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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2010

FINANCIAL AND BUSINESS HIGHLIGHTS

The financial and business highlights of Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2010 (the "Year") are summarised as follows:

- Turnover arising from continuing operations for the Year was approximately HK\$2,560 million, representing an increase of approximately 226% as compared with HK\$786 million for the year ended 31 March 2009.
- Net profit attributable to owners of the Company for the Year amounted to approximately HK\$57.4 million, representing a growth of approximately 133% as compared with HK\$24.6 million for the year ended 31 March 2009.
- The performance of our clinker and cement trading business was satisfactory even in the aftermath of the global financial crisis. During the Year, the Group sold clinker and cements aggregating 1,509,000 tonnes, generated the revenue of approximately HK\$495,157,000 with segment profit of approximately HK\$25,886,000.
- The revenue arising from the granite mine located in Guangxi Province, the People's Republic of China (the "PRC") amounted to approximately HK\$8,291,000. The construction of a feldspar powder production plant with annual production capacity of 100,000 tonnes was completed in mid 2010. The plant is currently under trial production.
- The Group completed the acquisition of 54.28% interest in the issued share capital of Prosperity Minerals Holdings Limited ("Prosperity Minerals") at a consideration of approximately HK\$1.6 billion.
- Prosperity Minerals entered into an agreement to dispose its equity interest in the majority of cement and clinker manufacturing companies to an independent third party for a cash consideration of HK\$3.8 billion in December 2009 (the "Disposal"). The Disposal was completed on 30 April 2010. As of the date of this announcement, an aggregate amount of approximately HK\$3.6 billion has been received and the remaining balance of the consideration is expected to be received in July 2010.
- Basic earnings per share for the Year amounted to HK1.5 cents.
- The directors of the Company recommend the payment of a final dividend of HK2 cents per ordinary share for the Year.

RESULTS

The board of directors of the Company (the "Board" or the "Directors") is pleased to announce the audited consolidated results of the Group for the Year, which have been reviewed by the Company's audit committee.

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Continuing operations			
Turnover	4	2,559,682	786,492
Cost of goods sold		(2,404,708)	(703,062)
Gross profit		154,974	83,430
Other income	5	31,419	7,145
Selling and distribution costs		(59,459)	(36,323)
Administrative expenses		(106,251)	(28,388)
Profit from operations		20,683	25,864
Finance costs	7	(5,883)	(1,927)
Share of profits less losses of associates		19,799	—
Fair value loss on derivative financial instruments		(77,064)	—
(Loss)/profit before tax		(42,465)	23,937
Income tax expense	8	(2,115)	(878)
(Loss)/profit for the year from continuing operations		(44,580)	23,059
Discontinued operation			
Profit for the year from discontinued operation	9	142,115	—
Profit for the year	10	97,535	23,059
Attributable to:			
Owners of the Company		57,394	24,573
Minority interests		40,141	(1,514)
		97,535	23,059
Earnings/(loss) per share			
From continuing and discontinued operations			
– basic (HK cents)	11(a)	1.5	1.2
– diluted (HK cents)	11(a)	N/A	1.1
From continuing operations			
– basic (HK cents)	11(b)	(0.6)	1.2
– diluted (HK cents)	11(b)	N/A	1.1

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Profit for the year	97,535	23,059
Other comprehensive income:		
Exchange differences on translating foreign operations	2,929	157
Total comprehensive income for the year	100,464	23,216
Attributable to:		
Owners of the Company	59,304	24,685
Minority interests	41,160	(1,469)
	100,464	23,216

Consolidated Statement of Financial Position

At 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Property, plant and equipment		6,042	957
Goodwill		38,105	—
Other intangible assets		192,640	192,640
Interests in associates		378,346	28,120
Non-current prepayments		129,240	6,771
		744,373	228,488
Current assets			
Trade and bills receivables	12	155,061	25,742
Prepayments, deposits and other receivables		512,006	21,951
Current tax assets		1,542	496
Pledged bank deposits		54,581	15,389
Bank and cash balances		403,909	83,468
		1,127,099	147,046
Disposal group held for sale	13	5,869,803	—
		6,996,902	147,046
TOTAL ASSETS		7,741,275	375,534
Capital and reserves			
Share capital		55,177	21,760
Reserves		1,796,607	139,137
		1,851,784	160,897
Equity attributable to owners of the Company		1,851,784	160,897
Minority interests		1,378,072	56,244
Total equity		3,229,856	217,141
Non-current liabilities			
Bank borrowings		23,512	29,621
Obligations under finance leases		335	—
Deferred tax liabilities		48,160	48,160
		72,007	77,781
Current liabilities			
Trade and bills payables	14	222,187	15,063
Other payables		866,054	40,951
Receipt in advance		1,171	99
Derivative financial instruments		89,965	—
Current portion of bank borrowings		338,261	24,352
Current portion of obligations under finance leases		308	147
		1,517,946	80,612
Liabilities directly associated with disposal group held for sale	13	2,921,466	—
		4,439,412	80,612
Total liabilities		4,511,419	158,393
TOTAL EQUITY AND LIABILITIES		7,741,275	375,534
Net current assets		2,557,490	66,434
Total assets less current liabilities		3,301,863	294,922

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners of the Company									
	Share capital	Share premium	Foreign currency translation reserve	Contributed surplus	Share-based payment reserve	Other reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	20,012	48,837	2,640	14,878	1,933	50	27,745	116,095	57,713	173,808
Total comprehensive income for the year	—	—	112	—	—	—	24,573	24,685	(1,469)	23,216
Recognition of share-based payments	—	—	—	—	173	—	—	173	—	173
Issue of new shares for acquisition of subsidiaries	1,837	20,019	—	—	—	—	—	21,856	—	21,856
Repurchase of shares	(189)	(2,063)	—	—	—	—	—	(2,252)	—	(2,252)
Issue of new shares upon exercise of share options	100	297	—	—	(57)	—	—	340	—	340
	1,748	18,253	—	—	116	—	—	20,117	—	20,117
At 31 March 2009	21,760	67,090	2,752	14,878	2,049	50	52,318	160,897	56,244	217,141
Total comprehensive income for the year	—	—	1,910	—	—	—	57,394	59,304	41,160	100,464
Recognition of share-based payments	—	—	—	—	5,145	—	—	5,145	—	5,145
Issue of new shares for acquisition of subsidiaries	32,437	1,589,426	—	—	—	—	—	1,621,863	—	1,621,863
Issue of new shares upon exercise of share options	980	4,680	—	—	(1,085)	—	—	4,575	—	4,575
Acquisition of subsidiaries (Note 16)	—	—	—	—	—	—	—	—	1,273,790	1,273,790
Deemed disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	6,878	6,878
	33,417	1,594,106	—	—	4,060	—	—	1,631,583	1,280,668	2,912,251
At 31 March 2010	55,177	1,661,196	4,662	14,878	6,109	50	109,712	1,851,784	1,378,072	3,229,856

Notes to the Financial Statements

For the year ended 31 March 2010

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. 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 Company is an investment holding company.

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 that are relevant to its operations and effective for its accounting year beginning on 1 April 2009. 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 Year and the prior years except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Financial instruments: Disclosures

As a result of the adoption of the amendments to HKFRS 7 "Financial instruments: Disclosures", the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(c) Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving as the starting point for the identification of such segments. The Group concluded that the primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. The revised disclosures, including the related revised comparative information and the segment accounting policies under HKFRS 8, are shown in Note 8 to the financial statements. HKFRS 8 has been applied retrospectively.

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention except for derivative financial instruments which is measured at fair value and non-current assets and disposal group held for sale which are stated at the lower of carrying amount or fair value less cost to sell.

4. TURNOVER

	2010 HK\$'000	2009 HK\$'000
Manufacturing and sales of clinker and cement	858,269	—
Mining and processing of granite and selling of granite products	8,291	2,597
Trading of clinker, cement and other building materials	495,157	783,895
Trading of iron ore	2,056,234	—
	3,417,951	786,492
Representing:		
Continuing operations	2,559,682	786,492
Discontinued operation (Note 9)	858,269	—
	3,417,951	786,492

5. OTHER INCOME

	2010 HK\$'000	2009 HK\$'000
Compensation received	154	714
Commission received	2,411	1,513
Despatch income	23,636	3,254
Interest income	2,302	233
Exchange difference, net	2,459	14
Others	8,117	1,417
	39,079	7,145
Representing:		
Continuing operations	31,419	7,145
Discontinued operation (Note 9)	7,660	—
	39,079	7,145

6. 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 for the purposes of resources allocation and performance assessment, the Group has identified the following four reportable segments:

- (i) Manufacture and sales of clinker and cement (Discontinued operation)
- (ii) Mining and processing of granite and selling of granite products
- (iii) Trading of clinker, cement and other building materials
- (iv) Trading of iron ore

Segment profits or losses do not include corporate income and expenses such as share of profits less losses of associates, impairment loss on interests in a jointly controlled entity, fair value loss on derivative financial instruments, finance costs and other corporate expenses. Segment assets mainly excluded goodwill, interests in associates and a jointly controlled entity and other corporate assets. Segment liabilities mainly excluded derivative financial instruments, current and deferred tax liabilities, corporate bank borrowings and other corporate liabilities.

Information about reportable segment revenue, profit or loss, assets and liabilities are as follows:

	Manufacture and sales of clinker and cement (Discontinued operation) HK\$'000	Mining and processing of granite and selling of granite products HK\$'000	Trading of clinker, cement and other building materials HK\$'000	Trading of iron ore HK\$'000	Total HK\$'000
Year ended 31 March 2010					
Revenue from external customers	858,269	8,291	495,157	2,056,234	3,417,951
Segment profit/(loss)	143,628	(2,661)	25,886	44,369	211,222
Interest revenue	2,172	12	10	108	2,302
Interest expenses	35,312	—	1,291	1,600	38,203
Depreciation and amortisation	38,225	66	81	452	38,824
Income tax expense	32,646	—	2,115	—	34,761
Other material non-cash items:					
Impairment loss on interests in a jointly controlled entity	17,838	—	—	—	17,838
Additions to segment non-current assets	655,064	2,457	34,565	65	692,151
As at 31 March 2010					
Segment assets	4,430,374	224,071	99,078	1,118,997	5,872,520
Segment liabilities	2,708,814	3,258	64,697	1,185,366	3,962,135
		Mining and processing of granite and selling of granite products HK\$'000	Trading of clinker, cement and other building materials HK\$'000		Total HK\$'000
Year ended 31 March 2009					
Revenue from external customers		2,597	783,895		786,492
Segment (loss)/profit		(3,253)	35,315		32,062
Interest revenue		8	218		226
Interest expenses		566	—		566
Depreciation and amortisation		35	77		112
Income tax expense		—	878		878
Additions to segment non-current assets		36	28		64
As at 31 March 2009					
Segment assets		207,689	137,989		345,678
Segment liabilities		1,019	28,623		29,642

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2010 HK\$'000	2009 HK\$'000
Revenue		
Total revenue from reportable segments	3,417,951	786,492
Elimination of revenue from discontinued operation	(858,269)	—
Consolidated revenue from continuing operations	<u>2,559,682</u>	<u>786,492</u>
Profit or loss		
Total profit or loss of reportable segments	211,222	32,062
Other profit or loss	12,099	6,572
Share of profits less losses of associates	96,423	—
Impairment loss on interests in a jointly controlled entity	(17,838)	—
Fair value loss on derivative financial instruments	(77,064)	—
Finance costs	(41,195)	(1,927)
Elimination of profit before tax from discontinued operation	(174,761)	—
Unallocated amounts	(51,351)	(12,770)
Consolidated (loss)/profit before tax from continuing operations	<u>(42,465)</u>	<u>23,937</u>
Assets		
Total assets of reportable segments	5,872,520	345,678
Goodwill	405,653	—
Interests in associates	1,381,434	28,120
Interests in a jointly controlled entity	67,910	—
Other assets	13,758	1,736
Consolidated total assets	<u>7,741,275</u>	<u>375,534</u>
Liabilities		
Total liabilities of reportable segments	3,962,135	29,642
Derivative financial instruments	89,965	—
Current tax liabilities	10,805	—
Deferred tax liabilities	250,008	48,160
Banking borrowings	146,621	53,973
Other liabilities	51,885	26,618
Consolidated total liabilities	<u>4,511,419</u>	<u>158,393</u>

Geographical information:

	Revenue		Non-current assets	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Asia except the PRC	479,855	637,119	611,752	221,561
Europe	—	92,753	—	—
The PRC	2,064,526	2,597	132,621	6,927
Others	15,301	54,023	—	—
Discontinued operation	858,269	—	—	—
Consolidated total	<u>3,417,951</u>	<u>786,492</u>	<u>744,373</u>	<u>228,488</u>

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

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

	2010 HK\$'000	2009 HK\$'000
Trading of clinker, cement and other building materials		
Customer a	—	281,077
Customer b	—	181,663
Customer c	—	92,753
Customer d	—	88,536
Trading of iron ore		
Customer e	712,288	—
Customer f	579,466	—
Customer g	501,695	—

7. FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interest on bank loans	41,148	1,910
Finance lease charges	47	17
	<u>41,195</u>	<u>1,927</u>
Representing:		
Continuing operations	5,883	1,927
Discontinued operation (Note 9)	35,312	—
	<u>41,195</u>	<u>1,927</u>

8. INCOMETAX EXPENSE

	2010 HK\$'000	2009 HK\$'000
Hong Kong Profits Tax		
Provision for the year	707	812
Under-provision in prior year	1,408	66
	<u>2,115</u>	<u>878</u>
PRC corporate income tax	25,337	—
Deferred tax	7,309	—
	<u>34,761</u>	<u>878</u>
Representing:		
Continuing operations	2,115	878
Discontinued operation (Note 9)	32,646	—
	<u>34,761</u>	<u>878</u>

Hong Kong Profits Tax is provided at 16.5% (2009: 16.5%) on the estimated assessable profit for the year ended 31 March 2010.

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 registration, interpretation and practices in respect thereof.

The new PRC corporate income tax ("New CIT Law") law passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which include the unification of the corporate income tax rate for domestic and foreign enterprises at 25% replacing the provisions applicable rate of 33%. The new tax law is effective from 1 January 2008.

On 26 December 2007, the State of Council of the PRC passed on "Notice on the Implementation of Corporation Income Tax Transition Preferential Treatment" ("Notice on Transition Period") Guofa (2007) No. 39 ("Circular 39") which sets out details of how existing preferential income tax rates will be adjusted to the 25% standard rate under the New CIT Law. According to the Notice on Transition Period, certain PRC enterprises of the Group with tax holiday not fully utilised will be allowed to continue to receive benefits of the full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate under the New CIT Law will apply.

The relevant tax rates for the Group's PRC subsidiaries before the tax holiday is at 25% (2009: at 25%).

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

In previous years, the Group's business was mainly operated in Hong Kong and Macau, hence, the Hong Kong profits tax rate was used as the applicable tax rate for the reconciliation of accounting profit to income tax expense. Subsequent to the acquisition of Prosperity Minerals Holding Limited ("PMHL") as disclosed in Note 16, the Group's operating activities are carried out in Hong Kong, the PRC and Macau. Therefore, the Directors consider that it is more appropriate to present the tax reconciliation based on the rate applicable to profit in the tax jurisdiction concerned and resulted with a change in the applicable tax rates and the comparative figures.

9. DISCONTINUED OPERATION

Pursuant to a conditional sale and purchase agreement dated 11 December 2009 entered into between two subsidiaries of the Company, PMHL and Pro-Rise Business Limited ("Pro-Rise") and an independent third party (the "Purchaser"), Pro-Rise would dispose of the entire equity interest in Upper Value Investments Limited ("Upper Value") and its subsidiaries except for Prosperity Minerals Management Limited. ("PMM") and Prosperity Minerals Investment Limited ("PMI") 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 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 results of the discontinued operation for the year, which have been included in consolidated profit or loss, are as follows:

	2010 HK\$'000
Turnover	858,269
Cost of goods sold	(622,807)
Gross profit	235,462
Other income	7,660
Selling and distribution costs	(7,884)
Administrative expenses	(83,951)
Profit from operations	151,287
Finance costs	(35,312)
Share of profits less losses of associates	76,624
Impairment loss on interests in a jointly controlled entity	(17,838)
Profit before tax	174,761
Income tax expense	(32,646)
Profit for the year	142,115

During the year, the Disposal Group received approximately HK\$257,452,000 (2009: HK\$Nil) in respect of operating activities, paid approximately HK\$616,181,000 (2009: HK\$Nil) in respect of investing activities and paid approximately HK\$7,502,000 (2009: HK\$Nil) in respect of financing activities.

10. PROFIT FOR THE YEAR

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

	2010 HK\$'000	2009 HK\$'000
Auditor's remuneration	1,100	690
Amortisation of other intangible assets	8,583	—
Cost of inventories sold	2,617,883	509,780
Depreciation	27,531	244
Impairment loss on interests in a jointly controlled entity	17,838	—
Operating lease charges:		
– Land and buildings	6,699	973
– Hire of motor vehicles	1,178	—
Staff costs including Directors' emoluments		
Salaries, bonuses, allowances and other costs	121,404	14,663
Share-based payments	5,145	173
Retirement benefits scheme contributions	5,643	479
	132,192	15,315

11. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on (i) the profit for the year attributable to the owners of the Company of approximately HK\$57,394,000 (2009: HK\$24,573,000); and (ii) the weighted average number of ordinary shares of 3,913,560,000 (2009: 2,076,196,759) in issue during the year.

Diluted earnings per share

The effect of all ordinary shares are anti-dilutive for the year ended 31 March 2010.

The calculation of diluted earnings per share for the year ended 31 March 2009 is calculated based on (i) the profit for the year attributable to the owners of the Company of approximately HK\$24,573,000; and (ii) the weighted average number of ordinary shares of 2,195,252,263, being the weighted average number of ordinary shares of 2,076,196,759 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 119,055,504 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

(b) From continuing operations

Basic loss/(earnings) per share

The calculation of basic loss (2009: earnings) 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\$21,788,000 (2009: profit of approximately HK\$24,573,000) and the denominator used is the same as that detailed above for basic earnings per share.

Diluted earnings per share

The effect of all ordinary shares are anti-dilutive for the year ended 31 March 2010.

The calculation of diluted earnings per share from continuing operations attributable to owners of the Company for the year ended 31 March 2009 is based on the profit for the year from continuing operations attributable to owners of the Company of approximately HK\$24,573,000 and the denominator used is the same as that detailed above for diluted earnings per share.

(c) **From discontinued operation**

Basic earnings per share from discontinued operation for the year ended 31 March 2010 is HK2.1 cents per share, based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK\$79,182,000 and denominator used are the same as those detailed above for basic earnings per share.

The effect of all ordinary shares are anti-dilutive for the year ended 31 March 2010.

The Company had no basic and diluted earnings per share from discontinued operation for the year ended 31 March 2009 since there was no profit attributable to the owners of the Company from discontinued operation for the year ended 31 March 2009.

12. 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:

	2010 HK\$'000	2009 HK\$'000
0 to 90 days	150,438	25,742
91 to 180 days	—	—
181 to 365 days	4,623	—
	<hr/> 155,061	<hr/> 25,742

As of 31 March 2010, trade receivables of approximately HK\$4,623,000 (2009: Nil) were past due but not impaired.

13. DISPOSAL GROUP HELD FOR SALE

Saved as disclosed in Note 9, the assets and liabilities attributable to the manufacture and sales of clinker and cement business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the statement of financial position. The Disposal Group is included in the Group's manufacture and sales of clinker and cement segment.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the Disposal Group classified as disposal group held for sale at 31 March 2010 are as follows:

	HK\$'000
Property, plant and equipment	2,331,364
Lease prepayments	601,648
Goodwill	367,548
Other intangible assets	338,275
Interests in associates	1,003,088
Interests in a jointly controlled entity	67,910
Due from a minority shareholder of a subsidiary	16,283
Deferred tax assets	882
Non-current prepayments	320,724
Inventories	102,613
Trade and bills receivables	412,237
Prepayments, deposits and other receivables	67,995
Pledged bank deposits	3,051
Bank and cash balances	236,185
Disposal group classified as held for sale	5,869,803
Trade and bills payables	290,001
Other payables	345,698
Receipt in advance	79,044
Current tax liabilities	10,805
Secured notes	794,613
Banking borrowings	1,199,457
Deferred tax liabilities	201,848
Liabilities directly associated with disposal group classified as held for sale	2,921,466
Net assets of the Disposal Group	2,948,337

14. TRADE AND BILLS PAYABLES

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

	2010 HK\$'000	2009 HK\$'000
0 to 90 days	222,187	14,649
91 to 180 days	—	188
181 to 365 days	—	226
	222,187	15,063

15. DIVIDENDS

PMHL, a 53.89% subsidiary of the Company, has proposed to declare a final dividend of US9 cents per ordinary share of 1 pence each in the share capital of PMHL for the year ended 31 March 2010. The proposal will be put to the resolution of the shareholders of PMHL at its annual general meeting to be held on 3 September 2010.

Subject to the shareholders of PMHL approving the final dividend, the Board proposes to declare a final dividend of HK\$0.02 (2009: Nil) per ordinary share of HK\$0.01 each in the capital of the Company amounted to approximately HK\$110,354,000 for the year ended 31 March 2010.

In the event that the shareholders of PMHL do not approve the declaration of the said final dividend, the Board proposed that final dividend to be declared by the Company shall be reduced to HK\$0.01 per ordinary share, amounted to approximately HK\$5,177,000.

The proposed final dividends are not recognised as liabilities at 31 March 2010.

16. Acquisition of subsidiaries

On 24 September 2009, the Group acquired 54.28% of the issued share capital of PMHL from Mr. Wong Ben Koon ("Mr. Wong") and his controlled entities, at a consideration before expenses, of approximately HK\$1,621,863,000 which was satisfied by the allotment and issue of 3,243,726,480 new ordinary shares of the Company of HK\$0.01 each at an issue price of HK\$0.5 per share. The adoption of HK\$0.5 per share as the fair value of the shares issued by the Company at the date of exchange was based on a fair value assessment made by the Board of Directors, taking into consideration of all aspects of the acquisition and significant factors influencing the negotiations, and by reference to the proportional interest in fair value of the Group determined by two independent valuers from discounted cash flow method. The key assumptions are those regarding the discount rates, growth rates and budgeted gross margins and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business. The growth rates are based on long-term average economic growth rate of the geographical area in which the business operate. Budget gross margin and turnover are based on past practices and expectations on market development. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the average growth rate from 1.2% to 6.8%. The rate used to discount the forecast cash flows was 11.6%. The Board of Directors considered the published price of the Company's shares at the date of exchange (i.e. HK\$0.65) is not a suitable and reliable indicator of fair value of the shares issued for the acquisition due to the thinness of the market of the Company's issued shares. If the published price of HK\$0.65 of the Company's share was adopted, the share consideration would be increased by approximately HK\$486,559,000 to a total consideration, before expenses of approximately HK\$2,108,422,000.

The net assets acquired in the transactions and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination HK\$'000	Fair value adjustment HK\$'000	Fair Value HK\$'000
Net assets acquired:			
Property, plant and equipment	1,674,436	85,884	1,760,320
Lease prepayments	221,818	329,795	551,613
Other intangible assets	129,277	217,495	346,772
Interests in associates	995,505	65,340	1,060,845
Interests in a jointly controlled entity	85,600	—	85,600
Deferred tax assets	882	—	882
Non-current prepayments	252,257	—	252,257
Inventories	82,705	—	82,705
Trade and bills receivables	705,595	—	705,595
Prepayments, deposits and other receivables	317,350	—	317,350
Pledged bank deposits	13,377	—	13,377
Bank and cash balances	314,988	—	314,988
Bank borrowings	(1,173,963)	—	(1,173,963)
Trade and bills payables	(570,521)	—	(570,521)
Other payables	(325,282)	—	(325,282)
Receipt in advance	(53,249)	—	(53,249)
Current tax liabilities	(10,966)	—	(10,966)
Secured notes	(837,380)	—	(837,380)
Deferred tax liabilities	(35,793)	(158,716)	(194,509)

	Acquiree's carrying amount before combination HK\$'000	Fair value adjustment HK\$'000	Fair Value HK\$'000
NET ASSETS	1,786,636	539,798	2,326,434
Minority interests			(1,273,790)
Goodwill arising on acquisition			
– allocated to associates			175,755
– allocated to subsidiaries			405,427
			581,182
Total consideration			<u>1,633,826</u>
Total consideration, satisfied by:			
Share consideration, at fair value			1,621,863
Direct costs relating to the acquisition			11,963
			<u>1,633,826</u>
Net cash inflow arising on acquisition			
Direct costs relating to the acquisition			(3,463)
Bank and cash balances acquired			314,988
			<u>311,525</u>

The new subsidiaries contributed approximately HK\$2,914,503,000 to the Group's turnover and approximately HK\$93,849,000 to the Group's profit after tax for the period from date of acquisition to 31 March 2010.

If the acquisition had been completed on 1 April 2009, total Group's turnover would have been increased by approximately HK\$3,707,409,000 and profit after tax for the period would have been increased by approximately HK\$12,344,000 for the year ended 31 March 2010. The proforma information is for illustrative purposes only and is not necessarily an indicative turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

17. EVENTS AFTER THE REPORTING PERIOD

- (a) Save as disclosed in Note 9, the Transaction was completed on 30 April 2010 and an aggregate amount of HK\$3.6 billion has been received by the Company. The balance of the consideration of HK\$200 million and the increase in shareholder loan of approximately HK\$385 million, are expected to be received by the Company in July 2010.
- (b) On 22 May 2010, Sintex International Holdings Limited ("Sintex"), an indirectly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Liaoning Yan Zhou Zhu Xing Cement Co., Limited under which Sintex agreed to acquire 25% equity interest in Liaoning Changqing Cement Company Limited for a consideration of RMB 100 million.
- (c) On 31 May 2010, Zhejiang Changxing Investment Company Limited ("Zhejiang Changxing"), an indirectly owned subsidiary of the Company, entered into a joint venture agreement ("JV Agreement") with a joint venture partner, Xiamen Yangguang Shiji Property Development Company Limited for the establishment of a joint venture company, Changtai Jinhongbang Property Development Company Limited ("Changtai Jinhongbang") in the PRC. Pursuant to the JV Agreement, the joint venture company will be principally engaged in real estate development in the Fujian Province, the PRC. The total investment costs by the Group in proportion to its respective interest in Changtai Jinhongbang is RMB480 million.

- (d) On 31 May 2010, Pro-Rise entered into a conditional sale and purchase agreement with two related companies Cheong Sing Merchandise Agency Limited (“Cheong Sing”) and Splendid City Limited of which Mr. Wong and a former director of the Company, Madam Hon Ching Fong are also the directors of and have beneficial interests in Cheong Sing and Splendid City Limited. According to the agreement, Pro-Rise agreed to acquire the entire equity interest in Bliss Hero Investment Limited (“Bliss Hero HK”) for a consideration equal to the consolidated net assets value of Bliss Hero HK as at 31 March 2010, after deduction of minority interest and (ii) the shareholder loan outstanding in the consolidated financial statements of Bliss Hero HK as at 31 March 2010.

Bliss Hero HK holds the entire equity interest in Guangzhou Bliss Hero Real Estate Development Company Limited (“Bliss Hero GZ”) and 55% equity interest in Guangzhou Fuchun Dongfang Real Estate Investment Co., Ltd (“Fuchun Dongfang”).

Bliss Hero GZ owns approximately 11,472 square metres of office and commercial space in Silver Bay Plaza, situated in Guangzhou City, Guangdong Province, the PRC. Silver Bay Plaza was completed in 2004 and has a total gross floor area of approximately 19,900 square metres, comprising 26 floors and 2 underground floors.

Fuchun Dongfang is the owner of the land use rights in respect of two land parcels situated in Guangzhou, the PRC with an aggregate site area of 13,814 square metres.

The acquisition of Bliss Hero HK has not been completed.

- (e) On 31 May 2010, Prosperity Materials Macao Commercial Offshore Limited (“MCO”), an indirectly owned subsidiary of the Company, entered into an iron ore master off-take agreement with Grace Wise Pte Limited (“Grace Rise”). Pursuant to the agreement, Grace Wise agreed to sell to MCO, for loading at Malaysian sea port, iron ore at a price per tonne following the prevailing market price in the region for a period up to 31 March 2013 (the “Off-take Period”).

The master off-take agreement prescribes the maximum value of US\$1,555 million (approximately HK\$12 billion) of the transaction between MCO and Grace Wise during the Off-take Period. Under the master off-take agreement, Grace Wise has no obligation to sell iron ore to MCO nor is MCO required to purchase iron ore from Grace Wise. However, whenever Grace Wise has iron ore to sell, it must first offer the same to MCO. Grace Wise will inform MCO periodically of the quantity of iron ore available for sale and MCO will decide on the quantity that it wishes to purchase. In the event that MCO decide not to purchase all of the iron ore offered by Grace Wise, Grace Wise may then sell the remaining iron ore to third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING REVIEW

Trading of Clinker and Cement Business

Export of clinker and cement from the PRC during the year under review had been affected by weaknesses in demand in the international market in the aftermath of the global financial crisis.

Despite this difficult operating environment, the Group was still able to secure clinker and cement export sales orders and thereby reinforced its position in the market.

During the year under review, the Group sold clinker and cement aggregating to approximately 1,509,000 tonnes, representing a 16% decline from that of the previous year.

This business segment generated revenue aggregating approximately to HK\$495,157,000 (2009: HK\$783,895,000), with segment profit of approximately HK\$25,886,000 (2009: HK\$35,315,000).

Granite Material Production

The Group made an inroad into the production of granite materials by acquiring Xiang Lu Shan Granite Mining Site in Guangxi Province, the PRC.

Following a renewal of the mining permit by Ministry of Land and Resources for this site in October 2008 for a period of ten years, the Group is in position to produce 40,000 m³ (equivalent to approximately 102,000 tonnes) of granite products per annum. During the Year, this investment contributed revenue of approximately HK\$8,291,000 to the Group’s turnover.

The construction of a feldspar powder production plant was completed in mid 2010 and it has a designed production capacity of 100,000 tonnes per annum. Trial production for this plant has commenced and it is expected that the plant will be able to start commercial production in late 2010.

Operation of Public Port and Other Related Facilities Business

The Group engages in the operation of a public port and other related facilities through a 25%-owned joint venture unit with Anhui Conch Venture Investment Company Limited established in October 2006. This joint venture will also provide warehousing services primarily for building materials and raw materials distributed in Jiangsu Province, the PRC.

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

We have already obtained the necessary licenses from relevant government authorities for the operation of the public port. Construction of port facilities has commenced in November 2009. The public port and other related facilities are expected to commence commercial operation by the end of 2011.

The joint venture will also manufacture and sell slag powder, which can be used for cement production. Construction of slag powder production facilities, with an initial planned capacity of 1.5 million tonnes per year, is expected to commence by late 2011.

Prosperity Minerals Holdings Limited (“Prosperity Minerals”)

On 24 September 2009, the Company completed an acquisition of 73,000,000 ordinary shares of GBP0.01 each (approximately 54.28%) in the capital of Prosperity Minerals, a company listed on the Alternative Investment Market of the London Stock Exchange plc., from Mr. Wong Ben Koon and his controlled companies, for approximately HK\$1,621,863,000 in an all-shares transaction. Prosperity Minerals is a one of the major cement operators in China and focuses on the manufacture and sales of cement and clinker. It is also a major iron ore trader in China.

On 11 December 2009, Prosperity Minerals entered into an agreement to dispose its interest in the majority of cement and clinker manufacturing companies to an independent third-party, TCC International Holdings Limited, for HK\$3.8 billion in cash (the “Disposal”). The Disposal was completed in April 2010 and it greatly assisted Prosperity Minerals to relieve its burden of committing capital resources continually in investment of new production facilities for these plants. Prosperity Minerals consequently are flexible to invest in other better-yielding businesses, namely concentrating its capital resources on iron-ore related businesses and venturing into other businesses with better prospects, in particular mineral resources.

Following completion of the Disposal, Prosperity Minerals now focuses on its iron ore trading business and its 33.06% investment in the Shanghai-listed Anhui Chaodong Cement Co., Ltd..

During the Year, Prosperity Minerals shipped a record tonnage of 7.9 million tonnes of iron ore, representing an 80% increase from the 4.4 million tonnes shipped in the previous year.

Prosperity Minerals also announced in May 2010 its plan to invest in a 28-floor commercial property SilverBay Plaza on Yangjiang Road Middle in Guangzhou, a 55% interest in a residential-commercial project Dongfang Wenda Plaza in Guangzhou and a proposed hot spring and resort development project in Fujian Province, the PRC.

To further strengthen its iron ore trading business, on 31 May 2010, Prosperity Minerals entered into a master off-take agreement with Grace Rise Pte Limited ("Grace Rise") with the maximum value of US\$1,555 million (approximately HK\$12 billion) so as to secure the reliable supply of iron ore, for loading at a Malaysian sea port, at a competitive price between 1 May 2010 to 31 March 2013. Grace Rise is a limited company incorporated under the law of Singapore and is indirectly 70%-owned by Mr. Wong Ben Koon, the chairman and executive director of the Company.

During the Year, Prosperity Minerals contributed revenue of approximately HK\$2,915,503,000 to the Group's revenue, with segment profit of approximately HK\$187,997,000.

FINANCIAL REVIEW

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

Results

The Group recorded a turnover arising from continuing operations and net profit from continuing and discontinued operations (excluding the fair value loss on derivative financial Instruments of approximately HK\$77,064,000) of approximately HK\$2,560 million and of approximately HK\$174.6 million respectively during the Year.

The turnover from continuing operations for the Year increased by approximately 225%, mainly due to taking up the results of iron ore business of Prosperity Minerals which was acquired by the Company on 24 September 2009.

The selling and distribution costs from continuing operations for the Year represented the commission paid to sales agents and salaries and expenses incurred by the sales and marketing team to explore business opportunities with potential customers. The increase was mainly due to the increase in commission paid to sales agents to secure sales contracts and the increase in freight costs for delivering the cement and clinker and iron ores.

The administrative expenses from continuing operations mainly included remuneration of the directors of the Company and administrative personnel, and the legal and professional fees paid to external auditors, legal consultants and other professional parties. The increase during the Year was mainly due to the increase in remuneration paid to management and administrative staff and legal and professional fees paid to professional parties.

The derivative financial instruments represented 1,000 warrants granted by Prosperity Minerals to various institutional investors to subscribe for 12,905,639 ordinary shares of Prosperity Minerals in conjunction with the issuance of the US\$100,000,000 redeemed notes to these institutional investors. The loss on re-measurement of derivative financial instruments to fair value amounted to approximately HK\$77,064,000 (2009: Nil). Such loss was recognized as a result of the increase in published share price of Prosperity Minerals.

The finance costs from continuing operations for the Year represented the interest expenses incurred for the bank borrowings and financing offered by principal bankers. The increase in finance costs was due to the increase in bank borrowings during the Year.

The profit for the year from the discontinued operation (representing the cement and clinker manufacturing segment of Prosperity Minerals which entered into an agreement to dispose the same segment to a third party on 11 December 2009) amounted to approximately HK\$142 million.

Net profit attributable to owners of the Company for the Year amounted to approximately HK\$57.4 million, representing a significant growth of approximately 133% as compared with HK\$24.6 million for the year ended 31 March 2009.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

During the Year, the Group generally financed its operations and settled its debts largely with cash generated from its operations and banking facilities provided by its principal bankers. As at 31 March 2010, the facilities offered by the banks to finance the business activities of the Group amounted to approximately HK\$3,406 million.

As at 31 March 2010, the cash and bank balances including pledged bank deposits of the Group amounted to approximately HK\$458.5 million. The increase in bank balances was resulted from the completion of acquisition of Prosperity Minerals on 24 September 2009 in conjunction with the strong cash inflow generated from its operations during the Year.

The Group's gearing ratio, measured in terms of total borrowings divided by shareholder's equity, was approximately 20% as at 31 March 2010 (31 March 2009: 34%).

FOREIGN EXCHANGE EXPOSURE

The trading of the clinker and cement business and trading of iron ore business are conducted predominately in US dollars. The granite mining and production business, the cement and clinker manufacturing business and the investment in the joint venture unit for public port operations are conducted in Renminbi. 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.

CONTINGENT LIABILITIES

As at 31 March 2010, the Company has issued corporate guarantees to various financial institutions for facilities of approximately HK\$190 million (31 March 2009: approximately HK\$266 million) 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 liabilities of the Company at the end of the reporting period under the aforesaid guarantees were approximately HK\$84 million (31 March 2009: approximately HK\$65 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 aforesaid, the Company did not have other significant contingent liabilities.

As at 31 March 2010, the Group did not have any significant contingent liabilities (31 March 2009: Nil).

CHARGE ON GROUP ASSETS

The following assets held by the Group were pledged to banks to secure banking facilities granted to the Group as at 31 March 2010:

- (a) the charge over certain bank deposits, property, plant and equipment, lease prepayments and mining rights 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; and

- (c) all assets of Sharp Advance including interests in a subsidiary at cost of approximately HK\$72 million, amounts due from fellow subsidiaries of approximately HK\$0.5 million and bank deposits of approximately of HK\$17,000; and
- (d) 33.06% equity interests in Anhui Chaodong Cement Co., Ltd.

COMMITMENTS

As at 31 March 2010, 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:

	2010 HK\$'000	2009 HK\$'000
Within one year	3,076	53
In the second to fifth years, inclusive	2,730	—
	5,806	53

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

(b) Capital and other commitments

	2010 HK\$'000	2009 HK\$'000
Contracted but not provided for acquisition of property, plant and equipment	4,134	3,528
Capital contribution to a subsidiary	262,080	—
	266,214	3,528

(c) Purchase commitments

The Group entered into a raw materials supply contract with an iron ore supplier, with duration of seven years. Pursuant to the contract, the purchase prices are re-negotiated periodically on arm's length basis by reference to the prevailing market price of iron ore for shipment from similar locations in the region. At 31 March 2010, the Group had purchase commitments in relation to the purchase of iron ore of 2,920,000 tonnes (2009: Nil) not provided for in the financial statements.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2010, the Group had a total of 2,436 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

With a view to retaining certain important employees who will continue to make valuable contribution to the Group, share options to subscribe for shares of the Company in accordance with the share option scheme adopted on 25 September 2009 may be granted.

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

CAPITAL STRUCTURE

On 24 September 2009, 3,243,726,480 new ordinary shares of HK\$0.01 each were issued at approximately HK\$0.5 per share as the consideration for acquisition of 73,000,000 ordinary shares of GBP 0.01 each (approximately 54.28%) in the capital of Prosperity Minerals. In addition, 98,000,000 new ordinary shares of HK\$0.01 each were issued upon the exercise of the share options by the Directors and employees of the Company during the Year.

FUTURE GROWTH STRATEGIES

Looking ahead, following the completion of the all-share Prosperity Minerals acquisition and the mainland cement plant interest disposal for cash, the Group's capital and cash positions are stronger than ever. It has now the muscle to strengthen its existing businesses while venturing into new businesses with more promising returns. The Group is on course to consolidate and actively expand its core businesses of iron ore trading and clinker and cement trading. These business units will continue to be the Group's major income sources. Meanwhile, efforts are being made to exploit better synergies between these two core businesses.

The Group will also capitalize on the burgeoning recoveries to explore new markets and expand its foothold in existing markets, with an objective to reinforce its leading position in the iron ore trading and clinker and cement trading markets.

Meanwhile, it plans to expand its business cope to cover other construction materials and related ancillary services by devoting more attention to its existing granite and feldspar powder production operations and management of public port operations and other related facilities.

The Group will continue to identify opportunities to participate in mineral products in China and the rest of Asia through investments in existing mines and acquisitions into more mining and extraction rights.

Eventually, The Group targets to evolve gradually into one of the leading suppliers of building materials and mineral sources in Asia with a solid business platform that promises to generate fruitful returns to shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, the Company endeavours to comply with the Code on Corporate Governance Practices (the "CG" Code) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), before and after the Transfer of Listing, where appropriate. The Company considers that it has complied with the CG Code during the Year, except for one non-compliance that is discussed as follows.

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 and the chairman of audit committee 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 25 September 2009 and the special general meetings on 14 September 2009 and 19 February 2010 and was delegated to make himself available to answer questions if raised at the meeting. Mr. Yuen Kim Hung, Michael, a member of audit committee, was delegated to attend the same general meetings to answer questions if raised at the meetings. The absence of the chairman of the Company and the chairman of the audit committee in the annual general meeting constituted a deviation from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") respectively, 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 required standard of dealings regarding Directors' securities transactions has been complied in full throughout the year ended 31 March 2010.

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

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Mo Kwok Choi (Chairman of the Audit Committee), Mr. Yuen Kim Hung, Michael and Mr. Yung Ho.

The audit committee reviewed the Group's audited results for the Year and recommended its adoption by the Board.

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.

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.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2010 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2010. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

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

Hong Kong, 20 July 2010

The directors of the Company as at the date of this announcement are:

Executive Directors

Mr. Wong Ben Koon (*Chairman*)
Mr. Sun Yong Sen (*Deputy Chairman*)
Mr. Mao Shuzhong (*Chief Executive Officer*)
Mr. Johannes Petrus Mulder
Ms. Wong Gloria
Mr. Kong Siu Keung

Independent Non-Executive Directors

Mr. Mo Kwok Choi
Mr. Yuen Kim Hung, Michael
Mr. Yung Ho

* *For identification purpose only*