loss on deemed disposal of partial interest in an associate		16,180	—
Operating loss before working capital changes		(149,310)	(85,096)
Decrease in inventories		—	20,199
Increase in properties under development for sale		(110,861)	(103,709)
Increase in trade and bills receivables		(23,684)	(3,583)
Decrease/(increase) in prepayments, deposits and other receivables		60,430	(471,469)
Decrease in trade and bills payables		(105,001)	(52,124)
Increase in other payables and deposits received		340,124	450,542
Proceed from disposal of financial assets at fair value through profit or loss		16,357	18,141
Proceed from disposal of discontinued operation	40(a)	—	2,496,013
Cash generated from operating activities		28,055	2,268,914
Income tax paid		(2,605)	(10,797)
Net cash generated from operating activities		25,450	2,258,117
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(Increase) in pledged bank deposits		51,611	(22,949)
Interest received		12,932	6,570
Acquisition of subsidiaries		—	(835,614)
Purchases of property, plant and equipment		(3,229)	(82,457)
Addition of investment properties		(17,923)	(17,989)
Addition of investment properties under development		(46,768)	(42,136)
Investment in an associate		—	(114,722)
Acquisition of a jointly controlled entity		—	(268,756)
Capital contributions to jointly controlled entities		(122,335)	(175,991)

	Note	2012 HK$'000	2011 HK$'000
Advance to jointly controlled entities		(32,222)	(117,073)
Advance to a non-controlling shareholder		(9,914)	—
Advance to a subsidiary of a jointly-controlled entity		(127,124)	—
Acquisition of available-for-sales financial assets		(210,326)	(58,872)
Acquisition of held-for-maturity investment		(6,201)	(41,543)
Acquisition of financials assets at fair value through profit or loss		—	(22,570)
Proceed from disposal of available-for-sale financial assets		81,746	—
Dividends received from a jointly controlled entity		2,340	—
Advance to a joint venturer of a jointly-controlled entity		(7,800)	—
Loan to a jointly controlled entity		(24,788)	—
Repayment from a jointly controlled entity		73,381	—
Loan to business partners		(90,020)	—
Repayment from business partners		90,020	—
Payment for investments		(54,600)	—
Proceed from disposal of held-to-maturity investments		42,642	—
Net cash used in investing activities		(398,578)	(1,794,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from a non-controlling shareholder		4	—
Net proceed from deemed disposal of partial interest in a subsidiary	40(c)	16,150	30,202
Bank loans raised		2,495,501	1,623,399
Repayment of bank loans		(2,155,297)	(1,037,435)
Repayment of obligations under finance leases		(396)	(787)
Finance lease charges paid		(15)	(83)
Interests paid		(89,198)	(62,977)
Dividend paid		(127,899)	(111,132)
Dividend paid to non-controlling shareholders		(67,899)	(44,757)
Proceeds from issuance of shares		—	4,680
Repurchase of shares		—	(9,483)
Net cash generated from financing activities		70,951	391,627
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(302,177)	855,642
Effect of foreign exchange rate changes		(10,045)	41,986
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,706,754	809,126
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,394,532	1,706,754
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		1,394,532	1,706,754

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 45 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 2011. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

Subsidiaries are 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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.

(b) Merger accounting for business combination under common control

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), Splendid City Limited and Cheong Sing Merchandise Agency Limited (companies of which Mr. Wong Ben Koon, a director of the Company and his associates have beneficial interest as the vendor), 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 at a cash consideration of approximately HK$836 million ("Business Combination"). The Business Combination became effective on 31 August 2010 when all the conditions to the Business Combination were satisfied.

Since the Group and Bliss Hero were both under the common control of Mr. Wong Ben Koon and his associate 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" 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 Ben Koon and his associate.

(c) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combination (other than under common control) and goodwill *(Continued)*

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.

(d) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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. Gains 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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:

Furniture and fixtures	20% to 33%
Leasehold improvements	10%
Motor vehicles	20% to 50%
Office equipment	20% to 33%
Plant and machinery	20% to 25%

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.

(h) 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.

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leases *(Continued)*

The Group as lessee *(Continued)*

(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.

(j) 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.

(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.

(l) Discontinued operations

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Discontinued operations *(Continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Investments *(Continued)*

(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

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Borrowing costs *(Continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) Impairment of assets *(Continued)*

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.

4. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) 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 income approach by taking into account the net rental income of the properties or direct comparison approach by making reference to comparable sale transactions as available in the relevant market. For investment properties under development, their valuation are conducted by direct comparison to assess the market value of the properties when complete, less future construction costs required for the completion of the development and appropriate adjustment for profit and risk.

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.

4. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(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.

(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 provision 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 liabilities

As disclosed in note 38 to the financial statements, the fair values of the derivative financial liabilities 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.

4. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(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. 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$'000
Year ended 31 March 2012		
US$	2%/(2%)	(100)/100[(i)]
GBP	2%/(2%)	662/(662)[(ii)]
RMB	2%/(2%)	1,117/(1,117)[(iii)]
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)]

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

(i) 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, 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.

(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 2012, 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$Nil (2011: HK$1,262,000) and HK$19,025,000 (2011: HK$7,548,000) 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 2012, the three largest trade and bills receivables represent approximately 87% (2011: 83%) 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 27 to the financial statements.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 2012			
Bank borrowings subject to a repayment on demand clause	**101,834**	**—**	**—**
Other bank borrowings	**1,408,058**	**269,708**	**196,170**
Trade and bills payables	**68,205**	**—**	**—**
Other payables	**411,657**	**—**	**—**
Derivative financial liabilities	**1,435**	**—**	**—**
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 bills payables	173,206	—	—
Other payables	403,012	—	—
Derivative financial liabilities	11,263	—	—

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.

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 2012	**26,004**	**28,190**	**36,187**	**23,564**
At 31 March 2011	8,470	8,447	25,342	31,133

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(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$1,419,669,000 (2011: HK$1,783,583,000) and HK$1,430,827,000 (2011: HK$288,854,000) 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 2012		
Bank deposits	10/(10)	1,420/(1,420)[(i)]
Bank borrowings	100/(100)	(14,308)/14,308[(ii)]
Year ended 31 March 2011		
Bank deposits	10/(10)	1,784/(1,784)[(i)]
Bank borrowings	100/(100)	(2,889)/2,889[(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

	2012 HK$'000	2011 HK$'000
Financial assets:		
Available-for-sale financial assets	190,248	75,476
Financial assets at fair value through profit or loss — held for trading	—	15,109
Held-to-maturity investment	6,197	41,543
Loans and receivables (including cash and cash equivalents)	1,704,425	1,978,126
Financial liabilities:		
Financial liabilities at fair value through profit or loss	1,435	11,263
Financial liabilities measured at amortised cost	2,327,267	2,073,287

5. 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 2012:

Description	Fair value measurement using Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Available-for-sale financial assets			
Equity securities listed in Hong Kong	128,921	—	128,921
Unlisted equity securities	—	61,327	61,327
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	—	1,435	1,435

Disclosures of level in fair value hierarchy at 31 March 2011:

Description	Fair value measurement using 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 liabilities	—	11,263	11,263

6. TURNOVER

	2012 HK$'000	2011 HK$'000
Manufacturing and sales of clinker and cement	—	166,241
Trading of clinker, cement and other building materials	309,032	555,635
Trading of iron ore	5,870,646	7,572,539
Rental income	10,356	8,317
	6,190,034	8,302,732
Representing:		
Continuing operations	6,190,034	8,136,491
Discontinued operation (Note 11)	—	166,241
	6,190,034	8,302,732

7. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Compensation received	—	1,799
Commission received	2,061	7,969
Rental income	—	1,933
Despatch income	13,063	29,212
Interest income	21,411	6,570
Exchange difference, net	4,593	1,485
Others	17,459	10,988
	58,587	59,956
Representing:		
Continuing operations	58,587	57,140
Discontinued operation (Note 11)	—	2,816
	58,587	59,956

8. SEGMENT INFORMATION

Operating segments

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. In the manner consistent with the way in which information is reported internally to the Group's chief operating decision makers ("CODM") for the purposes of resources allocation and performance assessment, the Group has identified the following four reportable segments:

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

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

(iii) Trading of iron ore

(iv) Real estate investment and development

The accounting policies of the operating segments are the same as those described in Note 3 to the financial statements. Segment profits or losses do not include share of profits less losses of associates and jointly controlled entities, impairment loss on interests in a jointly controlled entity, fair value gain/(loss) on derivative financial instruments, impairment loss on available-for-sale financials assets, net gain on sale of available-for-sale financial assets, net gain on financial assets at fair value through profit or loss, fair value gain on investment properties and investment properties under development, loss on deemed disposal of partial interest in an associate, finance costs, income tax expense and other corporate income and expenses.

Segment assets and liabilities of the Group are not reported to the Group's CODM regularly. As a result, reportable segment assets and liabilities have not been presented in these financial statements.

Information about reportable segment revenue and profit or loss is as follows:

	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 2012					
Revenue from external customers	—	309,032	5,870,646	10,356	6,190,034
Segment profit/(loss)	(15,651)	6,450	36,901	(74,462)	(46,762)
Interest revenue	—	2	3,203	779	3,984
Interest expense	55	1,567	24,653	3,876	30,151
Depreciation and amortisation	895	125	378	1,420	2,818
Income tax expense	—	293	—	14,671	14,964

8. SEGMENT INFORMATION *(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 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

Reconciliations of reportable segment revenue and profit or loss:

	2012 HK$'000	2011 HK$'000
Revenue		
Total revenue from reportable segments	6,190,034	8,302,732
Elimination of revenue from discontinued operation	—	(166,241)
Consolidated revenue from continuing operations	6,190,034	8,136,491
Profit or loss		
Total profit or loss of reportable segments	(46,762)	102,839
Other profit or loss	32,716	15,943
Share of profits less losses of associates	137,487	15,103
Share of profits less losses of jointly controlled entities	(15,445)	4,132
Impairment loss on interests in a jointly controlled entity	—	(42,789)
Impairment loss on available-for-sale financial assets	(27,928)	—
Net gain on sale of available-for-sale financial assets	11,673	—
Net gain on financial assets at fair value through profit or loss	1,248	10,680
Fair value gain/(loss) on derivative financial instruments	7,231	(7,747)
Fair value gain on investment properties and investment properties under development	85,272	19,732
Finance costs	(35,689)	(41,776)
Elimination of profit before tax from discontinued operation	—	(38,638)
Loss on deemed disposal of partial interest in an associate	(16,180)	—
Unallocated amounts	(153,579)	(256,554)
Consolidated loss before tax from continuing operations	(19,956)	(219,075)

Over 90% of the Group's revenue is derived from customers based in the PRC and accordingly, no further analysis of geographical information is disclosed.

8. SEGMENT INFORMATION *(Continued)*

Revenue from major customers are set out below:

Trading of iron ore segment	2012 HK$'000	2011 HK$'000
Customer a	422,785	2,051,751
Customer b	2,095,375	1,973,782
Customer c	1,723,733	1,889,300
Customer d	1,169,866	1,647,602

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on bank loans wholly repayable within 5 years	89,198	68,616
Less: Borrowing costs capitalised into investment properties under development and properties under development for sale	(53,524)	(26,923)
	35,674	41,693
Finance lease charges	15	83
	35,689	41,776
Representing:		
Continuing operations	35,689	32,385
Discontinued operation (Note 11)	—	9,391
	35,689	41,776

Borrowing costs were capitalised at a rate of 7.83% (2011: 7.05%) per annum for the year ended 31 March 2012.

10. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Hong Kong Profits Tax		
Provision for the year	288	1,543
Under/(over)-provision in prior year	5	(2)
	293	1,541
PRC corporate income tax	—	10,798
Deferred tax (Note 35)	15,663	530
	15,956	12,869
Representing:		
Continuing operations	15,956	2,406
Discontinued operation (Note 11)	—	10,463
	15,956	12,869

Hong Kong Profits Tax is provided at 16.5% (2011: 16.5%) on the estimated assessable profit for the year ended 31 March 2012.

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.

10. INCOME TAX EXPENSE *(Continued)*

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% (2011: 25%) during the year ended 31 March 2012.

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.

Subsidiaries incorporated in Macau as offshore limited company are 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:

	2012 HK$'000	2011 HK$'000
(Loss)/profit before tax	(19,956)	669,716
Tax at the applicable rates in the jurisdictions concerned	8,382	268,791
Tax effect of income that are not taxable	(31,209)	(331,999)
Tax effect of expenses that are not deductible	28,948	63,181
Tax effect of unrecognised temporary differences	42	5
Tax effect of tax loss not recognised	9,788	12,893
Under/(over)-provision in prior year	5	(2)
Income tax expense	15,956	12,869

11. 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 ("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 is analysed as follows:

	HK$'000
Profit of discontinued operation	28,175
Gain on disposal of discontinued operation (Note 40(a))	850,153
	878,328

11. DISCONTINUED OPERATION *(Continued)*

The results of the discontinued operation for the year, which have been included in consolidated profit or loss for the year ended 31 March 2011 are as follows:

	HK$'000
Turnover	166,241
Cost of goods sold	(112,305)
Gross profit	53,936
Other income	2,816
Selling and distribution costs	(1,114)
Administrative expenses	(7,609)
Profit from operations	48,029
Finance costs	(9,391)
Profit before tax	38,638
Income tax expense	(10,463)
Profit for the year	28,175

During the year ended 31 March 2011, the Disposal Group received approximately HK$32,152,000 in respect of operating activities, paid approximately HK$111,290,000 in respect of investing activities and paid approximately HK$2,605,000 in respect of financing activities.

12. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2012 HK$'000	2011 HK$'000
Auditor's remuneration	1,100	1,200
Allowance for trade and other receivables	9,835	—
Cost of inventories sold	5,828,079	7,691,043
Depreciation	4,765	3,401
Impairment loss on interests in a jointly controlled entity	—	42,789
Impairment loss on available-for-sale financial assets	27,928	—
Net rental receivable from investment properties, net of direct outgoing of approximately HK$1,076,000 (2011: HK$1,123,000)	9,280	7,194
Operating lease charges:		
— Land and buildings	5,143	4,922
— Hire of motor vehicles	2,278	1,427
Write off of non-current prepayments	6,263	—
Equity settled share-based transaction to non-controlling interests (Note)	—	46,745
Staff costs including Directors' emoluments		
Salaries, bonuses, allowances and other costs	130,547	180,483
Share-based payments	18,863	9,100
Retirement benefits scheme contributions	3,904	2,975
	153,314	192,558

Note: 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 recognised the value of the 30% equity interest of Lead Hero as expense with a corresponding increase in the balance of non-controlling interests.

13. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	2012 HK$'000	2011 HK$'000
Fees		
Independent non-executive directors	1,697	1,538
Non-executive director	1,000	708
Other emoluments:		
Executive directors		
— Basic salaries, allowances and benefits in kind	33,160	30,937
— Share-based payments	9,747	—
— Retirement benefits scheme contributions	852	706
Independent non-executive directors		
— Retirement benefits scheme contributions	35	25
	46,491	33,914

The emoluments of each director for the years ended 31 March 2012 and 2011 are set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director						
Mr. WONG Ben Koon	—	10,211	10,000	—	469	20,680
Mr. SUN Yong Sen	—	1,000	—	—	—	1,000
Dr. MAO Shuzhong (Note (a))	—	2,145	500	3,078	99	5,822
Mr. Johannes Petrus MULDER (Note (b))	—	2,952	100	3,078	66	6,196
Ms. Gloria WONG (Note (b))	—	1,430	110	1,026	66	2,632
Mr. KONG Siu Keung	—	2,891	754	1,026	99	4,770
Mr. LIU Yongshun (Note (d))	—	1,067	—	1,539	53	2,659
Mr. LIU Benren (Note (f))	1,000	—	—	—	—	1,000
Mr. YUEN Kim Hung, Michael	726	—	—	—	10	736
Mr. YUNG Ho	198	—	—	—	—	198
Mr. CHAN Kai Nang (Note (f))	500	—	—	—	25	525
Mr. MA Jianwu (Note (f))	180	—	—	—	—	180
Dr. LIANG Dunshi (Note (c))	93	—	—	—	—	93
Total for 2012	2,697	21,696	11,464	9,747	887	46,491

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

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director					
Mr. WONG Ben Koon	—	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 (f))	708	—	—	—	708
Mr. YUEN Kim Hung, Michael	675	—	—	9	684
Mr. YUNG Ho	195	—	—	—	195
Mr. CHAN Kai Nang (Note (f))	354	—	—	16	370
Mr. MA Jianwu (Note (f))	128	—	—	—	128
Dr. LIANG Dunshi (Note (c))	142	—	—	—	142
Mr. MO Kwok Choi (Note (e))	44	—	—	—	44
Total for 2011	2,246	18,837	12,100	731	33,914

Notes:
(a) Appointed on 6 January 2010.

(b) Appointed on 1 June 2010.

(c) Appointed on 17 August 2010 and resigned on 19 September 2011.

(d) Appointed on 19 September 2011.

(e) Resigned on 17 August 2010.

(f) Appointed 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.

The five highest paid individuals in the Group during the year included three (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2011: three) highest paid individuals are set out below:

	2012 HK$'000	2011 HK$'000
Salaries and allowances	7,585	15,446
Discretionary bonus	9,315	16,724
Retirement benefits scheme contributions	255	253
	17,155	32,423

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

The emoluments fell within the following bands:

	Number of individuals 2012	2011
HK$3,500,001 to HK$4,000,000	—	1
HK$5,500,001 to HK$6,000,000	1	—
HK$8,000,001 to HK$8,500,000	—	1
HK$11,500,001 to HK$12,000,000	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.

14. 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.

15. DIVIDENDS

The directors do not recommend the payment of final dividend for the year ended 31 March 2012.

For the year ended 31 March 2011, PMHL had declared a final dividend of US9 cents (HK$0.7) and a special dividend of US9 cents (HK$0.7) per ordinary share of 1 pence each in the share capital of PMHL. The proposal was approved by the shareholders of PMHL at its annual general meeting held on 26 August 2011. Subject to the final and special dividend, the Board declared a final dividend of 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 was by way of distribution out of the contribution surplus account. The total amount of final dividend amounted to approximately HK$127,899,000.

16. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic (loss)/earnings per share

The calculation of basic loss (2011: earnings) per share attributable to owners of the Company is based on (i) the loss for the year attributable to the owners of the Company of approximately HK$49,387,000 (2011: profit of approximately HK$326,913,000); and (ii) the weighted average number of ordinary shares of 6,394,962,539 (2011: 5,644,968,000) 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 2012 and 2011.

(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$49,387,000 (2011: HK$138,005,000) 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 2012 and 2011.

(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 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 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 year ended 31 March 2011.

17. PROPERTY, PLANT AND EQUIPMENT

	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 2010	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
Additions	221	—	1,622	924	358	104	3,229
Disposals	(16)	—	—	(952)	—	—	(968)
Exchange differences	—	—	172	23	220	289	704
At 31 March 2012	**3,495**	**360**	**15,126**	**1,465**	**5,259**	**6,901**	**32,606**
Accumulated depreciation							
At 1 April 2010	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
Charge for the year	1,018	36	2,348	468	895	—	4,765
Disposals	(16)	—	—	(952)	—	—	(968)
Exchange differences	—	—	96	16	48	—	160
At 31 March 2012	**1,818**	**130**	**11,236**	**276**	**1,520**	**—**	**14,980**
Carrying amount							
At 31 March 2012	**1,677**	**230**	**3,890**	**1,189**	**3,739**	**6,901**	**17,626**
At 31 March 2011	2,474	266	4,540	726	4,104	6,508	18,618

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 (Note 34).

18. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

	Investment properties		Investment properties under development	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
At beginning of year	**195,912**	173,689	**697,908**	591,912
Additions	**17,923**	17,989	**94,598**	59,016
Transferred from properties under development for sale	**—**	—	**73,499**	—
Fair value gain/(loss)	**675**	(2,489)	**84,597**	22,221
Exchange differences	**7,984**	6,723	**35,144**	24,759
At end of year	**222,494**	195,912	**985,746**	697,908

18. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(Continued)

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

	2012 HK$'000	2011 HK$'000
Medium-term leases		
In the PRC	1,175,360	878,320
In Hong Kong	32,880	15,500
	1,208,240	893,820

(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 2012 and 31 March 2011 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 sale transactions for similar properties in the same location and condition or calculated using income approach 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 method to assess the market value of the properties when complete, less deductions for the costs required to complete the development and appropriate adjustments for profit and risk.

(c) At 31 March 2012, investment properties and certain investment properties under development were pledged as security for the Group's bank borrowings (Notes 33 and 42).

19. GOODWILL

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:

	2012 HK$'000	2011 HK$'000
Trading of iron ore		
Prosperity Materials Macao Commercial Offshore Limited ("MCO")	**38,105**	38,105

The recoverable amount of the CGU is 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 CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the business of the CGU 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% (2011: 0%). The rate used to discount the forecast cash flows from the trading of iron ore business is 20% (2011: 20%).

20. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000
Cost	
At 1 April 2010, 31 March 2011 and 2012	192,640
Accumulated amortisation	
At 1 April 2010, 31 March 2011 and 2012	—
Carrying amount	
At 31 March 2011 and 2012	192,640

At 31 March 2012, 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.

The Group carried out review of the recoverable amount of the mining rights in relation to the granite mining site as at 31 March 2012, with reference to the valuation report issued by an independent qualified valuer. No impairment is noted as at 31 March 2012.

21. INTERESTS IN ASSOCIATES

	2012 HK$'000	2011 HK$'000
Investments in the PRC:		
Share of net assets other than goodwill	569,354	435,083
Goodwill	60,808	72,490
Exchange differences	36,188	16,096
	666,350	523,669
Representing:		
Listed investment outside Hong Kong	474,561	339,605
Unlisted investments	191,789	184,064
	666,350	523,669

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:

	2012 HK$'000	2011 HK$'000
Manufacture and sales of clinker and cement		
Anhui Chaodong Cement Co., Ltd. ("Anhui Chaodong")	36,440	36,440
TCC Liaoning Cement Company Limited ("TCC Liaoning") (Formerly known as Liaoning Changqing Cement Co., Ltd.)	24,027	35,709
	60,467	72,149
Others		
Jiang Du Haichang Port Industrial Company Limited ("Jiang Du Haichang")	341	341
	60,808	72,490

21. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates at 31 March 2012 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 (d))	The PRC	RMB242,000,000	33.06%	Manufacturing and sales of clinker and cement
Jiang Du Haichang (Note (d))	The PRC	RMB220,500,000	25%	Operation of public port and the facilities business
TCC Liaoning (Note (b), (c) and (d))	The PRC	RMB371,000,000	16.11%	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 RMB897,600,000 (equivalent to approximately HK$1,112,406,000) (2011: RMB1,676,000,000 (equivalent to HK$1,989,318,000)). During the year, the shares in Anhui Chaodong were pledged to secure bank borrowings granted to the Group (Notes 33 and 42).

(b) In respect of the year ended 31 March 2012, Anhui Chaodong and TCC Liaoning, were included in the consolidated financial statements of the Group based on the most recent available financial statements drawn up to 31 December 2011, but taking into account the effect of significant transactions or events that occurred in the subsequent period from 1 January 2012 to 31 March 2012. 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) Although the Group holds less than 20% of the voting power of TCC Liaoning, the Group exercises significant influence over TCC Liaoning because the Group retains 25% voting power in the Board of Directors of TCC Liaoning.

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

Summarised financial information in respect of the Group's associates is set out below:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2012					
100 per cent	4,634,833	2,506,423	2,128,410	2,368,458	477,271
Group's share	1,305,980	700,438	605,542	685,133	137,487

	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

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 HK$'000	2011 HK$'000
Unlised investments:		
Share of net assets	564,538	445,536
Goodwill	126,138	120,807
Loan to a subsidiary of a jointly controlled entity	108,537	—
Amount due from a jointly controlled entity	21,995	68,544
	821,208	634,887
Less: Impairment losses	(42,789)	(42,789)
	778,419	592,098

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

Loan to a subsidiary of a jointly controlled entity is unsecured, interest bearing at 8% p.a. and repayable after one year.

Details of the jointly controlled entities at 31 March 2012 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 Prosperous Property Limited (Note (c))	The PRC	RMB400,000,000	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 for the year ended 31 March 2011.

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

22. 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.

	2012 HK$'000	2011 HK$'000
At 31 March		
Current assets	279,196	374,268
Non-current assets	527,106	249,779
Current liabilities	(222,737)	(155,953)
Non-current liabilities	(61,816)	(65,347)
Net assets	521,749	402,747
Year ended 31 March		
Turnover	81,867	15,311
Expenses	97,312	11,179

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$'000	2011 HK$'000
Listed equity securities in Hong Kong, at fair value	128,921	75,476
Unlisted equity securities, at fair value	61,327	—
	190,248	75,476
Analysed as:		
Current assets	49,573	—
Non-current assets	140,675	75,476
	190,248	75,476

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

24. NON-CURRENT PREPAYMENTS

	2012 HK$'000	2011 HK$'000
Prepayments for purchase of iron ore (Note)	761,795	124,800
Prepayments for investments	54,600	—
Prepayments for property, plant and equipment	4,697	10,684
Prepayments for leases	2,381	2,609
	823,473	138,093

Note: As at 31 March 2012, the Group has entered into off-take agreements with certain iron ore suppliers with respect to the balance of prepayments of approximately HK$761,795,000 (2011: HK$124,800,000), which are expected to be recovered or recognised as expense after one year.

25. PROPERTIES UNDER DEVELOPMENT FOR SALE

At 31 March 2012, 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 2012, the Group's certain properties under development for sale were pledged as security for the Group's bank borrowings (Notes 33 and 42).

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$'000	2011 HK$'000
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.

27. TRADE AND BILLS RECEIVABLES

In relation to the trading of clinker, cement and other building materials 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:

	2012 HK$'000	2011 HK$'000
0 to 90 days	87,095	63,441
91 to 180 days	—	—
181 to 365 days	—	4,805
	87,095	68,246

As at 31 March 2012, an allowance was made for estimated irrecoverable trade receivables of approximately HK$4,835,000.

Reconciliation of allowance for trade receivables:

	2012 HK$'000	2011 HK$'000
At 1 April	—	—
Allowance for the year	4,835	—
At 31 March	4,835	—

27. TRADE AND BILLS RECEIVABLES *(Continued)*

As of 31 March 2012, none of the Group's trade receivables (2011: HK$4,805,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2012 HK$'000	2011 HK$'000
Over 6 months	—	4,805

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

	2012 HK$'000	2011 HK$'000
HK$	—	4
US$	87,095	63,437
RMB	—	4,805
	87,095	68,246

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Prepayments		
— purchase of iron ore (Note (a))	262,159	959,470
— investment properties under development and properties under development for sale	6,197	29,673
— others	6,213	1,318
	274,569	990,461
Other deposits	1,560	17,201
Other receivables	69,484	57,822
Loan receivables (Note (b))	125,835	50,573
	471,448	1,116,057

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

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 current and non-current prepayments as at 31 March 2012 was a balance of prepayments with an independent supplier (the "Supplier") and certain distributors nominated by the Supplier (the "Nominated Distributors") which amounted to approximately HK$612,035,000 ("Prepayments") (2011: HK$930,142,000). On 27 June 2011, MCO entered into an iron ore master off-take agreement (the "Off-take Agreement") with the Supplier and the Nominated Distributors. Pursuant to the Off-take Agreement, the Supplier and the 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. 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.

On 2 September 2011, MCO entered into a supplementary agreement with the Supplier and the Nominated Distributors (the "Supplementary Off-take Agreement"). Pursuant to the Supplementary Off-take Agreement, the amount to be deducted from the Prepayments has been revised and all parties agreed to the aggregate prepayments deduction per calendar month shall not exceed approximately HK$18,720,000. A prepayment balance of approximately HK$387,395,000 was classified as non-current assets in view of the change in the utilisation arrangement of the Prepayments with the Nominated Distributor. As at 31 March 2012, remaining balance of the Prepayments amounted to approximately HK$224,640,000, which was expected to be utilised within one year.

The Directors are of the view that the Prepayments will be recovered in full.

(b) Included in loan receivables are amounts of approximately:

(i) HK$67,120,000 (2011: HK$48,529,000) made to a subsidiary of a jointly controlled entity that is unsecured, interest-bearing at 8% per annum and repayable within one year and HK$8,779,000 (2011: Nil) being interest receivable.

(ii) HK$32,222,000 (2011: Nil) made to the jointly controlled entities that are unsecured, interest-bearing at 10% per annum and repayable within one year.

(iii) HK$7,800,000 (2011: Nil) made to a joint venturer that is secured by all the shares in UGL owned by the joint venturer, interest-bearing at 8% per annum and repayable within one year.

(iv) HK$9,914,000 (2011: Nil) made to a non-controlling shareholder that is unsecured, interest-bearing at 7.315% per annum and repayable within one year.

(v) HK$Nil (2011: HK$2,044,000) made to an associate that is interest free, unsecured and has no fixed term of repayment.

29. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The bank deposits of approximately HK$1,419,669,000 (2011: HK$1,783,583,000) 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 42 to the financial statements.

Included in pledged bank deposits and bank and cash balances is an amount of approximately HK$257,507,000 as at 31 March 2012 (2011: HK$122,949,000) 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.

30. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 April 2010, 31 March 2011 and 2012		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 April 2010		5,517,707,540	55,177
Issue of new shares for purchase of non-controlling interests	(a)	838,374,999	8,384
Issue of new shares upon exercise of share options	(b)	60,000,000	600
Repurchase of shares	(c)	(21,120,000)	(211)
At 31 March 2011 and 2012		6,394,962,539	63,950

Notes:

(a) 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.

(b) 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 3(y) to the financial statements.

(c) 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.

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 the year ended 31 March 2012, the Group's strategy, which was unchanged from 2011, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-equity ratio at 31 March 2012 and at 31 March 2011 were 42% and 33%, 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.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Property, plant and equipment	98	40
Investments in subsidiaries	2,185,744	2,158,504
Financial assets at fair value through profit or loss	—	15,109
Other current assets	710	5,906
Bank borrowings	(30,000)	—
Other current liabilities	(114,821)	(78,314)
NET ASSETS	2,041,731	2,101,245
Share capital	63,950	63,950
Reserves (Note 32(b))	1,977,781	2,037,295
TOTAL EQUITY	2,041,731	2,101,245

32. RESERVES

(a) Group

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

(b) Company

	Note	Share premium HK$'000	Contributed Surplus HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 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	30(a)	378,576	—	—	—	378,576
Issue of new shares upon exercise of share options	30(b)	5,044	—	(964)	—	4,080
Repurchase of shares	30(c)	(9,272)	—	—	—	(9,272)
Dividend paid		—	—	—	(111,132)	(111,132)
At 31 March 2011		2,035,544	—	—	1,751	2,037,295
Total comprehensive income for the year		—	—	—	54,862	54,862
Transfer of share premium to contributed surplus		(1,000,000)	1,000,000	—	—	—
Recognition of share-based payments		—	—	13,523	—	13,523
Dividend paid		—	(127,899)	—	—	(127,899)
At 31 March 2012		1,035,544	872,101	13,523	56,613	1,977,781

32. RESERVES *(Continued)*

(b) Company *(Continued)*

Pursuant to a special resolution passed on 5 September 2011, the amount of approximately HK$1,000,000,000 standing to the credit of the share premium account of the Company was cancelled as a capital reduction. The credit arising from the capital reduction was transferred to the contributed surplus account of the Company.

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Foreign currency translation reserve

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

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

(iii) Contributed surplus

The contributed surplus of the Group comprises (a) an amount 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; and (b) the net of credit arising from capital reduction of HK$1,000,000,000 transferred from share premium account and dividend paid.

(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 3(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 impaired.

(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.

33. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Secured		
Bank loans	1,375,480	899,342
Trust receipt loans	471,925	597,727
	1,847,405	1,497,069

The borrowings are repayable as follows:

	2012 HK$'000	2011 HK$'000
On demand or within one year	1,332,103	1,294,953
In the second year	273,504	91,181
In the third to fifth years, inclusive	219,380	82,799
After five years	22,418	28,136
	1,847,405	1,497,069
Less: Amount due for settlement within 12 months	(1,332,103)	(1,294,953)
Amount due for settlement after one year which contain a repayment on demand clause	(77,653)	(52,675)
Amount due for settlement after 12 months	437,649	149,441

None of the amount of bank borrowings due for settlement after one year which contain a repayment on demand clause 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
2012				
Bank loans	648,771	60,128	666,581	1,375,480
Trust receipt loans	—	—	471,925	471,925
2011				
Bank loans	163,153	37,484	698,705	899,342
Trust receipt loans	—	—	597,727	597,727

33. BANK BORROWINGS *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Bank loans	1.5% to 8.0%	1.2% to 7.0%
Trust receipt loans	2.0% to 2.8%	2.0% to 2.6%

Bank borrowings of approximately HK$416,578,000 (2011: HK$1,208,214,000) 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.

34. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Within one year	—	411	—	396
In the second to fifth years, inclusive	—	—	—	—
	—	411	—	396
Less: future finance charges	—	(15)	—	N/A
Present value of lease obligations	—	396	—	396
Less: Amount due for settlement within 12 months (shown under current liabilities)			—	(396)
			—	—

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

At 31 March 2011, the borrowing rate was 3.4%–8.3%. Interest rate is fixed at the contract date and thus expose the Group to fair value interest rate risk. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

35. DEFERRED TAX

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	Fair value difference of other intangible assets HK$'000	With-holding tax HK$'000	Others HK$'000	Total HK$'000
At 1 April 2010	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
Charged/(credited) to profit or loss for the year	–	–	21,454	(7,507)	–	991	725	15,663
Exchange difference	8,914	–	6,564	(810)	–	–	(57)	14,611
At 31 March 2012	**210,890**	**144**	**168,365**	**(23,754)**	**48,160**	**991**	**(904)**	**403,892**

The Group has unused tax losses of approximately HK$127,501,000 (2011: HK$97,903,000) 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$8,564,000 (2011: HK$5,733,000) as at 31 March 2012 expiring within five years, the remaining tax losses do not expire under the current tax legislation.

36. TRADE AND BILLS PAYABLES

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

	2012 HK$'000	2011 HK$'000
Due within 1 month or on demand	11,197	93,896
Due after 6 months	46,020	67,413
Due after 1 year	10,988	11,897
	68,205	173,206

36. TRADE AND BILLS PAYABLES *(Continued)*

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

	2012 HK$'000	2011 HK$'000
US$	5,227	93,124
RMB	62,978	80,082
	68,205	173,206

37. OTHER PAYABLES AND DEPOSITS RECEIVED

	2012 HK$'000	2011 HK$'000
Accrued expenses	13,454	18,992
Other payables	330,585	309,951
Receipts in advance	336,278	712
Rental deposits	2,815	2,581
Amounts due to directors	64,803	67,813
Dividend payables	—	3,675
	747,935	403,724

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

38. DERIVATIVE FINANCIAL LIABILITIES

	2012 HK$'000	2011 HK$'000
Derivative financial liabilities	1,435	11,263

On 9 May 2008, 1,000 warrants were granted by PMHL to certain 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 the issue date, subject to anti-dilution adjustments and strike price resets certain circumstances. The warrants are exercisable at any time up to five years after the issue date.

During the year ended 31 March 2012, 30 (2011: 870) warrants have been exercised to subscribe for 387,166 (2011: 11,227,888) ordinary shares of PMHL and the proceeds from exercise of the warrants amounted to approximately HK$4,326,000 (2011: HK$119,000,000). As a result, derivative financial liabilities which amounted to approximately HK$2,597,000 (2011: HK$86,449,000) were derecognised.

38. DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

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

Warrant value	GBP 1,146
Expected volatility	33.29%
Risk free rate	0.17%
Expected life of warrant (years)	1
Expected dividend yield	4.66%

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, gain on re-measurement of the derivative financial instruments to fair value amounted to approximately HK$7,231,000 (2011: loss of HK$7,747,000) was recognised as a result of the decrease (2011: increase) in published price of PMHL.

39. 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 September 2009 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 closing 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 28 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.

39. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

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

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.

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 2011	Granted during the year	Number of options outstanding as at 31 March 2012	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
	—	95,000,000	95,000,000				
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				

39. 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:

	2012		2011	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of year	—	—	60,000,000	0.078
Granted during the year	131,800,000	0.41	—	—
Exercised during the year	—	—	(60,000,000)	0.078
Outstanding at the end of year	131,800,000	0.41	—	—
Exercisable at the end of year	—	N/A	—	—

At 31 March 2012, the options outstanding have a weighted average remaining contractual life of 9 years.

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

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

The fair values of the options are approximately HK$13,523,000 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	40.28%
Risk free rate	1.58%
Expected life of options (years)	4
Expected dividend yield	4.88%

Expected volatility was based on the historical volatility of the Company's share prices. The expected life was determined using the historical exercising behaviour of previous share options issued by the Company. The expected dividend yield was based on the Company's historical dividend payment record.

39. 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 year are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2011	Exercised during the year	Number of options outstanding as at 31 March 2012	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	1,500,000	(1,500,000)	—	9 October 2007	9 October 2009 to 9 October 2017	0.62	1.60
2009 options	5,590,000	—	5,590,000	28 October 2009	28 October 2011 to 27 October 2013	0.70	0.70
	7,090,000	(1,500,000)	5,590,000				

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

	At 31 March 2012		At 31 March 2011	
	Number of share options	Weighted average exercise price GBP	Number of share options	Weighted average exercise price GBP
Outstanding at the beginning of year	7,090,000	0.69	10,000,000	0.67
Exercised during the year	(1,500,000)	0.62	—	—
Cancelled during the year	—	—	(2,910,000)	0.62
Outstanding at the end of year	5,590,000	0.70	7,090,000	0.69
Exercisable at the end of year	5,590,000	0.70	1,500,000	0.62

39. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option schemes *(Continued)*

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

The options outstanding at 31 March 2012 have a weighted average remaining contractual life of approximately 1.6 years (2011: 3.4 years).

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

The fair values of the 2009 options 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%

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.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

As referred in note 11 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

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

(b) Major non cash transactions

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 of approximately HK$386,960,000 for further acquisition of 11.58% equity interests in PMHL.

The effect of the acquisition on the equity attributable to the owners of the Company is 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 30(a))	(386,960)

(c) Deemed disposal of partial interest in a subsidiary

During the year ended 31 March 2012, PMHL issued 1,500,000 and 387,166 ordinary shares upon the exercise of options and warrants respectively.

During the year ended 31 March 2011, 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 changes in ownership interest in PMHL are as follows:

	2012 HK$'000	2011 HK$'000
Net assets in the subsidiary disposed of	23,767	222,045
Derecognition of derivative financial instruments	(2,597)	(86,449)
Cash consideration	(16,150)	(30,202)
Difference recognised directly in equity	5,020	105,394

41. CONTINGENT LIABILITIES

As at 31 March 2012, 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$99 million (2011: HK$106 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 2012, the Group did not have any significant contingent liabilities (2011: Nil).

42. BANKING FACILITIES

As at 31 March 2012, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits (Note 29), investment properties (Note 18), investment properties under development (Note 18), properties under development for sale (Note 25) of the Group;

(b) 44.85% equity interests in Lead Hero Investments Limited ("Lead Hero"), an indirectly-owned subsidiary of the Group;

(c) 33.06% equity interests in Anhui Chaodong, an associate of the Group (Note 21);

(d) corporate guarantee of the Company;

(e) corporate guarantees of subsidiaries;

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

(g) personal guarantee executed by Mr. Wong Ben Koon;

(h) assignment of the off-take agreement for a minimum of total 4,000,000 tonnes of iron ore; and

(i) assignment of the Group's sale and purchase agreements of iron ore with the subsidiary of a jointly controlled entity.

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

(a) the charge over certain bank deposits (Note 29), investment properties (Note 18), investment properties under development (Note 18), properties under development for sale (Note 25) 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 21);

(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 Ben Koon; and

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

43. COMMITMENTS

As at 31 March 2012, 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:

	2012 HK$'000	2011 HK$'000
Within one year	3,470	3,141
In the second to fifth years, inclusive	741	1,989
	4,211	5,130

Operating lease payments represent rentals payable by the Group for the office premises and staff quarters. Leases are negotiated for a term of one to two 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 2012, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2012 HK$'000	2011 HK$'000
Within one year	10,023	8,705
In the second to fifth years inclusive	14,578	13,424
After five years	343	—
	24,944	22,129

(c) Capital and other commitments

	2012 HK$'000	2011 HK$'000
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	29,780	100,870

In respect of its interests in jointly controlled entities (see note 22), the jointly controlled entities are committed to incur capital expenditure of approximately HK$44,850,000 (2011: HK$491,572,000), of which the Group's share of this commitment is approximately HK$22,425,000 (2011: HK$245,794,000).

43. COMMITMENTS *(Continued)*

(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 2012, the Group had no purchase commitments in relation to the purchase of iron ore. At 31 March 2011, the Group had purchase commitments of 1,460,000 tonnes not provided for in the financial statements.

44. 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) Compensation of key management personnel

	2012 HK$'000	2011 HK$'000
Directors' fees	2,697	2,246
Basic salaries, allowances and benefits in kind	48,114	35,071
Retirement benefits scheme contributions	887	846
	51,698	38,163

(b) Service costs for the year

	2012 HK$'000	2011 HK$'000
A jointly controlled entity	27,487	—

(c) Purchase of iron ore during the year

	2012 HK$'000	2011 HK$'000
A related company (Note)	—	100,183
A subsidiary of a jointly controlled entity	125,081	—
	125,081	100,183

(d) Interest income for the year

	2012 HK$'000	2011 HK$'000
A subsidiary of a jointly controlled entity	8,440	343

44. RELATED PARTY TRANSACTIONS (Continued)

(e) Prepayments for purchase of iron ore as at 31 March 2012

	2012 HK$'000	2011 HK$'000
Included in non-current prepayments		
A related company (Note)	62,400	62,400
Included in current prepayments		
A subsidiary of a jointly controlled entity	10,304	15,631
	72,704	78,031

(f) Loan to jointly controlled entities as at 31 March 2012

	2012 HK$'000	2011 HK$'000
A jointly controlled entity	32,222	—
A subsidiary of a jointly controlled entity	184,439	48,532
	216,661	48,532

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

45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2012 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
Bliss Hero Investment Limited	Hong Kong	3,000,100 ordinary shares of HK$1 each	—	64.07%	Investment holding
# Δ Guangzhou Bliss Hero Real Estate Development Limited	The PRC	Registered capital of HK$245,000,000	—	64.07%	Property leasing
* Δ Guangzhou Fuchun Dongfang Real Estate Investment Company Limited	The PRC	Registered capital of RMB420,000,000	—	35.24%	Property development, sales and leasing
# Guilin Star Brite Stone Materials Co., Ltd.	The PRC	Registered capital of US$4,000,000	—	60%	Mining and processing of granite and selling of granite products
Lead Hero	BVI	33,334 ordinary shares of US$1 each	—	44.85%	Investment holding
MCO	Macao	100,000 ordinary shares of MOP 1 each	—	64.07%	Trading of iron ore

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
PMHL	Jersey	143,391,230 ordinary shares of GBP0.01 each	64.07%	—	Investment holding
PMM	Hong Kong	100,000 ordinary shares of HK$1 each	—	64.07%	Provision of human resources and administrative services
Pro-Rise Business Limited	BVI	1,000 ordinary shares of US$1 each	—	64.07%	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	—	100%	Trading of clinker and cement
Prosperity Minerals Limited	Hong Kong	2 ordinary shares of HK$1 each	—	64.07%	Provision of advisory, planning and administrative services
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	BVI	1,000 ordinary shares of US$1 each	—	64.07%	Provision of chartering services
WM Aalbrightt Investment Holdings (Hong Kong) Limited	Hong Kong	100,000 ordinary shares of HK$1 each	—	60.00%	Investment holding
#Δ Zhejiang Changxing Investment Co. Ltd	The PRC	Registered capital of US$58,600,000	—	64.07%	Investment holding

a wholly-owned foreign enterprise established in the PRC

* a sino foreign equity joint venture established in the PRC

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

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2012.

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				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
RESULTS					
Continuing operations					
Turnover	6,190,034	8,136,491	2,564,656	786,492	648,611
(Loss)/profit before tax	(19,956)	(219,075)	(2,939)	23,937	40,024
Income tax expense	(15,956)	(2,406)	(13,072)	(878)	(1,491)
(Loss)/profit from continuing operations	(35,912)	(221,481)	(16,011)	23,059	38,533
Profit from discontinued operation	—	878,328	142,115	—	—
(Loss)/profit for the year	(35,912)	656,847	126,104	23,059	38,533
Attributable to:					
Owners of the Company	(49,387)	326,913	67,689	24,573	38,533
Non-controlling interests	13,475	329,934	58,415	(1,514)	—
	(35,912)	656,847	126,104	23,059	38,533

	As at 31 March				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES					
Non-current assets	3,865,528	2,472,519	1,513,041	228,488	221,842
Current assets	3,613,165	4,499,469	8,535,673	147,046	94,211
Current liabilities	(2,230,396)	(1,938,287)	(4,949,462)	(80,612)	(93,938)
Non-current liabilities	(841,541)	(523,059)	(856,726)	(77,781)	(48,307)
Total equity	4,406,756	4,510,642	4,242,526	217,141	173,808
Attributable to:					
Owners of the Company	2,396,957	2,520,257	2,089,734	160,897	116,095
Non-controlling interests	2,009,799	1,990,385	2,152,792	56,244	57,713
	4,406,756	4,510,642	4,242,526	217,141	173,808

Note: Amounts disclosed in the summary financial information for prior years were extracted from the annual report for the year ended 31 March 2010.