
**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of 55.07% equity interest in Prosperity Minerals Holdings Limited (the “Acquisition”) might have affected the financial information of the Group.

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group for the year ended 31 March 2009 are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2009 as extracted from the annual report of the Company for the year ended 31 March 2009 and the audited consolidated income statement and cash flow statement of Prosperity Minerals Holdings Limited (the “Target Company”) and its subsidiaries (hereinafter collectively referred to as the “Target Group”) for the year ended 31 March 2009 as extracted from the accountants’ report set out in Appendix II to this circular as if the Acquisition had been completed on 1 April 2008.

The unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2009 is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2009 as extracted from the annual report of the Company for the year ended 31 March 2009 and the audited consolidated balance sheet of the Target Group as at 31 March 2009 as extracted from the accountants’ report set out in Appendix II to this circular as if the Acquisition had been completed on 31 March 2009.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Acquisition actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group’s future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I, the financial information of the Target Group as set out in Appendix II and other financial information included elsewhere in this circular.

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**B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE
ENLARGED GROUP FOR THE YEAR ENDED 31 MARCH 2009**

	The Group	The Target Group	Subtotal	Pro forma adjustments	Notes	The Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
Turnover	786,492	5,019,784	5,806,276			5,806,276
Cost of goods sold	<u>(703,062)</u>	<u>(4,635,810)</u>	<u>(5,338,872)</u>			<u>(5,338,872)</u>
Gross profit	83,430	383,974	467,404			467,404
Other income	7,145	43,043	50,188	4,379	(iii)	54,567
Selling and distribution costs	(36,323)	(65,147)	(101,470)			(101,470)
Administrative expenses	(28,388)	(194,408)	(222,796)			(222,796)
Finance income	—	4,379	4,379	(4,379)	(iii)	—
Finance costs	(1,927)	(185,698)	(187,625)			(187,625)
Share of loss of a jointly controlled entity	—	(20,871)	(20,871)			(20,871)
Share of profits less losses of associates	—	38,766	38,766			38,766
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary	—	17,011	17,011			17,011
Gain on re-measurement of derivative financial instruments to fair value	<u>—</u>	<u>38,649</u>	<u>38,649</u>			<u>38,649</u>
Profit before tax	23,937	59,698	83,635			83,635
Income tax expense	<u>(878)</u>	<u>(24,839)</u>	<u>(25,717)</u>			<u>(25,717)</u>
Profit for the year	<u>23,059</u>	<u>34,859</u>	<u>57,918</u>			<u>57,918</u>
Attributable to:						
Equity holders of the Company	24,573	37,448	62,021	(16,825)	(iv)	45,196
Minority interests	<u>(1,514)</u>	<u>(2,589)</u>	<u>(4,103)</u>	16,825	(iv)	<u>12,722</u>
	<u>23,059</u>	<u>34,859</u>	<u>57,918</u>			<u>57,918</u>

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**C. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP
AS AT 31 MARCH 2009**

	The Group	The Target Group	Subtotal	Pro forma adjustments	Notes	The Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
ASSETS						
Non-current assets						
Property, plant and equipment	957	1,436,904	1,437,861			1,437,861
Interests in associates	28,120	994,418	1,022,538			1,022,538
Interest in a jointly controlled entity	—	133,455	133,455			133,455
Goodwill	—	335,986	335,986	478,794	(v)	814,780
Mining rights	192,640	132,626	325,266			325,266
Prepayment for property, plant and equipment, land use rights and mining rights	6,771	203,321	210,092			210,092
Lease prepayments	—	172,112	172,112			172,112
Deferred tax assets	—	876	876			876
	<u>228,488</u>	<u>3,409,698</u>	<u>3,638,186</u>			<u>4,116,980</u>
Current assets						
Inventories	—	80,399	80,399			80,399
Trade and bills receivables	25,742	649,900	675,642	(232,671)	(iii)	442,971
Prepayments, deposits and other receivables	21,951	—	21,951	232,671	(iii)	254,622
Current tax assets	496	—	496			496
Pledged bank deposits	15,389	46,733	62,122			62,122
Bank and cash balances	83,468	385,973	469,441	(9,480)	(v)	459,961
	<u>147,046</u>	<u>1,163,005</u>	<u>1,310,051</u>			<u>1,300,571</u>
Total assets	<u><u>375,534</u></u>	<u><u>4,572,703</u></u>	<u><u>4,948,237</u></u>			<u><u>5,417,551</u></u>

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	The Group <i>HK\$'000</i>	The Target Group <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i>	Notes	The Enlarged Group <i>HK\$'000</i>
EQUITY						
Capital and reserves						
Share capital	21,760	18,716	40,476	32,437 (18,716)	(v) (vi)	54,197
Reserves	139,137	2,074,164	2,213,301	1,589,426 (2,074,164)	(v) (vi)	1,728,563
Equity attributable to equity holders of the Company	160,897	2,092,880	2,253,777			1,782,760
Minority interests	56,244	71,347	127,591	940,331	(vi)	1,067,922
Total equity	<u>217,141</u>	<u>2,164,227</u>	<u>2,381,368</u>			<u>2,850,682</u>
LIABILITIES						
Non-current liabilities						
Bank borrowings	29,621	625,425	655,046			655,046
Deferred tax liabilities	48,160	29,411	77,571			77,571
Secured note	—	640,646	640,646			640,646
	<u>77,781</u>	<u>1,295,482</u>	<u>1,373,263</u>			<u>1,373,263</u>
Current liabilities						
Trade and bills payables	15,063	766,537	781,600	(286,936)	(iii)	494,664
Other payables	40,951	—	40,951	286,936	(iii)	327,887
Trade deposits received	99	—	99			99
Current tax liabilities	—	5,286	5,286			5,286
Current portion of bank borrowings	24,352	194,665	219,017			219,017
Current portion of obligations under finance leases	147	—	147			147
Current portion of secured note	—	146,506	146,506			146,506
	<u>80,612</u>	<u>1,112,994</u>	<u>1,193,606</u>			<u>1,193,606</u>
Total liabilities	<u>158,393</u>	<u>2,408,476</u>	<u>2,566,869</u>			<u>2,566,869</u>

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	The Group	The Target Group	Subtotal	Pro forma adjustments	Notes	The Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
Total equity and liabilities	<u>375,534</u>	<u>4,572,703</u>	<u>4,948,237</u>			<u>5,417,551</u>
Net current assets	<u>66,434</u>	<u>50,011</u>	<u>116,445</u>			<u>106,965</u>
Total assets less current liabilities	<u>294,922</u>	<u>3,459,709</u>	<u>3,754,631</u>			<u>4,223,945</u>

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D. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 MARCH 2009

	The Group	The Target Group	Subtotal	Pro forma adjustments	Notes	The Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit for the year	23,059	34,859	57,918			57,918
Adjustments for:						
Income tax expense	878	24,839	25,717			25,717
Finance costs	1,927	185,698	187,625			187,625
Interest income	(233)	—	(233)			(233)
Depreciation	244	88,955	89,199			89,199
Share-based payments	173	25,498	25,671			25,671
Amortisation	—	13,043	13,043			13,043
Gain on disposal of property, plant and equipment	—	(348)	(348)			(348)
Foreign exchange loss	—	1,124	1,124			1,124
Finance income	—	(4,379)	(4,379)			(4,379)
Share of loss in a jointly controlled entity	—	20,871	20,871			20,871
Share of profits less losses of associates	—	(38,766)	(38,766)			(38,766)
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary	—	(17,011)	(17,011)			(17,011)
Gain on re-measurement of derivative financial instruments to fair value	—	(38,649)	(38,649)			(38,649)
Operating profit before working capital changes	26,048	295,734	321,782			321,782
Decrease in inventories	—	56,846	56,846			56,846
Decrease/(increase) in trade and bills receivables	12,033	(343,139)	(331,106)	153,954	(iii)	(177,152)
Increase in prepayments deposits and other receivables	(16,711)	—	(16,711)	(153,954)	(iii)	(170,665)
Increase in amounts due from associates	—	(59,667)	(59,667)			(59,667)
(Decrease)/increase in trade and bills payables	(3,544)	223,850	220,306	(3,424)	(iii)	216,882
Increase in other payables	12,631	—	12,631	3,424	(iii)	16,055

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	The Group	The Target Group	Subtotal	Pro forma adjustments	Notes	The Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
Decrease in trade deposits received	(104)	—	(104)			(104)
Repayment to a related company	(90)	—	(90)			(90)
Cash generated from operating activities	30,263	173,624	203,887			203,887
Income tax paid	(1,392)	(24,141)	(25,533)			(25,533)
Net cash generated from operating activities	<u>28,871</u>	<u>149,483</u>	<u>178,354</u>			<u>178,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Increase in pledged bank deposits	(6,357)	—	(6,357)	(26,366)	(iii)	(32,723)
Interest received	233	2,480	2,713			2,713
Acquisition of subsidiaries	(16,000)	(75,183)	(91,183)	313,680	(vii)	222,497
Payment of deposits for property, plant and equipment, land use rights and mining rights	(6,771)	—	(6,771)			(6,771)
Purchases of property, plant and equipment	(71)	(125,008)	(125,079)			(125,079)
Proceeds from disposal of property, plant and equipment	—	6,805	6,805			6,805
Dividend received from an associate	—	112,817	112,817			112,817
Net cash outflow from acquisition of associates	—	(445,362)	(445,362)			(445,362)
Net cash used in investing activities	<u>(28,966)</u>	<u>(523,451)</u>	<u>(552,417)</u>			<u>(265,103)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase in pledged bank deposits	—	(26,366)	(26,366)	26,366	(iii)	—
Bank loans raised	62,395	1,304,875	1,367,270			1,367,270
Repayment of bank loans	(17,101)	(682,225)	(699,326)			(699,326)

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	The Group	The Target Group	Subtotal	Pro forma adjustments	Notes	The Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
Repayment of obligation under finance leases	(165)	—	(165)			(165)
Finance lease charges paid	(17)	—	(17)			(17)
Interest paid	(1,910)	(97,115)	(99,025)			(99,025)
Proceeds from issue of shares	340	—	340			340
Payment for repurchase of shares	(2,252)	—	(2,252)			(2,252)
Dividend paid to minority interests of the Company	—	(71,006)	(71,006)			(71,006)
Net cash generated from financing activities	<u>41,290</u>	<u>428,163</u>	<u>469,453</u>			<u>495,819</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,195	54,195	95,390			409,070
Effect of foreign exchange rate changes	109	8,618	8,727			8,727
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>42,164</u>	<u>323,160</u>	<u>365,324</u>	(323,160)	(vii)	<u>42,164</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>83,468</u></u>	<u><u>385,973</u></u>	<u><u>469,441</u></u>			<u><u>459,961</u></u>

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E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

- (i) The figures of the Target Group are extracted from the accountants' report of the Target Group as set out in Appendix II of the Circular. The presentation currency of US\$ has been translated into HK\$ at a rate of US\$1 to HK\$7.75.
- (ii) The audited consolidated financial statements of the Group for the year ended 31 March 2009 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The audited consolidated financial statements of the Target Group for the year ended 31 March 2009 have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board. No material adjustment is required to be made to conform IFRSs to HKFRSs.
- (iii) The adjustments represent reclassification of accounts of the Target Group in conformity with the presentation of the Group.
- (iv) The adjustments represent the share of results of the Target Group by the Group and the minority shareholders of the Group for the year ended 31 March 2009 as if the Acquisition had been taken place on 1 April 2008.
- (v) The adjustments represent the recognition of goodwill as a result of the Acquisition as if the Acquisition had been taken place on 31 March 2009.

Goodwill represents the excess of the consideration for the Acquisition and costs directly attributable to the Acquisition over the fair value of the Group's share of the identifiable net assets of the Target Group. The consideration for the Acquisition will be satisfied by the Company allotting and issuing 3,243,726,480 new shares of HK\$0.01 each (the "Consideration Shares"), credited as fully paid, at an issue price of HK\$0.50 per share (the "Issue Price"). The transaction costs directly attributable to the Acquisition are approximately HK\$9,480,000. For the purpose of compiling this unaudited pro forma balance sheet, the Issue Price and the audited net asset value of Target Group as at 31 March 2009 are assumed to be the fair value of each of the Consideration Shares and the identifiable net assets of the Target Group respectively.

Details of goodwill arising from Acquisition are as follows:

	<i>HK\$'000</i>
Consideration	1,621,863
Transaction costs	9,480
	1,631,343
Less: fair value of net assets acquired	1,152,549
Goodwill	478,794

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Since the fair value of each of the Consideration Shares and the identifiable net assets of Target Group as at the Completion Date of the Acquisition may be different from the fair values used in the preparation of the unaudited pro forma financial information presented above, the actual goodwill arising from the Acquisition, if any, may be different from the estimated amount as presented above.

- (vi) The adjustments represent the elimination of the equity and recognition of minority interests of the Target Group as if the Acquisition had been taken place on 31 March 2009.

- (vii) The adjustments represent the payment of transaction cost directly attributable to the Acquisition of approximately HK\$9,480,000, assuming it is settled in full on 31 March 2009 and cash inflow of approximately HK\$323,160,000 that is the cash and cash equivalent of the Target Group as at 1 April 2008 arising from the completion of the Acquisition.

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F. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

27 August 2009

The Board of Directors
Prosperity International Holdings (H.K.) Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Prosperity International Holdings (H.K) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of 55.07% equity interest in Prosperity Minerals Holdings Limited might have affected the financial information of the Group presented, for inclusion in Appendix V to the circular of the Company dated 27 August 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page V-1 to V-10 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibilities solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment

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Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 March 2009 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2009 or any future periods.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong