



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

**2012/2013 Interim Report**



## BOARD OF DIRECTORS

### Executive Directors

Mr. WONG Ben Koon, *Chairman*  
Mr. SUN Yong Sen, *Deputy Chairman*  
Dr. MAO Shuzhong  
Mr. LIU Yongshun  
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

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  
Oversea-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 ADDRESS

[www.pihl-hk.com](http://www.pihl-hk.com)





## RESULTS OVERVIEW

For the six months ended 30 September 2012 (“the Period”), Prosperity International Holdings (H.K.) Limited (“the Company”) and its subsidiaries (collectively, the “Group”) recorded a turnover of approximately HK\$1,775 million, representing a decrease of 57% as compared with approximately HK\$4,090 million for the six months ended 30 September 2011. Net loss for the Period is approximately HK\$193 million, compared with the net profit of approximately HK\$30 million during the same period a year earlier. Basic loss per share stood at HK2 cents, compared with the basic earnings per share of HK0.08 cents the previous year.

The Group invests in listed and unlisted securities from time to time and for the six months ended 30 September 2012, and the board of directors of the Company (the “Board”) is of the views that certain securities has been significant or prolonged decline in the fair value below cost, there was an impairment loss of HK\$74.7 million being recorded.

The Board do not recommend a payment of an interim dividend for the Period (2011: Nil).

## Business Review

### *Iron Ore Trading*

The Group’s iron ore business is undertaken by Prosperity Minerals Holdings Limited (“PMHL”), a 64.07%-owned subsidiary of the Company. PMHL’s iron ore trading business has been operating since 1992 and sources iron ore, for shipment and use in the PRC, from major international iron ore producers in South Africa, Brazil, Australia and South East Asia, Thailand and Malaysia in particular. The majority of the PMHL’s iron ore is sold to large steel manufacturers in the PRC.

In the six months ended 30 September 2012, PMHL shipped approximately 1.5 million tonnes of iron ore (2011: approximately 2.7 million tonnes) and contributed a segment loss of approximately HK\$62.7 million (2011: segment profit of HK\$28.3 million). The Period was characterised by a particularly difficult market for iron ore trading in particular. At the end of July, there was, for the first time, an instance where an original customer reneged on an agreement to accept a shipment of 200,000 tonnes of iron ore. PMHL subsequently found other buyers in the spot market but at a lower price, incurring a loss of approximately US\$5 million (approximately HK\$39 million).

In addition, during the Period, PMHL shipped approximately 55,800 tonnes of Brazilian iron ore from United Goalink Limited (“UGL”), in which PMHL holds an effective 35% interest.



## *Management Discussion and Analysis*



### *Potential investment in Iron Ore Assets in Malaysia*

On 10 February 2012, PMHL announced a proposed investment in mining assets in Malaysia. The proposed investment is subject to certain conditions being fulfilled, including approvals being obtained from the independent directors of PMHL and the independent shareholders of the Company.

### *Real Estate Development Projects*

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

PMHL holds interests in an existing commercial building and a new commercial and residential development, both located in downtown Guangzhou City, through its wholly-owned subsidiary Bliss Hero Investment Limited ("Bliss Hero"). Bliss Hero owns approximately 11,472 square metres of office and commercial space in SilverBay Plaza which had 98% occupancy rate as at 30 September 2012. Bliss Hero also holds a 55% interest in a commercial and residential development project named Oriental Landmark which is currently under construction.

Presales of residential units at Oriental Landmark continued to exceed PHML's expectations and the management of PHML believes the sale of these units should result in satisfactory profits from PMHL's real estate division in fiscal year 2013–14. Presales of the first block commenced in December 2011 and, between then and the end of November 2012, 190 of the 192 units available were sold at an average price of approximately RMB31,000 per square metre. Presales of the second block commenced in April 2012 and, till the end of November 2012, 153 of 176 units were sold at an average price of approximately RMB34,000 per square metre. Presales of the third block commenced in July 2012 and, till the end of November 2012, 111 of 155 units were sold at an average price of approximately RMB39,000 per square metre. Presales of the fourth block commenced two months ago and, till to date, 14 of the 126 units were sold at an average price of approximately RMB41,000 per square metre.

PMHL benefits from the presales cash flow. Up to 30 September 2012, the total contracted sales of residential units amounted to approximately RMB1,144 million (approximately HK\$1,419 million) with PMHL having already received approximately RMB1,043 million (approximately HK\$1,293 million). Since then, the contracted sales have increased to approximately RMB1,318 million (approximately 1,634 million) with approximately RMB1,217 million (approximately 1,509 million) already received.

Associated retail space and car parking are also being developed at Oriental Landmark and PHML is confident that the relevant rents space will provide a good level of recurring income for PHML. It expects to begin marketing these in early 2013.





Revenue under the real estate segment represents the rental income from SilverBay Plaza in Guangzhou. Until revenue from Oriental Landmark is recognised upon the completion of the project in fiscal year 2013–14, this segment is expected to continue to report a loss due to administrative expenses. Consequently, the real estate segment recorded a loss of approximately HK\$45.2 million during the Period (2011: a loss of approximately HK\$27 million).

### *Clinker and Cement Trading Business and Operation*

During the Period, the Group saw a shift of clinker and cement export from China to other more cost competitive producers especially those in Vietnam, which was under serious oversupply of cement due to its weak domestic demand.

The Group took advantage of this situation and adjusted its procurement strategy by concentrating on more cost competitive sources such as those in Vietnam, while actively seeking more regions which can supply with competitive prices and quality. The Group's management experience and expertise along with its extensive regional network helped to guide the trading business through the highly competitive environment. For the Period under review, this segment generated a segment profit of approximately HK\$8.5 million (2011: segment loss of approximately HK\$3.5 million).

The Group has two cement operations through PMHL. One of them is 33.06% owned Anhui Chaodong Cement Company Limited ("ACC") and another one is 16.11% owned TCC Liaoning Cement Company Limited ("TCC Liaoning").

For the six months ended 30 September 2012, ACC contributed an attributable profit of approximately HK\$13 million (2011: approximately HK\$65.2 million) which is included in interest in associates to the Group. Demand for cement in ACC's region was weakened significantly due to a slowdown in the local real estate market, it worsened by a temporary delay in the construction of the National Express Rail Link project during the Period. ACC declared its first ever cash dividend to shareholders in July 2012 and PMHL received RMB8 million (approximately HK\$9.9 million) in August 2012. ACC is listed on the Shanghai Stock Exchange (stock code: 600318) and PMHL's 33.06% interest in ACC's market capitalisation is currently about RMB657 million (approximately HK\$815 million). During the Period under review, TCC Liaoning recorded an attributable profit of approximately HK\$2.3 million (2011: attributable loss of approximately HK\$14.6 million), included in interest in associates to the Group.

Overall, the PMHL's cement plants performed in line with the management's expectations during the Period.



## *Management Discussion and Analysis*



### *Granite Material Production*

With regard to the granite material production business, the Group had entered into this business by acquiring the Xiang Lu Shan Granite Mining Site in Guangxi Province, the PRC. The mining permit linked to this site was renewed with the Ministry of Land and Resources in October 2008 for a period of ten years. The site allows the Group to produce up to 40,000 m<sup>3</sup> (equivalent to approximately 102,000 tonnes) of granite products per annum. As for the feldspar powder plant, its designed production capacity is 100,000 tonnes per annum.

### *Operation of Public Port and Other Related Facilities Business*

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

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

In 2010, the Group was granted all relevant licenses necessary for the operation of the port. As a result of the Group's effort in accelerating the construction process of port facilities, the berths for 70,000 tonnage vessels have commenced operations since early 2011 and the berths for 5,000 tonnage vessels and the auxiliary facilities were substantially completed in October 2012 and commenced the operation in November 2012.

For the period ended 30 September 2012, this joint venture achieved a turnover of approximately HK\$52 million and handled approximately 5.6 million tonnes of throughput, of which majority were coal, with an attributable profit of approximately HK\$2.5 million to the Group.

## LIQUIDITY AND FINANCIAL RESOURCE

As at 30 September 2012, the Group's total bank and cash balances were approximately HK\$1,318 million (31 March 2012: HK\$1,395 million) and total borrowings were approximately HK\$1,389 million (31 March 2012: HK\$1,847 million).

The debt-to-equity ratio of the Group as at 30 September 2012, calculated on the basis of total interest bearing debts divided by owners' equity, was approximately 0.62 (31 March 2012: 0.77).





## HUMAN RESOURCES

As at 30 September 2012, the Group had a total of 207 staff members, 101 of them based in the PRC and 106 based in Hong Kong.

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

## CHARGE ON GROUP ASSETS

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

- (a) pledged bank deposits of approximately HK\$3,552,000 (31 March 2012: approximately HK\$25,919,000);
- (b) 33.06% equity interest in Anhui Chaodong Cement Co., Ltd.;
- (c) investment properties, investment properties under development and properties under development for sale in which their carrying amount as at 30 September 2012 was HK\$223,553,000, HK\$583,952,000 and HK\$279,583,000 respectively (31 March 2012: HK\$222,494,000, HK\$985,746,000 and HK\$1,577,304,000 respectively); and
- (d) 70% equity interest in Lead Hero Investments Limited, an indirectly owned subsidiary of the Group.







### OUTLOOK

Facing the uncertain economic climate, the management maintains a prudent yet positive attitude towards the operating environment. It is unsure when the global economy will have its rebound but the Group will be well prepared by focusing on iron ore trading and mineral resources, which are the major source of income. In fact, the expansion of and growth in the Group's mineral resources business will continue to be the prime focus.

Iron ore prices have recovered markedly since August and are likely to remain at current levels during the current fiscal year, thereby offering some degree of stability. The Group is confident that its long standing connections and experience in China, together with an adaptable trading model, will enable it to sustain market position in iron ore and trade satisfactorily during this difficult period. In the long run, the Group is confident of the prospects of iron ore consumption and steel production in its chosen market and a return to a more normal trading. Furthermore, UGL is currently focused on bringing its new iron ore processing plant online early next year, which will increase the quality, and therefore the competitiveness, of its Brazilian iron ore exports.

Meanwhile, the Group 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. The Group, on 29 October 2012, entered into agreements with various vendors, as to acquire 100% issued share capital of Billion Win Capital Limited ("Billion Win") for an aggregate consideration US\$500 million, subject to upward and downward adjustments with a cap of US\$650 million. Billion Win, through its subsidiary, is engaged in the operation of iron ore mines and iron ore processing plant in Sri Jaya, Pahang State, Malaysia. The management of the Group is fully confident of the prospects of this acquisition and believes that the potential acquisition will bring promising returns to the Shareholders. The acquisition remains conditional upon a number of conditions and approvals being met.

Turning to the property development division, the strategy has been to identify well-located sites in major cities which the Group could develop at low cost and which offer high potential rates of return. Currently, the focus is on the successful completion of PMHL's existing development project in Guangzhou. The Group believes that the presale results at Oriental Landmark will be in line with its expectations and the initial profits are scheduled to be recorded in the fiscal year 2013–14.

With 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 strengthen the competitiveness in respective markets. Looking ahead, the Group will strive to become one of the leading suppliers of building materials and mineral resources in Asia. The Group aims to generate promising returns for the shareholders in the long run.



## Condensed Consolidated Income Statement



The board of directors of the Company (the "Board") is pleased to announce the condensed consolidated results of the Group for the six months ended 30 September 2012, together with the comparative figures for the corresponding period of last year, as follows:

	Note	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Turnover</b>	3	1,774,674	4,089,922
Cost of goods sold		(1,779,580)	(4,023,346)
<b>Gross (loss)/profit</b>		(4,906)	66,576
Other income	4	32,204	19,058
Selling and distribution costs		(27,275)	(11,664)
Administrative expenses		(131,761)	(110,042)
<b>Loss from operations</b>		(131,738)	(36,072)
Finance costs	6	(23,544)	(13,137)
Share of profits less losses of associates		17,847	66,797
Share of profits less losses of jointly controlled entities		(28,260)	(12,011)
Fair value gain on derivative financial Instruments		1,312	6,035
Fair value gain on investment properties and investment properties under development		54,334	43,393
Impairment loss of available-for-sale financial assets		(74,725)	–
Gain on disposal of financial assets at fair value through profit or loss		–	1,248
Loss on deemed disposal of partial interest in an associate		–	(16,180)
<b>(Loss)/profit before tax</b>		(184,774)	40,073
Income tax expense	7	(8,323)	(10,355)
<b>(Loss)/profit for the period</b>	8	(193,097)	29,718



## Condensed Consolidated Income Statement



	Note	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Attributable to:</b>			
Owners of the Company		(127,722)	5,310
Non-controlling interests		(65,375)	24,408
		(193,097)	29,718
(Losses)/earnings per share			
— basic (HK cents)	9(a)	(2.00)	0.08
— diluted (HK cents)	9(b)	N/A	0.08



## Condensed Consolidated Statement of Comprehensive Income



	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
(Loss)/profit for the period	(193,097)	29,718
Other comprehensive income:		
Exchange differences on translating foreign operations	(27,391)	69,353
Fair value loss on available-for-sale financial assets	(1,226)	(44,090)
Other comprehensive income for the period, net of tax	(28,617)	25,263
Total comprehensive income for the period	(221,714)	54,981
Attributable to:		
Owners of the Company	(142,586)	10,035
Non-controlling interests	(79,128)	44,946
	(221,714)	54,981



## Condensed Consolidated Statement of Financial Position



		As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	19,986	17,626
Investment properties	11	223,553	222,494
Investment properties under development	11	1,103,638	985,746
Goodwill		38,105	38,105
Other intangible assets		192,640	192,640
Interests in associates	12	669,040	666,350
Interests in jointly controlled entities	13	763,635	778,419
Available-for-sale financial assets		141,655	140,675
Non-current prepayments		676,872	823,473
		<b>3,829,124</b>	<b>3,865,528</b>
<b>Current assets</b>			
Properties under development for sale		1,711,386	1,577,304
Available-for-sale financial assets		13,509	49,573
Held-to-maturity investment		–	6,197
Trade and bills receivables	14	23,608	87,095
Prepayments, deposits and other Receivables		887,503	471,448
Current tax assets		483	1,097
Pledged bank deposits		3,552	25,919
Bank and cash balances		1,318,429	1,394,532
		<b>3,958,470</b>	<b>3,613,165</b>
<b>Total assets</b>		<b>7,787,594</b>	<b>7,478,693</b>



# Condensed Consolidated Statement of Financial Position



		As at 30 September	As at 31 March
	Note	2012 (Unaudited) HK\$'000	2012 (Audited) HK\$'000
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	15	63,950	63,950
Reserves		2,190,421	2,333,007
Equity attributable to owners of the Company		2,254,371	2,396,957
Non-controlling interests		1,894,500	2,009,799
<b>Total equity</b>		<b>4,148,871</b>	<b>4,406,756</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	16	346,102	437,649
Deferred tax liabilities		407,228	403,892
		753,330	841,541
<b>Current liabilities</b>			
Trade and bills payables	17	103,271	68,205
Other payables and deposits received		1,719,230	747,935
Derivative financial liabilities		123	1,435
Current portion of bank borrowings	16	1,042,534	1,409,756
Current tax liabilities		20,235	3,065
		2,885,393	2,230,396
<b>Total liabilities</b>		<b>3,638,723</b>	<b>3,071,937</b>
<b>Total equity and liabilities</b>		<b>7,787,594</b>	<b>7,478,693</b>
<b>Net current assets</b>		<b>1,073,077</b>	<b>1,382,769</b>
<b>Total assets less current liabilities</b>		<b>4,902,201</b>	<b>5,248,297</b>



# Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Foreign currency		Merger reserve (Unaudited) HK\$'000	Share-based payment		Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
			translation reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000		reserve	Investment reserve (Unaudited) HK\$'000					
At 1 April 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
Total comprehensive income for the period	-	-	(13,638)	-	-	-	(1,226)	-	(127,722)	(142,586)	(79,128)	(221,714)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(36,171)	(36,171)
Changes in equity for the period	-	-	(13,638)	-	-	-	(1,226)	-	(127,722)	(142,586)	(115,299)	(257,885)
At 30 September 2012	63,950	1,035,544	86,100	886,979	(12,880)	29,850	1,069	50	163,709	2,254,371	1,894,500	4,148,871
At 1 April 2011	63,950	2,035,544	49,193	14,878	(12,880)	14,245	10,778	50	344,499	2,520,257	1,990,385	4,510,642
Total comprehensive income for the period	-	-	33,198	-	-	-	(28,473)	-	5,310	10,035	44,946	54,981
Transfer of share premium to contributed surplus	-	(1,000,000)	-	1,000,000	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	11,148	-	-	-	11,148	-	11,148
Dividend paid	-	-	-	(127,899)	-	-	-	-	-	(127,899)	(67,899)	(195,798)
Deemed disposal of partial interests in subsidiaries	-	-	-	-	-	(1,339)	-	-	(11,052)	(12,391)	31,138	18,747
Changes in equity for the period	-	(1,000,000)	33,198	872,101	-	9,809	(28,473)	-	(5,742)	(119,107)	8,185	(110,922)
At 30 September 2011	63,950	1,035,544	82,391	886,979	(12,880)	24,054	(17,695)	50	338,757	2,401,150	1,998,570	4,399,720

## Condensed Consolidated Statement of Cash Flows



	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	599,269	(177,263)
Net cash used in investing activities	(143,349)	(261,756)
Net cash (used in)/generated from financing activities	(541,302)	163,062
Net decrease in cash and cash equivalents	(85,382)	(275,957)
Effect of foreign exchange rate changes	9,279	5,386
Cash and cash equivalents at beginning of period	1,394,532	1,706,754
Cash and cash equivalents at end of period	1,318,429	1,436,183
Analysis of cash and cash equivalents		
Bank and cash balances	1,318,429	1,436,183







### 1. GENERAL INFORMATION

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

#### Basis of Preparation

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

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

This announcement contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the annual financial statements for the year ended 31 March 2012. The condensed consolidated financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes Hong Kong Financial Reporting Statements ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and interpretations) issued by the HKICPA.





### 2. PRINCIPAL ACCOUNTING POLICIES

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

The condensed consolidated financial information should be read in conjunction with the 2012 annual financial statements. The accounting policies and method of computation used in the preparation of the condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2012.

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

### 3. TURNOVER

The Group was principally engaged in mining and processing of granite and selling of granite products, trading of clinker, cement and other building materials, trading of iron ore and real estates investment and development during the six months ended 30 September 2012. The Group's turnover represents the sales of goods to customers, net of discount and returns, and the rental income received from real estates leasing.



## Notes to Condensed Consolidated Financial Statements



### 4. OTHER INCOME

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Commission received	764	510
Despatch income	3,711	2,827
Dividend income	1,333	1,028
Interest income	21,670	4,364
Exchange difference, net	–	1,646
Others	4,726	8,683
	<b>32,204</b>	<b>19,058</b>

### 5. SEGMENT INFORMATION

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

- (i) Trading of iron ore
- (ii) Trading of clinker, cement and other building materials
- (iii) Mining and processing of granite and selling of granite products
- (iv) Real estates investment and development



## Notes to Condensed Consolidated Financial Statements



	Trading of Iron ore HK\$'000	Trading of Clinker, Cement and other building materials HK\$'000	Mining and processing of granite and selling of granite products HK\$'000	Real estates investment and development HK\$'000	Total HK\$'000
<b>For the six months ended 30 September 2012 (Unaudited)</b>					
Revenue from external customers	1,538,940	230,204	–	5,530	1,774,674
Segment profit/(loss)	(62,657)	8,533	(2,357)	(45,232)	(101,713)

	Trading of Iron ore HK\$'000	Trading of Clinker, Cement and other building materials HK\$'000	Mining and processing of granite and selling of granite products HK\$'000	Real estates investment and development HK\$'000	Total HK\$'000
<b>For the six months ended 30 September 2011 (Unaudited)</b>					
Revenue from external customers	3,955,758	129,394	–	4,770	4,089,922
Segment profit/(loss)	28,301	(3,544)	(1,888)	(27,045)	(4,176)



## Notes to Condensed Consolidated Financial Statements



Reconciliation of reportable segment profit or loss:

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Total profit or loss of reportable segments	(101,713)	(4,176)
Other profit or loss	28,024	1,456
Share of profits less losses of associates	17,847	66,797
Share of profits less losses of jointly controlled entities	(28,260)	(12,011)
Fair value gain on investment properties and investment properties under development	54,334	43,393
Fair value gain on derivative financial instruments	1,312	6,035
Impairment loss of available-for-sale financial assets	(74,725)	–
Gain on disposal of financial assets at fair value through profit or loss	–	1,248
Loss on deemed disposal of partial interest in an associate	–	(16,180)
Finance costs	(23,544)	(13,137)
Unallocated amounts	(58,049)	(33,352)
Consolidated (loss)/profit before tax	(184,774)	40,073

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





6. FINANCE COSTS

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within 5 years	49,564	36,471
Less: Borrowing costs capitalised into investment properties under development and properties under development for sale	(26,020)	(23,793)
	23,544	12,678
Finance lease charges	–	459
	23,544	13,137

Borrowing costs were capitalised at a rate of 6.0% (2011: 7.22%) per annum for six months ended 30 September 2012.

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current tax	778	632
Deferred tax	7,545	9,723
	8,323	10,355

Hong Kong Profits Tax has been provided at a rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the six months ended 30 September 2012 and 2011.



## Notes to Condensed Consolidated Financial Statements



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 six months ended 30 September 2012.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

### 8. (LOSS)/PROFIT FOR THE PERIOD

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

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation and amortisation	2,542	2,174
Exchange loss, net	3,153	–
Salaries, bonus, allowances and other costs (including directors' remuneration)	72,522	41,640
Share-based payments	–	11,148
Retirement benefits scheme contributions	772	1,300

### 9. (LOSSES)/EARNINGS PER SHARE

#### (a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the loss attributable to owners of the Company for the six months ended 30 September 2012 of approximately HK\$127,722,000 (six months ended 30 September 2011: profit of approximately HK\$5,310,000) and the weighted average number of ordinary shares of 6,394,962,539 (six months ended 30 September 2011: 6,394,962,539) in issue during the six months ended 30 September 2012.

#### (b) Diluted (losses)/earnings per share

No diluted losses per share are presented as the Company did not have any potentially dilutive ordinary share during the six months ended 30 September 2012.





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

## 10. DIVIDEND

No interim dividend has been declared by the Board for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

## 11. INVESTMENT PROPERTIES, INVESTMENT PROPERTIES UNDER DEVELOPMENT, AND PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2012, additions to investment properties, investment properties under development, and property, plant and equipment amounted to approximately of HK\$Nil, HK\$75,589,000 and HK\$4,794,000 respectively. No property, plant and equipment were disposed of during the same period.

## 12. INTERESTS IN ASSOCIATES

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Share of net assets other than goodwill	608,574	605,542
Goodwill	60,466	60,808
	<b>669,040</b>	<b>666,350</b>
Representing:		
Listed investment outside Hong Kong	473,973	474,561
Unlisted investments	195,067	191,789
	<b>669,040</b>	<b>666,350</b>





## Notes to Condensed Consolidated Financial Statements

Details of the Group's associates at 30 September 2012 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held by subsidiary	Principal activities
Yangzhou Haichang Port Industrial Company Limited (Formerly known as Jiang Du Haichang Port Industrial Company Limited)	The PRC	RMB220,500,000	25%	Operation of public port and the facilities business
Anhui Chaodong Cement Co. Ltd	The PRC	RMB242,000,000	33.06%	Manufacturing and sale of clinker and cement
TCC Liaoning Cement Company Limited ("TCC Liaoning") (Formerly known as Liaoning Changqing Cement Co., Ltd.)	The PRC	RMB371,000,000	16.11%	Manufacturing and sale of clinker and cement

Although the Group holds less than 20% of the voting power of TCC Liaoning, the Group exercises significant influence over TCC Liaoning because the Group retains 25% voting power in the board of director of TCC Liaoning.

### 13. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Unlisted investments		
Share of net assets	532,528	564,538
Goodwill	124,997	126,138
Amount due from a jointly controlled entity	21,759	21,995
Loan to a subsidiary of a jointly controlled entity	127,140	108,537
	806,424	821,208
Less: Impairment losses	(42,789)	(42,789)
	763,635	778,419

## Notes to Condensed Consolidated Financial Statements



Details of the Group's jointly controlled entities as at 30 September 2012 are as follows:

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

### 14. TRADE AND BILLS RECEIVABLES

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

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

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
0 to 90 days	23,608	87,095



## Notes to Condensed Consolidated Financial Statements



### 15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2012 (Audited) and 30 September 2012 (Unaudited)	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2012 (Audited) and 30 September 2012 (Unaudited)	6,394,962,539	63,950

### 16. BANK BORROWINGS

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Bank loans	1,345,864	1,375,480
Trust receipt loans	42,772	471,925
	<b>1,388,636</b>	<b>1,847,405</b>



## Notes to Condensed Consolidated Financial Statements



The bank borrowings are repayable as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
On demand or with one year	1,028,051	1,332,103
In the second year	297,951	273,504
In the third to fifth years, inclusive	62,634	219,380
After five years	–	22,418
	<b>1,388,636</b>	<b>1,847,405</b>
Less: Amount due for settlement within 12 months	(1,028,051)	(1,332,103)
Amount due for settlement after one year which contain a repayment on demand clause	(14,483)	(77,653)
Amount due for settlement after 12 months	<b>346,102</b>	<b>437,649</b>

### 17. TRADE AND BILLS PAYABLES

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

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Due within 1 month or on demand	103,271	11,197
Due after 6 months	–	46,020
Due after 1 year	–	10,988
	<b>103,271</b>	<b>68,205</b>



## Notes to Condensed Consolidated Financial Statements



### 18. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Significant related party transactions</b>		
(a) Compensation of key management personnel		
Directors' fees	1,080	1,352
Basic salaries, allowances and benefits in kind	12,567	10,654
Retirement benefits scheme contributions	594	476
Share-based payments	–	4,714
	14,241	17,196
(b) Services fee paid to a jointly controlled entity	741	21,455
(c) Purchase of iron-ore from a jointly controlled Entity	26,551	72,255
(d) Loans advanced to the Group's jointly controlled entities	91,790	–
(e) Loans advanced to joint venturers	14,734	–





	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
<b>Amounts due from related parties</b>		
(f) Prepayments for purchase of iron ore Included in non-current prepayments		
A related company (Note)	62,400	62,400
Included in current prepayments		
A subsidiary of a jointly controlled entity	–	10,304
	<b>62,400</b>	<b>72,704</b>
(g) Loans to a subsidiary of a jointly controlled entity included in other receivables	–	184,439
(h) Loans to the jointly controlled entities of the Group	300,253	32,222
(i) Loans to joint venturers	26,434	7,800
(j) Other receivables from Group's jointly controlled entity	47,822	–
(k) Amount due to director(s) included in other payables	51,543	64,803
(l) Deposit to a related company to purchase available-for-sale financial assets <sup>(Note)</sup>	54,600	54,600

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

## 20. CONTINGENT LIABILITIES

As at 30 September 2012, the Group did not have any significant contingent liabilities (31 March 2012: Nil).





### 21. COMMITMENTS

The Group had the following commitments:

#### (a) Operating lease commitments — as lessee

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

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Within one year	7,907	3,470
In the second to fifth years, inclusive	17,446	741
	<b>25,353</b>	<b>4,211</b>

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





## (b) Operating lease commitments — as lessor

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

At 30 September 2012, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Within one year	9,187	10,023
In the second to fifth years inclusive	10,148	14,578
Over five years	–	343
	<b>19,335</b>	<b>24,944</b>

## (c) Capital and other commitments

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Contracted but not provided for acquisition of property, plant and equipment and properties to be developed	10,475	29,780

In respect of its interests in jointly controlled entities, the jointly controlled entities are committed to incur capital expenditure of approximately HK\$95,394,000 (31 March 2012: HK\$44,850,000), of which the Group's share of this commitment is approximately HK\$47,697,000 (31 March 2012: HK\$22,425,000).







### 22. EVENTS AFTER THE REPORTING PERIOD

- (a) On 11 October 2012, Prosperity Materials Macao Commercial Offshore Limited ("MCO"), a wholly owned subsidiary of Prosperity Minerals Holdings Limited ("PMHL") and Century Iron Ore Holdings Inc. ("Century Iron") have agreed to reduce the prepayment paid by MCO to Century Iron from US\$8 million to US\$4 million.
- (b) On 22 October 2012, MCO, PMHL, ZCM Minerals Sdn. Bhd. entered into the master restructuring agreement to restructure the arrangements regarding the prepayment prepaid by MCO under the off-take agreement ("Master Restructuring Agreement").

As at the date of the report, the Master Restructuring Agreement has yet to be completed. Please refer to the announcement of the Company dated 24 October 2012 for more details.

- (c) On 29 October 2012, the Company entered into the conditional agreements with All Wealthy Capital Limited ("AWC"), Sun Honest Enterprises Limited ("Sun Honest") and Million Sea Group Limited ("Million Sea") in relation to acquire 100% of the issued share capital of Billion Win Capital Limited ("Billion Win") for an aggregate consideration of US\$500 million, subject to adjustment and a cap of US\$650 million (the "Acquisition"). Billion Win, through its wholly-owned subsidiary, Phoenix Lake Sdn. Bhd., is engaged in the operation of the iron ore mines and the operation of the iron ore processing plant in Sri Jaya, Pahang State, Malaysia.

As at the date of this report, the Acquisition has yet to be completed. Please refer to the announcement of the Company dated 16 November 2012 for more details.





- (d) On 15 November 2012, the Company as issuer entered into a subscription agreement with Sidero International Limited (“Sidero”) as subscriber, pursuant to which the Company conditionally agreed to issue the convertible note in the principal amount of US\$25 million to Sidero, under the general mandate granted to the Company in September 2012. The convertible note will bear interest at a rate of 8.25% per annum and Sidero has the right to convert in whole or in part of the then outstanding principal amount of the convertible note at any time before the maturity date falling on the third anniversary of the date of issue of such convertible note with the initial conversion price being the lower of (i) HK\$0.6 per share; or (ii) 90% of the issue price using in the Acquisition.

As at the date of this report, the convertible note has yet to be issued. Please refer to the announcement of the Company dated 16 November 2012 for more details.



## Other Information

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2012 (2011: Nil).

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

As at 30 September 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

Name of Director	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse	Total	
Mr. Wong Ben Koon ("Mr. Wong")	1,851,890,697	2,244,907,131 (Note)	22,640,000	4,119,437,828	64.42%
Mr. Johannes Petrus Mulder	200,000	-	-	200,000	0.003%

Note: Mr. Wong is interested in 99,952,143 shares of the Company through his interests in Well Success Group Limited ("Well Success"), which is wholly owned by Mr. Wong. In addition, Mr. Wong is interested in 2,139,675,960 shares, 2,639,514 shares and 2,639,514 shares through his interest in Prosperity Minerals Group Limited ("PMGL"), Max Will Profits Limited ("Max Will") and Max Start Holdings Limited ("Max Start"), which are owned beneficially as to 67.2%, 65% and 65% by Mr. Wong.



### (b) Long positions in share options

Number of share options held by the Directors and chief executive of the company as at 30 September 2012:

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

### (c) Short positions in ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse		
Mr. Wong	-	124,145,962 (Note)	-	124,145,962	1.94%

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. As at 12 April 2012, Luck Well redeemed 18% of the warrant instruments and the shares entitled to be purchased by Luck Well was reduced to 124,145,962 shares.

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



## *Other Information*



Save as disclosed above, as at 30 September 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.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

### DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

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



## Other Information



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

Name or category of participant	Number of share options outstanding as at 1 April 2012	Granted/ exercised during the Relevant Period	Number of share options outstanding as at 30 September 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\$
<b>Director</b>							
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
<b>Other</b>							
Other employees	36,800,000	-	36,800,000	6 April 2011	6 April 2012 to 5 April 2021	0.41	0.41
	<u>131,800,000</u>	<u>-</u>	<u>131,800,000</u>				

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

### 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.



## Other Information

Details of the shares option of the Subsidiary Scheme outstanding during the period from 1 April 2012 to 30 September 2012 are as follows:

Name or category of participant	Number of share options outstanding as at 1 April 2012	Granted/ exercised during the Relevant period	Number of share options outstanding as at 30 September 2012	Date of grant of share options	Exercisable period	Exercise price of share options GBP	Price of share at date of grant of share options GBP
<b>Other employees</b>							
2009 options	5,590,000	–	5,590,000	28 October 2009	28 October 2011 to 27 October 2013	0.70	0.70

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

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

So far as is known to any Director or chief executive of the Company, as at 30 September 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 PMGL, Max Start and Max Will	2,144,954,988	33.54%
PMGL	(a)	Directly beneficially owned	2,139,675,960	33.46%
Ms. Shing Shing Wai	(b)	Interest of substantial shareholder's spouse Directly beneficially owned	4,096,797,828 22,640,000	
			4,119,437,828	64.42%



### 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 PMGL	124,145,962	1.94%
PMGL	(a) & (c)	Directly beneficially owned	124,145,962	1.94%
Ms. Shing Shing Wai	(b) & (c)	Interest of substantial shareholder's spouse	124,145,962	1.94%

#### Notes:

- (a) The entire issued share capital of PMGL, Max Start and Max Will, are beneficially owned as to 32.8%, 35% and 35% by Madam Hon Ching Fong.
- (b) Ms. Shing Shing Wai is the spouse of Mr. Wong and the interests of each of Mr. Wong and Ms. Shing Shing Wai is 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. As at 12 April 2012, Luck Well redeemed 18% of the warrant instruments and the shares entitled to be purchased by Luck Well was reduced to 124,145,962 shares.

Save as disclosed above, as at 30 September 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.







### AUDIT COMMITTEE

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

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

The audit committee held one meeting during the Relevant Period. The audit committee has reviewed the Group's unaudited interim information for the six months ended 30 September 2012.

### CORPORATE GOVERNANCE

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

#### Communications with shareholders

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

Whilst the Board endeavours to maintain an on-going dialogue with its shareholders, the chairman of the Company may not always be able to attend general meetings due to other important business engagements. Mr. Kong Siu Keung, being an executive Director, attended the annual general meeting of the Company on 3 September 2012 and was delegated to make himself available to answer questions if raised at the meeting. The absence of the chairman of the Company in the annual general meeting constituted a deviation from the CG Code.





### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

### APPRECIATION

On behalf of the Company, I would like to express my sincere gratitude to our shareholders and business partners for their confidence and loyal support to the Group. In addition, I would like to take this opportunity to thank the management and all staff members for their dedication and valuable contribution. As we enter into the second half of the financial year 2013, we look forward to achieving continued growth for the Group.

By order of the Board  
Prosperity International Holdings (H.K.) Limited  
Wong Ben Koon  
*Chairman*

Hong Kong, 30 November 2012



## *Other Information*

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

### **Executive Directors**

Mr. Wong Ben Koon (*Chairman*)

Mr. Sun Yong Sen (*Deputy Chairman*)

Dr. Mao Shuzhong

Mr. Liu Yongshun

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

