THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should immediately consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Prosperity International Holdings (H.K.) Limited (the "Company"), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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: 8139)

MAJOR TRANSACTION

FORMATION OF A JOINT VENTURE COMPANY

Financial adviser to the Company

SOMERLEY LIMITED

A letter from the Board is set out on pages 3 to 8 of this circular.

This circular will remain on the "Latest Company Announcements" page of the GEM Website "www.hkgem.com" at least 7 days from the date of its posting.

* *for identification purpose only*

31st October, 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

CONTENTS

In this circular, the following terms have the following meanings, unless the context requires otherwise:

"Announcement"	the announcement dated 12th October, 2006 issued by the Company in relation to formation of the Joint Venture Company
"associates"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	board of Directors
"Company"	Prosperity International Holdings (H.K.) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"Director(s)"	director(s) of the Company
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Joint Venture Agreement"	the joint venture agreement dated 11th October, 2006 entered into between Prosperity Trading and the JV Partner for the establishment of the Joint Venture Company
"Joint Venture Company"	the joint venture company to be established in the PRC pursuant to the Joint Venture Agreement with a tentative name of 江都海昌港務實業有限責任公司 (Jiangdou Haichang Port Industrial Company Limited)
"JV Partner"	安徽海螺創業投資有限責任公司(Anhui Conch Venture Investment Company Limited)
"Latest Practicable Date"	26th October, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Mr. Wong"	Mr. Wong Ben Koon, the Chairman and an executive Director of the Company
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

"Prosperity Trading"	Prosperity Trading Limited, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

For the purpose of illustration in this circular, figures in Renminbi are translated into Hong Kong dollars at the approximate exchange rate of RMB1.04 to HK$1.00.

The English translation of Chinese names is included in this circular for information purpose only and should not be regarded as their official English translation.

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: 8139)

Executive Directors:
Mr. Wong Ben Koon *(Chairman)*
Mdm. Hon Ching Fong
Mr. Kong Siu Keung

Independent non-executive Directors:
Mr. Mo Kwok Choi
Mr. Yuen Kim Hung, Michael
Mr. Yung Ho

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
10th Floor,
Prosperity Industrial Building
89 Wai Yip Street, Kwun Tong
Kowloon
Hong Kong

31st October, 2006

To the Shareholders

Dear Sirs or Madams,

MAJOR TRANSACTION
FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

On 12th October, 2006, the Company announced that Prosperity Trading, a wholly owned subsidiary of the Company, entered into the Joint Venture Agreement with the JV Partner for the establishment of the Joint Venture Company. Pursuant to the Joint Venture Agreement, the Joint Venture Company will be principally engaged in the operation of a public port and other related facilities; provision of warehousing services; and production and sales of slag powder in Jiangdou City, Jiangsu Province, the PRC.

The Joint Venture Agreement constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders. Since no Shareholders has any interest in the Joint Venture Agreement other than as shareholders of the Company, all Shareholders shall be eligible to vote on the Joint Venture Agreement if the Company were to convene a general meeting in relation thereto. Mr. Wong, the Chairman and the executive Director, and Well Success Group Limited were collectively interested in approximately 61.36% of the issued share capital of the Company as at the date of the Announcement.

* *for identification purpose only*

Mr. Wong and Well Success Group Limited had on 12th October, 2006 given their written approvals of the Joint Venture Agreement pursuant to Rule 19.44 of the GEM Listing Rules and therefore no general meeting of the Company shall be held in relation to the Joint Venture Agreement.

The purpose of this circular is to provide you with, among other things, further details of the Joint Venture Agreement and the proforma financial information of the Group that is prepared on the assumption that the formation of the Joint Venture Company had been completed as at 31st March, 2006.

THE JOINT VENTURE AGREEMENT

Date: 11th October, 2006

Parties:

i) Prosperity Trading, a wholly owned subsidiary of the Company; and

ii) 安徽海螺創業投資有限責任公司(Anhui Conch Venture Investment Company Limited), the JV Partner, an investment holding company. To the best of the Directors' knowledge, information and belief and after making all reasonable enquiry, the JV Partner and its ultimate beneficial owner are not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Principal terms:

Purpose of the Joint Venture Company

Pursuant to the terms and conditions of the Joint Venture Agreement, Prosperity Trading and the JV Partner have agreed to set up the Joint Venture Company in the PRC. The Joint Venture Company will be principally engaged in the operation of a public port and other related facilities; provision of warehousing services; and production and sales of slag powder in Jiangdou City, Jiangsu Province, the PRC.

The JV Partner and its associates (as defined in the GEM Listing Rules) (the "JV Partner Group") is principally engaged in the production and sales of building materials in the PRC; import and export of building materials in the international market and provision of the related logistics services. In view of the experience possessed by the management of the JV Partner Group, the JV Partner will be responsible for the daily operation and management of the Joint Venture Company.

Registered capital and capital contribution

The Joint Venture Company will be owned as to 25% by Prosperity Trading and as to 75% by the JV Partner upon establishment. The registered capital of the Joint Venture Company will be RMB100 million (equivalent to approximately HK$96.2 million) which shall be contributed by Prosperity Trading and the JV Partner in proportion to their respective equity interests in the Joint Venture Company, that are RMB25 million (equivalent to approximately HK$24.0 million) from Prosperity Trading and RMB75 million (equivalent to approximately HK$72.1 million) from the JV Partner.

Both Prosperity Trading and the JV Partner will contribute their respective share of the registered capital in cash. Pursuant to the Joint Venture Agreement, Prosperity Trading and the JV Partner are required to contribute 50% of their respective share of the registered capital, being RMB12.5 million (equivalent to approximately HK$12.1 million) in the case of Prosperity Trading and RMB37.5 million (equivalent to approximately HK$36.1 million) in the case of the JV Partner, to the Joint Venture Company within 3 months from the date of issue of the business licence of the Joint Venture Company by the relevant PRC authority, with the balance being contributed within 6 months from the date of issue of the business licence.

Total investment amount

Pursuant to the terms of the Joint Venture Agreement, the total investment amount of the Joint Venture Company will be RMB200 million (equivalent to approximately HK$192.3 million). The balance of the investment amount of RMB100 million over and on top of the registered capital of the Joint Venture Company will be funded by bank borrowings and/or other third party loans with no-recourse to its shareholders. In the event that the Joint Venture Company is not able to obtain bank borrowings and/or other loans on the aforesaid basis, the JV Partner shall arrange for other financing facilities.

The registered capital and the total investment amount of the Joint Venture Company is determined principally based on the expected amount of investment required for the establishment of the facilities required for the business of the Joint Venture Company.

Term of the Joint Venture Company

The Joint Venture Company has a term of 20 years from the date of issue of its business licence. Upon expiry of the original term and by further agreement between Prosperity Trading and the JV Partner, the Joint Venture Company may apply to the relevant governmental authority to extend its business licence.

Board composition

The board of directors of the Joint Venture Company will comprise 5 directors, 2 of whom will be appointed by Prosperity Trading and the remaining 3 will be appointed by the JV Partner.

Profit and loss sharing

Prosperity Trading and the JV Partner will be entitled to share the profit or shall bear the loss of the Joint Venture Company in proportion to their respective interests in the paid-up registered capital of the Joint Venture Company.

Transfer of interests in the Joint Venture Company

Under the Joint Venture Agreement, each shareholder of the Joint Venture Company shall first make an offer to the other in the event that any shareholder wishes to sell its shareholding in the Joint Venture Company. In the event that the other joint venture partner does not accept the offer within the period as prescribed in the Joint Venture Agreement, the other joint venture partner will be deemed to agree to the sale of such interests to any third parties.

Conditions precedent

The obligations of the shareholders of the Joint Venture Company in respect of payment for their respective share of the registered capital is subject to the following conditions having been fulfilled:

(a) the Shareholders approving the Joint Venture Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules;

(b) all necessary approval for the implementation of the transactions contemplated under the Joint Venture Agreement having been obtained by Prosperity Trading and the JV Partner; and

(c) the obtaining of the business licence of the Joint Venture Company from the relevant PRC authority in accordance with the terms of the Joint Venture Agreement.

Pursuant to the terms of the Joint Venture Agreement, the above conditions precedent have to be fulfilled on or before 30 days after the date of the Joint Venture Agreement or such other dates as each party to the Joint Venture Agreement may agree in writing.

As at the Latest Practicable Date, the above condition (a) had been fulfilled.

The terms of the Joint Venture Agreement have been agreed after arm's length negotiations between Prosperity Trading and the JV Partner. The Directors consider that the Joint Venture Agreement is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE JOINT VENTURE AGREEMENT

The Directors currently anticipate that Prosperity Trading's share of RMB25 million registered capital contribution will be funded by internal resources of the Group.

As reflected in the unaudited pro forma financial information of the Group set out in Appendix II to this circular, assuming the Joint Venture Company has been established and the registered capital has been fully paid as at 31st March, 2006, the net assets of the Group as at 31st March, 2006 would decrease from approximately HK$6.1 million to approximately HK$5.6 million. Such decrease is attributable to the expenses related to the formation of the Joint Venture Company. In addition, the Group would have a negative cash position of approximately HK$8.3 million. However, Shareholders should note that the pro forma statement of assets and liabilities is prepared on the basis that the entire amount of the Group's share of the registered capital has been fully paid as at 31st March 2006. However, as set out in the paragraphs headed "Registered capital and capital contribution" above, the payment of the registered capital would be by stages and is currently expected to be paid between November 2006 and May 2007. Taking into account the current cash position and the expected further cash resources to be generated from operation before the registered capital being fall due, the Directors are confident that the Group would have sufficient internal resources to finance the payment of its share of the registered capital of the Joint Venture Company.

The Joint Venture Company will become an associated company of the Group after its establishment. According to the accounting policies of the Group, the Group's interest in the Joint Venture Company will be accounted for in the consolidated financial statements of the Group under the equity method of accounting.

REASONS FOR THE JOINT VENTURE AGREEMENT

The Group is principally engaged in the trading of cement clinker and other building materials in Asia. As set out in the first quarterly report (the "First Quarterly Report") of the Company for the three months ended 30th June 2006, the Group has successfully extended its trading business to the United States, Africa and Middle East.

The Directors believe that there will be continuous strong demand from the international market for building materials produced in the PRC. Such demand for the building materials is also expected to lead to strong demand for slag powder which is used in production of cement. The growth in this export business in the PRC will increase demand for ports and warehousing services. As a result, the Directors are optimistic about the potential investment returns from port and warehousing services to be provided by the Joint Venture Company. The Directors are of the view that the Joint Venture Agreement will provide an opportunity for the Group to make a foray into the port and warehousing operations and production and sales of slag powder, thereby enabling the Group to tap the potential growth in these markets.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has successfully transformed itself to be principally engaged in trading of cement clinker and other buildings materials. As set out in the First Quarterly Report, the turnover generated from the trading of cement clinker and other buildings materials for the three months ended 30th June, 2006 amounted to approximately HK$87.3 million which represents approximately 54.7% of the total turnover of the Group for the year ended 31st March, 2006. This encouraging result has proved that the diversification into the trading of cement clinker and other buildings materials implemented by the management of the Group is in the right direction. In addition, the Group has also successfully extended its business reach to the United States, Africa and Middle East. This outstanding performance has strengthened the Directors' confidence in the future development of the cement clinker and other building materials business. In view of the continuous strong demand from the international market for buildings materials produced in the PRC and the associated ports and warehousing services as discussed in the paragraph headed "Reasons for the Joint Venture Agreement" above, the Directors are positive about the financial and business prospects of the Group.

GENERAL

The formation of the Joint Venture Company pursuant to the Joint Venture Agreement constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders. Since no Shareholders has any interest in the Joint Venture Agreement other than as shareholders of the Company, all Shareholders shall be eligible to vote on the Joint Venture Agreement if the Company were to convene a general meeting in relation thereto. Mr. Wong, the Chairman and executive Director, and Well Success Group Limited were collectively interested in approximately 61.36% of the issued share capital of the Company as at the date of the Announcement. Mr Wong and Well Success Group Limited had on 12th October, 2006 given their written approvals of the Joint Venture Agreement pursuant to Rule 19.44 of the GEM Listing Rules and therefore no general meeting of the Company shall be held in relation to the Joint Venture Agreement.

RECOMMENDATION

The Directors consider the terms of the Joint Venture Agreement are fair and reasonable and the entering into of the Joint Venture Agreement is in the interest of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Prosperity International Holdings (H.K.) Limited
Wong Ben Koon
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

A summary of the published results and the assets and liabilities of the Group as extracted from the annual report of the Company for the year ended 31st March, 2006 is set out below:

	(Audited) Year ended 31 March		
	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
RESULTS			
Turnover	**159,587**	–	–
Profit/(loss) before taxation	**11,157**	(3,457)	(4,559)
Taxation	**(4)**	–	–
Profit/(loss) from continuing operation	**11,153**	(3,457)	(4,559)
(Loss)/profit from discontinued operation	**(4,362)**	(34,320)	(25,962)
Profit/(loss) for the year	**6,791**	(37,777)	(30,521)
Attributable to:			
Equity holders of the Company	**6,791**	(36,621)	(27,765)
Minority interest	**–**	(1,156)	(2,756)
	6,791	(37,777)	(30,521)

	(Audited) As at 31 March		
	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
ASSETS AND LIABILITIES			
Total assets	**36,868**	74,404	113,227
Total liabilities	**(30,745)**	(100,321)	(103,873)
Net assets attributable to the Shareholders	**6,123**	(25,917)	9,354

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

The following is the audited financial statements of the Group for the year ended 31st March, 2006 together with the accompanying notes extracted from the Company's annual report for the year ended 31st March, 2006.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2006

	Note	**2006** **HK$'000**	2005 HK$'000 (Restated)
Continuing operation			
Turnover	*8*	**159,587**	–
Cost of sales		**(143,104)**	–
Gross profit		**16,483**	–
Other income	*9*	**1,072**	–
Selling and distribution costs		**(1,682)**	–
Administrative expenses		**(4,665)**	(3,457)
Profit/(loss) from operation		**11,208**	(3,457)
Finance costs	*10*	**(51)**	–
Profit/(loss) before taxation		**11,157**	(3,457)
Taxation	*11*	**(4)**	–
Profit/(loss) for the year from continuing operation		**11,153**	(3,457)
Discontinued operation			
Loss for the year from discontinued operation	*12*	**(4,362)**	(34,320)
Profit/(loss) for the year	*13*	**6,791**	(37,777)
Attributable to:			
Equity holders of the Company		**6,791**	(36,621)
Minority interest		**–**	(1,156)
		6,791	(37,777)
Earnings/(loss) per share			
From continuing and discontinued operations			
– basic	*17(a)*	**7.2 cents**	(58.9) cents
– diluted	*17(a)*	**7.1 cents**	N/A
From continuing operation			
– basic	*17(b)*	**11.8 cents**	(5.6) cents
– diluted	*17(b)*	**11.6 cents**	N/A

CONSOLIDATED BALANCE SHEET
At 31 March 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	18	**9**	36,542
Prepaid land lease payments	19	**–**	10,460
		9	47,002
Current assets			
Inventories	21	**15,089**	14,024
Trade and bills receivables	22	**1,316**	6,865
Prepaid land lease payments	19	**–**	240
Prepayments, deposits and other receivables		**615**	4,733
Pledged bank deposits	23	**3,624**	–
Bank and cash balances	23	**16,215**	1,540
		36,859	27,402
Total assets		**36,868**	74,404
Capital and reserves			
Share capital	24	**14,496**	7,060
Reserves	25(a)	**(8,373)**	(32,977)
Equity attributable to equity holders of the Company		**6,123**	(25,917)
Non-current liabilities			
Due to a director	26	**–**	18,436
Deferred tax liabilities	27	**–**	817
		–	19,253
Current liabilities			
Trade and bills payables	28	**8,670**	17,196
Accrued liabilities and other payables		**2,395**	13,768
Due to a related company	29	**23**	–
Trade deposits received		**12,265**	–
Provision for taxation		**4**	10,104
Short term interest-bearing borrowings	30	**7,388**	40,000
		30,745	81,068
Total liabilities		**30,745**	100,321
Total equity and liabilities		**36,868**	74,404
Net current assets/(liabilities)		**6,114**	(53,666)
Total assets less current liabilities		**6,123**	(6,664)

BALANCE SHEET
At 31 March 2006

	Note	**2006** **HK$'000**	2005 HK$'000
Non-current assets			
Property, plant and equipment	*18*	**2**	5
Interests in subsidiaries	*20*	**–**	–
		2	5
Current assets			
Due from subsidiaries	*20*	**26,181**	–
Prepayments		**–**	156
Bank balances		**146**	4
		26,327	160
Total assets		**26,329**	165
Capital and reserves			
Share capital	*24*	**14,496**	7,060
Reserves	*25(b)*	**6,522**	(9,434)
		21,018	(2,374)
Non-current liabilities			
Due to a director	*26*	**–**	200
Current liabilities			
Due to subsidiaries	*20*	**3,746**	–
Other payables		**1,565**	2,339
		5,311	2,339
Total liabilities		**5,311**	2,539
Total equity and liabilities		**26,329**	165
Net current assets/(liabilities)		**21,016**	(2,179)
Total assets less current liabilities		**21,018**	(2,174)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Goodwill reserve HK$'000	Properties revaluation reserve HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 1 April 2004, as previously reported	5,760	14,196	14,878	–	(38,061)	(1,522)	23,632	18,883	3,112	21,995
Effect of changes in accounting policies *(note 3(b))*	–	–	–	–	2,760	–	(14,140)	(11,380)	(1,261)	(12,641)
At 1 April 2004, as restated	5,760	14,196	14,878	–	(35,301)	(1,522)	9,492	7,503	1,851	9,354
Revaluation deficit on buildings	–	–	–	–	–	–	(6,262)	(6,262)	(695)	(6,957)
Net expense recognised directly in equity	–	–	–	–	–	–	(6,262)	(6,262)	(695)	(6,957)
Impairment of goodwill remaining in goodwill reserve	–	–	–	–	–	1,522	–	1,522	–	1,522
Loss for the year	–	–	–	–	(36,621)	–	–	(36,621)	(1,156)	(37,777)
Total recognised income and expense for the year	–	–	–	–	(36,621)	1,522	(6,262)	(41,361)	(1,851)	(43,212)
Issue of shares for loan capitalisation *(note 24(a))*	1,300	6,500	–	–	–	–	–	7,800	–	7,800
Recognition of share-based payments	–	–	–	141	–	–	–	141	–	141
	1,300	6,500	–	141	–	–	–	7,941	–	7,941
At 31 March 2005, as restated	7,060	20,696	14,878	141	(71,922)	–	3,230	(25,917)	–	(25,917)
At 1 April 2005, as previously reported	7,060	20,696	14,878	–	(73,015)	–	11,281	(19,100)	–	(19,100)
Effect of changes in accounting policies *(note 3(b)&(c))*	–	–	–	141	1,093	–	(8,051)	(6,817)	–	(6,817)
At 1 April 2005, as restated	7,060	20,696	14,878	141	(71,922)	–	3,230	(25,917)	–	(25,917)
Revaluation deficit on buildings	–	–	–	–	–	–	(2,503)	(2,503)	–	(2,503)
Net expense recognised directly in equity	–	–	–	–	–	–	(2,503)	(2,503)	–	(2,503)
Profit for the year	–	–	–	–	6,791	–	–	6,791	–	6,791
Total recognised income and expense for the year	–	–	–	–	6,791	–	(2,503)	4,288	–	4,288
Issue of shares on placement *(note 24(b))*	1,152	2,504	–	–	–	–	–	3,656	–	3,656
Issue of shares for loan capitalisation *(note 24(d))*	6,324	17,676	–	–	–	–	–	24,000	–	24,000
Repurchase of shares *(note 24(e))*	(40)	(88)	–	–	–	–	–	(128)	–	(128)
Recognition of share-based payments	–	–	–	224	–	–	–	224	–	224
Transfer on disposal of subsidiaries	–	–	–	–	727	–	(727)	–	–	–
Transfer *(note 25(a))*	–	(34,320)	–	–	34,320	–	–	–	–	–
	7,436	(14,228)	–	224	35,047	–	(727)	27,752	–	27,752
At 31 March 2006	14,496	6,468	14,878	365	(30,084)	–	–	6,123	–	6,123

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		**6,791**	(37,777)
Adjustments for:			
Income tax expenses		**4**	–
Finance costs		**2,387**	3,501
Depreciation		**3,895**	4,838
Amortisation of prepaid land lease payments		**–**	240
Loss on disposal of property, plant and equipment		**–**	44
Interest income		**(57)**	(7)
Gain on disposal of discontinued operation		**(1,858)**	–
Allowance for inventories		**–**	8,221
Employee share option benefits		**224**	141
Allowance for receivables		**1,207**	8,084
Impairment of goodwill		**–**	1,522
Impairment of property, plant and equipment		**–**	1,693
Operating profit/(loss) before working capital changes		**12,593**	(9,500)
(Increase)/decrease in inventories		**(17,931)**	4,758
Increase in trade and bills receivables		**(1,410)**	(413)
Decrease in prepayments, deposits and other receivables		**517**	1,766
Increase/(decrease) in trade and bills payables		**8,298**	(1,276)
Increase in accrued liabilities and other payables		**185**	1,266
Increase in deposit received		**12,265**	–
Increase in amount due to a related company		**23**	–
Increase in amount due to a director		**5,506**	–
Cash generated from/(used in) operating activities		**20,046**	(3,399)
Interest received		**57**	7
Interest paid		**(2,387)**	(3,498)
Finance lease charges paid		**–**	(3)
Net cash generated from/(used in) operating activities		**17,716**	(6,893)

	Note	2006 HK$'000	2005 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/decrease in pledged bank deposits		**(3,624)**	1,210
Acquisition of a subsidiary	*31(a)*	**(6)**	–
Disposal of subsidiaries	*31(b)*	**(2,582)**	–
Purchases of property, plant and equipment		**(499)**	(2,232)
Proceeds from disposal of property, plant and equipment		**–**	461
Net cash used in investing activities		**(6,711)**	(561)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other loans		**(1,496)**	(187)
Repayment of bank loans		**(5,750)**	(7,589)
Other borrowings raised		**–**	1,308
Payment of finance lease capital element, net		**–**	(338)
Increase in trust receipt loan		**7,388**	–
Proceeds from issue of shares		**3,802**	–
Share issue expenses paid		**(146)**	–
Repurchase of shares		**(128)**	–
Advance from a director		**–**	13,261
Net cash generated from financing activities		**3,670**	6,455
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**14,675**	(999)
CASH AND CASH EQUIVALENTS AT 1 APRIL		**1,540**	2,539
CASH AND CASH EQUIVALENTS AT 31 MARCH		**16,215**	1,540
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**16,215**	1,540

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. GENERAL INFORMATION

Prosperity International Holdings (H.K.) Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda on 17 August 2000 under the Companies Act 1981 of Bermuda (as amended). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is 10th Floor, Prosperity Industrial Building, 89 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The Group was engaged in the trading of cement clinker and other building materials, and the manufacture and sale of decorative sheets during the year.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of the Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below:

(a) Presentation of Financial Statements

HKAS 1 Presentation of Financial Statements affects the presentation of minority interest and other disclosures.

(b) Leases

The adoption of HKAS 17 Leases has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to prepaid land lease payments. The up-front prepayments made for the leasehold land are expensed in the consolidated income statement on a straight-line basis over the period of the lease. In prior years, the leasehold land was accounted for at fair value less accumulated depreciation and accumulated impairment. HKAS 17 has been applied retrospectively.

The adoption of HKAS 17 resulted in a decrease in accumulated losses of the Group at 1 April 2004 by HK$2,760,000 and resulted in changes in the amounts reported in the financial statements of the Group as follows:

	2006	2005
	HK$'000	*HK$'000*
Increase in prepaid land lease payments	**–**	10,700
Decrease in property, plant and equipment	**–**	20,000
Decrease in properties revaluation reserve	**–**	8,051
Decrease in deferred tax liabilities	**–**	2,483
Decrease in accumulated losses	**–**	1,234
Decrease in administrative expenses	**340**	430
Decrease in minority interest in loss for the year	**–**	1,956
Increase in basic earnings/(loss) per share	**0.4 cent**	(2.5 cents)
Increase in diluted earnings per share	**0.4 cent**	N/A

(c) Share-based payments

The adoption of HKFRS 2 Share-based Payment has resulted in a change in the accounting policy for employee share options. Prior to this, the grant of share options to employees did not result in a charge to the income statement. Upon the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods and expensed to the income statement.

The adoption of HKFRS 2 resulted in changes in the amounts reported in the financial statements of the Group and the Company as follows:

	2006	2005
	HK$'000	*HK$'000*
Increase in share-based payments reserve	**365**	141
Increase in accumulated losses	**365**	141
Increase in administrative expenses	**224**	141
Decrease/(increase) in basic earnings/(loss) per share	**0.2 cent**	(0.2 cent)
Decrease in diluted earnings per share	**0.2 cent**	N/A

(d) Discontinued operations

HKFRS 5 Non-current Assets Held for Sales and Discontinued Operations specifies the accounting for assets held for sales, and the presentation and disclosure of discontinued operations. HKFRS 5 classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sales in accordance with HKFRS 5 or when the Group has disposed of the operation. HKFRS 5 is effective for operations that meet the criteria to be classified as discontinued after 1 April 2005.

The new accounting policy by the adoption of HKFRS 5 has resulted in the reclassification of the comparative information for the year ended 31 March 2005 in conforming with current year's presentation as follows:

	As previously reported *HK$'000*	**As restated** ***HK$'000***
Turnover	59,808	**–**
Cost of sales	(68,830)	**–**
Gross loss	(9,022)	**–**
Other income	33	**–**
Selling and distribution costs	(2,985)	**–**
Administrative expenses	(11,292)	**(3,457)**
Other operating expenses	(11,299)	**–**
Loss from operation	(34,565)	**(3,457)**
Finance costs	(3,501)	**–**
Loss before taxation	(38,066)	**(3,457)**
Taxation	–	**–**
Loss for the year from continuing operation		**(3,457)**
Discontinued operation		
Loss for the year from discontinued operation		**(34,320)**
Loss for the year	(38,066)	**#(37,777)**
Attributable to:		
Equity holders of the Company	(34,954)	**(36,621)**
Minority interest	(3,112)	**(1,156)**
	(38,066)	**(37,777)**

The amount has been adjusted for the effect of adoption of new and revised HKFRSs as stated above.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

4. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interest represents the interest of minority shareholders in the operating results and net assets of subsidiaries. Minority interest is presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interest is presented in the consolidated income statement as an allocation of profit or loss for the year between the minority and the shareholders of the Company. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in profit or loss.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interest of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rate on the transaction dates); and

– all resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at fair values, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, except for construction in progress, are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to the properties revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against properties revaluation reserve directly in equity. All other decreases are expensed in the income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the lease term
Plant and machinery	10% to 20%
Furniture, fixtures, equipment and motor vehicles	10% to 20%
Leasehold improvements	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal or retirement of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of the lease, the finance lease is capitalised at the lower of the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

Lease payments are allocated between the capital and finance charges. The corresponding rental obligations, net of finance charges, are recorded as obligations under finance leases. Finance charges are charged to the income statement in proportion to the capital balances outstanding.

(f) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

(i) the post-tax profit or loss of the discontinued operation; and

(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overheads expenditures.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

(i) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. For the purpose of the cash flow statement, bank overdrafts which are repayable on demand and form an integral part of an Group's cash management are also included as a component of cash and cash equivalents.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(k) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue recognition

(i) Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and title has passed to the customers.

(ii) Interest income is recognised on a time proportion basis using the effective interest method.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(o) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment.

Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and bank and cash balances. Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

In respect of geographical segment reporting, sales are based on the countries in which customers are located. Total assets and capital expenditure are based on where the assets are located.

(r) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans for the benefit of employees of the Group or of any entity that is a related party of the Group.

(s) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provision are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

(u) Event after the balance sheet date

Event after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Event after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

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

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In addition, deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves estimation regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, the asset balance will be reduced and charged to the income statement.

6. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and United States dollars.

(ii) Credit risk

As at 31 March 2006, the three largest trade and bills receivables represent approximately 100% of the total trade and bills receivables. The Group was exposed to the concentration of credit risk. In order to minimise the credit risk, the Group maintains various credit policies for business operations as described in note 22 to the financial statements.

The carrying amount of the trade and bills receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on liquid funds is limited because the counterparties are banks.

(iii) Liquidity risk

The Group manages its liquidity risk by ensuring the availability of funding to meet its liquidity requirements in the short and longer terms through an adequate amount of committed credit facilities from financial institutions.

(iv) Interest rate risk

The Group's exposure to interest-rate risk arises from its short-term borrowings. These borrowings bear interests at variable rates varied with the then prevailing market condition. The interest rates and terms of repayment of short-term borrowings are disclosed in note 30 to the financial statements. Other financial assets and liabilities do not have material interest rate risk.

(b) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. SEGMENT INFORMATION

(a) Primary reporting format-business segments

The Group is currently engaged in the trading of cement clinker and other building materials. In prior year, the Group also engaged in the manufacture and sale of decorative sheets. That operation was discontinued with effect from 17 January 2006 (see note 12 to the financial statements).

No analysis of segment revenue and result is presented for the continuing operation as the Group's sole business is the trading of cement clinker and other buildings materials. Other segment information about the Group's continuing operation is presented below. Segment information about the Group's discontinued operation is presented in note 12 to the financial statements.

	2006	2005
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
Continuing operation	**36,629**	–
Discontinued operation	**–**	74,276
Unallocated assets	**239**	128
Consolidated total assets	**36,868**	74,404
LIABILITIES		
Segment liabilities		
Continuing operation	**29,181**	–
Discontinued operation	**–**	97,862
Unallocated liabilities	**1,564**	2,459
Consolidated total liabilities	**30,745**	100,321
OTHER INFORMATION		
Capital expenditure	**8**	–
Depreciation and amortisation	**4**	–
Other non-cash expenses	**224**	–

(b) Secondary reporting format-geographical segments

In determining the Group's geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Continuing operation		Discontinued operation					
	Asia except PRC		PRC		Unallocated		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE	**159,587**	–	**41,505**	59,808	**–**	–	**201,092**	59,808
ASSETS								
Segment assets	**36,629**	–	**–**	74,276	**–**	–	**36,629**	74,276
Unallocated assets	**–**	–	**–**	–	**239**	128	**239**	128
Consolidated total assets	**36,629**	–	**–**	74,276	**239**	128	**36,868**	74,404
OTHER INFORMATION								
Capital expenditure	**8**	–	**491**	2,232	**–**	–	**499**	2,232

8. TURNOVER

The Group is principally engaged in the trading of cement clinker and other building materials and the manufacture and sale of decorative sheets in current year. An analysis of the Group's turnover is as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover		
Cement clinker and other building materials	**159,587**	–
Decorative sheets	**41,505**	59,808
	201,092	59,808
Representing:		
Continuing operation	**159,587**	–
Discontinued operation	**41,505**	59,808
	201,092	59,808

9. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Interest income	**57**	7
Others	**1,106**	26
Total other income	**1,163**	33
Representing:		
Continuing operation	**1,072**	–
Discontinued operation	**91**	33
	1,163	33

10. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans	**2,246**	3,328
Interest on other loans wholly repayable within five years	**141**	170
Finance lease charges	**–**	3
	2,387	3,501
Representing:		
Continuing operation	**51**	–
Discontinued operation	**2,336**	3,501
	2,387	3,501

11. TAXATION

	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax-current	**4**	–
Representing:		
Continuing operation	**4**	–
Discontinued operation	**–**	–
	4	–

Hong Kong profits tax has been provided at a rate of 17.5% on the estimated assessable profit for the year ended 31 March 2006. No provision for Hong Kong profits tax has been made for the year ended 31 March 2005 as the Group did not generate any assessable profits arising in Hong Kong during the year.

Taxation charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

For the year ended 31 March 2006, the tax rate applicable to a disposed subsidiary established and operating in the PRC is 24% (2005: 24%). No provision for PRC enterprise income tax has been made for the year as this disposed subsidiary did not generate any assessable profits arising in the PRC during the period up to the date of disposal (2005: Nil).

The taxation charge can be reconciled to the profit/(loss) before taxation as follows:

2006

	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Total** *HK$'000*
Profit/(loss) before taxation			
Continuing operation	**11,157**	**–**	**11,157**
Discontinued operation	**(454)**	**(5,766)**	**(6,220)**
	10,703	**(5,766)**	**4,937**
Tax at applicable tax rate	**1,873**	**(1,383)**	**490**
Tax effect of net income that is not taxable in determining taxable profit	**(2,289)**	**(127)**	**(2,416)**
Tax effect of unrecognised temporary differences	**1**	**–**	**1**
Tax effect of unused tax loss not recognised	**419**	**1,510**	**1,929**
Taxation charge	**4**	**–**	**4**

2005

	Hong Kong *HK$'000*	PRC *HK$'000*	Total *HK$'000*
Loss before taxation			
Continuing operation	(3,457)	–	(3,457)
Discontinued operation	(3,891)	(30,429)	(34,320)
	(7,348)	(30,429)	(37,777)
Tax at applicable tax rate	(1,286)	(7,303)	(8,589)
Tax effect of income that is not taxable in determining taxable profit	(149)	–	(149)
Tax effect of unrecognised temporary differences	(75)	–	(75)
Tax effect of unused tax loss not recognised	1,510	7,303	8,813
Taxation charge	–	–	–

12. DISCONTINUED OPERATION

Pursuant to an agreement dated 23 November 2005 entered into between a wholly-owned subsidiary of the Company, Profit World Ventures Limited ("Profit World") and an independent third party (the "Purchaser"), Profit World disposed of 100% interest in two wholly-owned subsidiaries, Golden Tapestry Profits Limited ("Golden Tapestry") and Xingda Decorative Sheets Company Limited ("Xingda").

Golden Tapestry was dormant and Xingda held 90% interest in a sino-foreign equity joint venture, Guangzhou Xingda Decorative Sheets Co., Ltd. ("Guangzhou Xingda"). Xingda and Guangzhou Xingda were engaged in the manufacture and sale of decorative sheets during the year. The disposal was completed on 17 January 2006.

The loss for the year from the discontinued operation is analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Loss of discontinued operation	**(6,220)**	(34,320)
Gain on disposal of discontinued operation	**1,858**	–
	(4,362)	(34,320)

The results of the discontinued operation for the period from 1 April 2005 to 17 January 2006, which have been involved in the consolidated income statement, are as follows:

	Period from 1 April 2005 to 17 January 2006	Year ended 31 March 2005
	HK$'000	*HK$'000*
Turnover	**41,505**	59,808
Cost of sales	**(38,733)**	(68,830)
Gross profit/(loss)	**2,772**	(9,022)
Other income	**91**	33
Selling and distribution costs	**(1,322)**	(2,985)
Administrative expenses	**(4,218)**	(7,546)
Other operating expenses	**(1,207)**	(11,299)
Loss from operations	**(3,884)**	(30,819)
Finance costs	**(2,336)**	(3,501)
Loss before taxation	**(6,220)**	(34,320)
Taxation	**–**	–
Loss for the year	**(6,220)**	(34,320)

During the year, the disposed subsidiaries paid approximately HK$3,645,000 (2005: HK$7,137,000) in respect of operating activities, paid approximately HK$491,000 (2005: HK$561,000) in respect of investing activities and paid approximately HK$7,245,000 (2005: received HK$7,955,000) in respect of financing activities.

No tax charge or credit arose on gain on disposal of the discontinued operation.

The carrying amounts of the assets and liabilities of the disposed subsidiaries at the date of disposal are disclosed in note 31(b) to the financial statements.

13. PROFIT/(LOSS) FOR THE YEAR

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Auditors' remuneration		
Current	**475**	600
Under-provision in prior year	**22**	–
	497	600
Cost of inventories sold	**138,902**	45,969
Depreciation	**3,895**	4,838
Allowance for inventories (included in cost of inventories sold)	**–**	8,221
Allowance for receivables (included in other operating expenses)	**1,207**	8,084
Impairment on goodwill (included in other operating expenses)	**–**	1,522
Loss on disposal of property, plant and equipment	**–**	44
Impairment on property, plant and equipment (included in other operating expenses)	**–**	1,693
Operating lease rentals in respect of land and buildings	**90**	330
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**5,628**	6,282
Employee share option benefits	**224**	141
Retirement benefits scheme contributions	**203**	357
	6,055	6,780

Cost of inventories sold includes staff costs of approximately HK$1,355,000 (2005: HK$2,115,000) which is included in the amount disclosed separately above for the years.

14. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	2006	2005
	HK$'000	*HK$'000*
Fees		
Independent non-executive directors	**312**	261
Other emoluments		
Executive directors		
Salaries and allowances	**744**	860
Discretionary bonus	**130**	60
Employee share option benefits	**93**	141
Retirement benefits scheme contributions	**23**	32
	1,302	1,354

The emoluments of every director for the years are set out below:

	Fees	Salaries and allowances	Discretionary bonus	Employee share option benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Name of director						
Mr. WONG Ben Koon	–	–	–	–	–	–
Mr. NG Hon Fai	–	**60**	–	–	**3**	**63**
Madam HON Ching Fong	–	**120**	**10**	–	**6**	**136**
Mr. CHOI Yat Choy *(Note (a))*	–	**84**	–	**23**	**2**	**109**
Mr. KONG Siu Keung	–	**480**	**120**	**70**	**12**	**682**
Mr. MO Kwok Choi	**130**	–	–	–	–	**130**
Mr. YUEN Kim Hung, Michael	**91**	–	–	–	–	**91**
Mr. YUNG Ho	**91**	–	–	–	–	**91**
Total for 2006	**312**	**744**	**130**	**93**	**23**	**1,302**
Mr. WONG Ben Koon	–	–	–	–	–	–
Mr. NG Hon Fai	–	–	–	–	–	–
Madam HON Ching Fong	–	120	–	–	6	126
Mr. CHOI Yat Choy	–	240	20	70	13	343
Mr. KONG Siu Keung	–	480	40	71	12	603
Mr. LAM Hei Shing, Joseph *(Note (b))*	–	20	–	–	1	21
Mr. MO Kwok Choi	120	–	–	–	–	120
Mr. YUEN Kim Hung, Michael	85	–	–	–	–	85
Mr. YUNG Ho	56	–	–	–	–	56
Total for 2005	261	860	60	141	32	1,354

Notes: (a) Resigned on 1 August 2005.

(b) Resigned on 22 April 2004.

During the year, Mr. WONG Ben Koon and Mr. NG Hon Fai, executive directors of the Company, have agreed to waive their remunerations of HK$720,000 (2005: HK$720,000) and HK$300,000 (2005: HK$240,000), respectively. Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The five highest paid individuals in the Group during the year included two (2005: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2005: one) individuals are set out below:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries and allowances	**443**	183
Retirement benefits scheme contributions	**13**	–
	456	183

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Nil to HK$1,000,000	**3**	1

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary established in the PRC are members of a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its covered payroll to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

16. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) attributable to equity holders of the Company included a loss of approximately HK$4,360,000 (2005 (restated): HK$29,198,000) which has been dealt with in the financial statements of the Company.

17. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

Basic earnings/(loss) per share

The calculation of basic earnings (2005: loss) per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$6,791,000 (2005 (restated): loss attributable to equity holders of the Company of approximately HK$36,621,000) and the weighted average number of ordinary shares of 94,711,567 (2005: 62,202,186, as adjusted to reflect the share consolidation in July 2005) in issue during the year.

Diluted earnings/(loss) per share

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$6,791,000 and the weighted average number of ordinary shares of 96,075,297, being the weighted average number of ordinary shares of 94,711,567 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,363,730 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 March 2005.

(b) From continuing operation

Basic earnings/(loss) per share

The calculation of basic earnings (2005: loss) per share from continuing operation attributable to equity holders of the Company is based on the profit for the year from continuing operation attributable to equity holders of the Company of approximately HK$11,153,000 (2005 (restated): loss from continuing operation attributable to equity holders of the Company of approximately HK$3,457,000) and the denominator used is the same as that detailed above for basic earnings/(loss) per share.

Diluted earnings/(loss) per share

The calculation of diluted earnings per share from continuing operation attributable to equity holders of the Company is based on the profit for the year from continuing operation attributable to equity holders of the Company of approximately HK$11,153,000 and the denominator used is the same as that detailed above for diluted earnings/(loss) per share.

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 March 2005.

(c) From discontinued operation

Basic loss per share from the discontinued operation is HK4.6 cents per share (2005 (restated): HK53.3 cents per share) and diluted loss per share from the discontinued operation is HK4.5 cents per share, based on the loss for the year from discontinued operation attributable to the equity holders of the Company of approximately HK$4,362,000 (2005 (restated): approximately HK$33,164,000) and the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 March 2005.

18. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Medium term leasehold buildings outside Hong Kong	Plant and machinery	Furniture, fixtures, equipment and motor vehicles	Leasehold improvements	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 April 2004 (as restated)	26,200	44,316	4,473	–	–	74,989
Additions	–	1,097	341	–	794	2,232
Deficit on revaluation	(9,800)	–	–	–	–	(9,800)
Disposals	–	(821)	(165)	–	–	(986)
At 31 March 2005 and at 1 April 2005 (as restated)	16,400	44,592	4,649	–	794	66,435
Additions	–	466	12	2	19	499
Deficit on revaluation	(3,433)	–	–	–	–	(3,433)
Disposal of subsidiaries	(12,967)	(45,058)	(4,636)	–	(813)	(63,474)
At 31 March 2006, at cost	–	–	25	2	–	27
Accumulated depreciation and impairment						
At 1 April 2004 (as restated)	–	21,533	2,956	–	–	24,489
Charge for the year	646	3,685	507	–	–	4,838
Impairment loss recognised in income statement	–	1,693	–	–	–	1,693
Disposals	–	(317)	(164)	–	–	(481)
Write back on revaluation	(646)	–	–	–	–	(646)
At 31 March 2005 and at 1 April 2005 (as restated)	–	26,594	3,299	–	–	29,893
Charge for the year	140	3,309	445	1	–	3,895
Write back on revaluation	(140)	–	–	–	–	(140)
Disposal of subsidiaries	–	(29,903)	(3,727)	–	–	(33,630)
At 31 March 2006	–	–	17	1	–	18
Carrying amount						
At 31 March 2006	–	–	8	1	–	9
At 31 March 2005 (as restated)	16,400	17,998	1,350	–	794	36,542

Leasehold buildings were revalued at 31 July 2005 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$16,400,000, on an open market value, comparison approach basis.

As at 31 March 2005, certain buildings, plant and machinery and motor vehicles of the Group with aggregate carrying value of approximately HK$13,448,000, HK$15,685,000 and HK$129,000 respectively were pledged to secure bank and other loans granted to the Group as set out in note 30 to the financial statements.

	Company
	Equipment
	HK$'000
Cost	
At 1 April 2004, 1 April 2005 and 31 March 2006	16
Accumulated depreciation	
At 1 April 2004	8
Charge for the year	3
At 1 April 2005	11
Charge for the year	3
At 31 March 2006	14
Net book value	
At 31 March 2006	2
At 31 March 2005	5

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
At beginning of year	**10,700**	10,940
Amortisation of prepaid land lease payments	**–**	(240)
Disposal of subsidiaries	**(10,700)**	–
At end of year	**–**	10,700
Current portion	**–**	(240)
Non-current portion	**–**	10,460

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium term leases. As at 31 March 2005, all land use rights were pledged to secure bank loans granted to the Group as set out in note 30 to the financial statements.

20. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted investment, at cost	**38,542**	38,542
Due from subsidiaries	**–**	24,895
Due to subsidiaries	**–**	–
	38,542	63,437
Less: impairment loss	**(38,542)**	(63,437)
	–	–

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries as at 31 March 2006 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company Direct	Attributable equity interest held by the Company Indirect	Principal activities
Profit World Ventures Limited	British Virgin Islands ("BVI")	Ordinary US$20,000	100%	–	Investment holding
Prosperity Trading Limited	Hong Kong	Ordinary HK$10,000	–	100%	Trading of building materials
Prosperity Cement (Asia) Limited ("PCAL")	Hong Kong	Ordinary HK$2	–	100%	Trading of cement clinker
Prosperity Cement Shipping Limited	BVI	Ordinary US$2	–	100%	Dormant

21. INVENTORIES

	Group 2006 HK$'000	Group 2005 HK$'000
Raw materials	**–**	5,909
Finished goods	**15,089**	8,115
	15,089	14,024

22. TRADE AND BILLS RECEIVABLES

The Group receives from each customer for cement clinker trading 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 trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. 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 invoice date, and net of allowance, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 to 90 days	**1,287**	6,540
91 to 180 days	**29**	269
181 to 365 days	**–**	56
	1,316	6,865

As at 31 March 2006, approximately HK$1,283,000 of trade receivables were pledged to a bank to secure trust receipt loans as set out in note 30 to the financial statements.

As at 31 March 2005, an allowance was made for estimated irrecoverable amounts from the sales of goods of approximately HK$7,757,000.

The directors consider that the carrying amount of trade and bills receivables approximates their fair value.

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

As at 31 March 2006, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to HK$Nil (2005: HK$1,497,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. SHARE CAPITAL

	Note	Number of Shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.1 (2005: HK$0.01) each			
At 1 April 2004 and 31 March 2005		10,000,000,000	100,000
Share consolidation	*(c)*	(9,000,000,000)	–
At 31 March 2006		1,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK$0.1 (2005: HK$0.01) each			
At 1 April 2004		576,000,000	5,760
Issue of shares	*(a)*	130,000,000	1,300
At 31 March 2005		706,000,000	7,060
Issue of shares on placement	*(b)*	115,200,000	1,152
Share consolidation	*(c)*	(739,080,000)	–
Issue of shares for loan capitalisation	*(d)*	63,241,106	6,324
Repurchase of shares	*(e)*	(400,000)	(40)
At 31 March 2006		144,961,106	14,496

Notes:

(a) On 18 November 2004, the Company entered into a loan capitalisation agreement with a director and shareholder to subscribe for 130,000,000 ordinary shares of HK$0.01 each in consideration of the settlement of the Group's loan of HK$7,800,000 due to the director and shareholder. The premium on the issue of shares amounting to approximately HK$6,500,000 was credited to the Company's share premium account.

(b) On 18 March 2005, the Company and Oriental Patron Asia Limited entered into a placing agreement in respect of the placement of 115,200,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.033 per shares. The placement was completed on 7 April 2005 and the premium on the issue of shares, amounting to approximately HK$2,504,000, net of share issue expenses, was credited to the Company's share premium account.

(c) Pursuant to an ordinary resolution passed on 28 July 2005, every ten ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK$0.1 each in the issued and unissued share capital of the Company.

(d) On 23 November 2005, the Company and Prosperity Trading Limited entered into a loan capitalisation agreement with a director and shareholder to subscribe for 63,241,106 ordinary shares of HK$0.1 each in consideration of the settlement of the Group's loan of approximately HK$24,000,000 due to the director and shareholder. The premium on the issue of shares amounting to approximately HK$17,676,000 was credited to the Company's share premium account.

(e) On 23 February 2006, the Company repurchased and cancelled 400,000 of its own shares through purchases on the Stock Exchange. The total amount paid to acquire the shares was HK$128,000 and has been deducted from the share capital and share premium account.

25. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The contributed surplus of the Group arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2001 and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefore.

Pursuant to a special resolution passed on 16 January 2006, the amount of approximately HK$34,320,000 standing to the credit of the share premium account of the Group was cancelled as a capital reduction. The credit arising from the capital reduction was set off against the accumulated losses of the Group.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus# HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004		14,196	38,342	–	(39,415)	13,123
Issue of shares	24(a)	6,500	–	–	–	6,500
Recognition of share-based payments	3(c)	–	–	141	–	141
Loss for the year	16	–	–	–	(29,198)	(29,198)
At 31 March 2005 (as restated)		20,696	38,342	141	(68,613)	(9,434)
At 1 April 2005, as previously reported		20,696	38,342	–	(68,472)	(9,434)
Effect of adoption of HKFRS 2	3(c)	–	–	141	(141)	–
At 1 April 2005 (as restated)		20,696	38,342	141	(68,613)	(9,434)
Issue of shares on placement	24(b)	2,504	–	–	–	2,504
Issue of shares for loan capitalisation	24(d)	17,676	–	–	–	17,676
Repurchase of shares	24(e)	(88)	–	–	–	(88)
Recognition of share-based payments	3(c)	–	–	224	–	224
Loss for the year	16	–	–	–	(4,360)	(4,360)
Transfers*		(34,320)	(38,342)	–	72,662	–
At 31 March 2006		6,468	–	365	(311)	6,522

\# The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2001 and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

* Pursuant to a special resolution passed on 16 January 2006, the amount of approximately HK$34,320,000 standing to the credit of the share premium account of the Company was cancelled as a capital reduction. The credit arising from the capital reduction was transferred to the contributed surplus account of the Company and the entire amount of the contributed surplus was set off against the accumulated losses of the Company.

26. DUE TO A DIRECTOR

As at 31 March 2005, the amount due to a director was unsecured and interest-free, and the director had undertaken not to demand repayment before 1 September 2006. The amount was settled during the year ended 31 March 2006 through a loan capitalisation as disclosed in note 24(d) to the financial statements.

27. DEFERRED TAX LIABILITIES

Deferred tax liabilities of the Group arose from revaluation of leasehold buildings.

The movements in deferred tax liabilities during the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
At beginning of year	**817**	3,014
Deferred tax credited to asset revaluation reserve during the year	**(790)**	(2,197)
Disposal of subsidiaries	**(27)**	–
At end of year	**–**	817

As at 31 March 2006, the Group had unused tax losses of approximately HK$7,388,000 (2005 (restated): HK$78,640,000) available for offset against future profits. No deferred tax asset (2005: Nil) has been recognised for the unused tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

28. TRADE AND BILLS PAYABLES

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 to 90 days	**8,501**	5,050
91 to 180 days	**169**	388
181 to 365 days	**–**	460
Over 365 days	**–**	11,298
	8,670	17,196

The directors consider that the carrying amount of trade and bills payables approximates their fair value.

29. DUE TO A RELATED COMPANY

The amount due to a related company by the Group is unsecured, interest-free and has no fixed terms of repayment.

30. SHORT TERM INTEREST-BEARING BORROWINGS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**–**	38,505
Secured trust receipt loans repayable within one year	**7,388**	–
Secured other loans	**–**	187
Unsecured other loans	**–**	1,308
	7,388	40,000

As at 31 March 2006, the trust receipt loans bear interest at rates ranging from 6.5% to 7%.

As at 31 March 2005, the bank loans and other loans bear interest at rates ranging from 6.638% to 7.169% per annum and 6% to 12% per annum respectively.

As at 31 March 2006, the Group's trust receipt loans were secured by:

(a) charge over certain bank deposits of the Group (note 23 to the financial statements);

(b) corporate guarantees of the Company;

(c) personal guarantee of a director of the Company; and

(d) charge over certain trade receivables of the Group *(note 22* to the financial statements*)*.

As at 31 March 2005, the Group's interest-bearing borrowings were secured by the charge over certain property, plant and equipment, and land use rights of the Group with total carrying amount of approximately HK$39,962,000 and a corporate guarantee executed by a related company in which Mr. WONG Ben Koon, a director of the Company, is a director of the related company.

The directors consider that the carrying amount of short term interest-bearing borrowings approximates their fair value.

31. NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENT

(a) Acquisition of a subsidiary

On 24 May 2005, the Group acquired 100% of the issued capital of PCAL from a director of the Company, Mr. Wong Ben Koon, for a consideration of HK$30,000 which is fully settled by cash. PCAL was engaged in the trading of cement clinker during the year.

The fair value of the identifiable assets and liabilities of the subsidiary acquired during the year as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

Net assets acquired:

	HK$'000
Prepayments, deposits and other receivables	88
Bank and cash balances	24
Accrued liabilities and other payables	(24)
Due to a director	(58)
	30
Satisfied by:	
Cash	30

Net cash inflow arising on acquisition:

Cash consideration paid	(30)
Cash and cash equivalents	24
	(6)

PCAL contributed approximately HK$158,289,000 to the Group's turnover and approximately HK$11,632,000 to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date and for the year ended 31 March 2006 if the acquisition had been completed on 1 April 2005.

(b) Disposal of subsidiaries

As referred to note 12 to the financial statements, on 17 January 2006 the Group discontinued its manufacture and sale of decorative sheets operation at the time of the disposals of its subsidiaries, Golden Tapestry and Xingda.

Net liabilities at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	**29,844**
Prepaid land lease payment	**10,700**
Inventories	**16,866**
Trade receivables	**5,752**
Prepayments, deposits and other receivables	**3,689**
Due from a related company	**97**
Bank and cash balances	**1,845**
Trade payables	**(16,824)**
Accrued liabilities and other payables	**(11,900)**
Short term interest-bearing borrowings	**(32,754)**
Deferred tax liabilities	**(27)**
Due to the Group	**(56,521)**
Provision for taxation	**(10,104)**
Net liabilities disposed of	**(59,337)**
Assignment of loans to the purchaser	**56,424**
Direct cost to the disposal	**2,255**
Gain on disposal of subsidiaries	**1,858**
Total consideration – satisfied by cash	**1,200**

Net cash outflow arising on disposal:

	HK$'000
Cash consideration received	**1,200**
Cash paid for direct cost	**(1,937)**
Cash and cash equivalents disposed of	**(1,845)**
	(2,582)

The impact of Golden Tapestry and Xingda on the Group's results and cash flows in current and prior years is disclosed in note 12 to the financial statements.

(c) Major non-cash transaction

During the year, a loan due to a director and shareholder of approximately HK$24,000,000 (2005: HK$7,800,000) was settled by the allotment of 63,241,106 ordinary shares of HK$0.1 each (2005: 130,000,000 ordinary shares of HK$0.01 each) of the Company to the director and shareholder (note 24(d) to the financial statements).

32. CONTINGENT LIABILITIES

(a) Group

As at 31 March 2006, the Group did not have any significant contingent liabilities (2005: Nil).

(b) Company

As at 31 March 2006, the Company issued corporate guarantees to banks to secure banking facilities granted to a subsidiary of the Company (note 30 to the financial statements). As at 31 March 2006, the facilities amount utilised was approximately HK$23,447,000.

As at 31 March 2005, the Company did not have any significant contingent liabilities.

33. COMMITMENTS

As at 31 March 2006, the Group and the Company had the following commitments:

(a) Operating lease commitments – as lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Within one year	–	90

(b) Capital commitments

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contracted but not provided for:		
Acquisition of plant and machinery	–	433

Save as disclosed above, the Group and the Company did not have any other significant capital and operating lease commitments as at 31 March 2006 (2005: Nil).

34. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (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. The Scheme became effective on 25 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

At 31 March 2006 the number of shares in respect of which options had been granted under the scheme was 7,800,000 (2005: 4,800,000 as adjusted to reflect the share consolidation in July 2005).

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the shares options granted and outstanding during the year are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2005	Consolidation during the year (a)	Granted during the year	Transfer during the year (d)	Number of options outstanding as at 31 March 2006	Date of grant of share options	Options period (c)	Exercise price of share options (a)	Price of share at date of grant of options (a) and (b)
								HK$	*HK$*
Directors									
Mr. CHOI Yat Choy	24,000,000	(21,600,000)	–	(2,400,000)	–	30 July 2004	9 August 2004 to 27 June 2014	0.23	0.23
Mr. KONG Siu Keung	24,000,000	(21,600,000)	–	–	2,400,000	30 July 2004	9 August 2004 to 27 June 2014	0.23	0.23
	48,000,000	(43,200,000)	–	(2,400,000)	2,400,000				
Other employees									
2004 options	–	–	–	2,400,000	2,400,000	30 July 2004	9 August 2004 to 27 June 2014	0.23	0.23
2005 options	–	–	3,000,000	–	3,000,000	28 July 2005	8 August 2005 to 27 June 2015	0.34	0.34
	–	–	3,000,000	2,400,000	5,400,000				
	48,000,000	(43,200,000)	3,000,000	–	7,800,000				

During the year, 3,000,000 (2005: 4,800,000, adjusted to reflect the share consolidation in July 2005) share options granted to an employee (2005: two directors).

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

(a) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital, and accordingly, has been adjusted for the share consolidation in July 2005.

Pursuant to an ordinary resolution passed on 28 July 2005, every ten issued and unissued shares of HK$0.01 each were consolidated into one share of HK$0.1 each. Accordingly, the numbers of the share options and the exercise prices of the share options as shown above have been adjusted for the consolidation of shares. The prices of the Company's shares at the grant dates of the option shown above have also been adjusted for the share consolidation, in order to provide a meaningful comparison.

(b) The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

(c) The options granted to directors and employees shall not be exercisable unless the Group achieved a positive net profit in any financial year after the date of grant of such options and in any event such options shall not be exercised within 18 months from 28 June 2004 for options granted on 30 July 2004 and within 18 months from 28 June 2005 for options granted on 28 July 2005.

(d) Mr. CHOI Yat Choy resigned as a director of the Company on 1 August 2005 and became an employee of the Group subsequently.

The fair values of the share options which are estimated as at the respective dates of grant using the Black-Scholes-Merton Option Pricing Model and the assumptions used in the model are as follows:

Date of grant	**28 July 2005**	**30 July 2004**
Option value	HK$170,000	HK$280,000
Variables:		
Expected volatility	30.3%	44.8%
Risk-free rate	3.2%	3.1%
Expected life of options (years)	3.0	3.0
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical price volatility of the share price of the Company over the previous 130 trading days as at 25 August 2003.

The expected life of options is based on historical performance record of the Group.

The expected dividend yield was based on historical dividend payment record of the Group.

No other features of options grants were incorporated into the measurement of fair value.

35. RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in the financial statements, the Group had the following material related party transactions which were carried out in the ordinary course of business during the year:

	2006	2005
	HK$'000	*HK$'000*
(a) Rental expenses paid to Prosperity Materials (International) Limited ("PMIL")#	**–**	90
Rental expenses paid to Cheong Sing Merchandise Agency Limited ("CMAL")#	**90**	–
Due to a director	**–**	18,436
Due to CMAL#	**23**	–

The rental expenses were charged with reference to the open market values as determined by the directors. Mr. WONG Ben Koon and Madam HON Ching Fong, directors of the Company, are also the directors of and have beneficial interest in PMIL and CMAL.

(b) During the year, the Group acquired 100% of the issued capital of PCAL from Mr. WONG Ben Koon, a director of the Company at a consideration of HK$30,000, based on an internal valuation of the business prepared by the directors of the Company.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 20 June 2006.

3. UNAUDITED FIRST QUARTERLY REPORT

Set out below is the unaudited consolidated results of the Group for the three months ended 30th June, 2006 together with the comparative figures for the corresponding period in the last financial year as extracted from the first quarterly report of the Company for the three months ended 30th June, 2006:

		For the three months ended 30 June	
		2006	2005
	Note	***HK$'000***	*HK$'000*
			(Restated)
Continuing operation			
Turnover	*2*	**87,280**	8,441
Cost of sales		**(80,980)**	(7,529)
Gross profit		**6,300**	912
Other income	*3*	**975**	19
Selling and distribution costs		**(357)**	–
Administrative expenses		**(1,419)**	(692)
Profit from operating activities		**5,499**	239
Finance costs		**(22)**	(4)
Profit before taxation		**5,477**	235
Taxation	*4*	**–**	–
Profit for the period from continuing operation		**5,477**	235
Discontinued operation			
Loss for the period from discontinued operation	*5*	**–**	(2,389)
Profit/(loss) for the period		**5,477**	(2,154)
Attributable to:			
Equity holders of the Company		**5,477**	(1,882)
Minority interest		**–**	(272)
		5,477	(2,154)
Earnings/(loss) per share			
From continuing and discontinued operations			
– basic	*6(a)*	**3.9 cents**	(2.3) cents
– diluted	*6(a)*	**3.8 cents**	(2.3) cents
From continuing operation			
– basic	*6(b)*	**3.9 cents**	0.3 cents
– diluted	*6(b)*	**3.8 cents**	0.3 cents

Notes:

1. **Basis of preparation**

The unaudited consolidated results of the Group have 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 Growth Enterprise Market of the Stock Exchange of the Hong Kong Limited.

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group's annual financial statements for the year ended 31 March 2006.

Hong Kong Financial Reporting Standard ("HKFRS") 5 Non-current Assets Held for Sales and Discontinued Operations specifies the accounting for assets held for sales, and the presentation and disclosure of discontinued operations. HKFRS 5 classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sales in accordance with HKFRS 5 or when the Group has disposed of the operation. HKFRS 5 is effective for operations that meet the criteria to be classified as discontinued after 1 April 2005.

The new accounting policy by the adoption of HKFRS 5 has resulted in the reclassification of the comparative information for the three months ended 30 June 2005 in conforming with current period's presentation as follows:

	As previously reported *HK$'000*	**As restated** *HK$'000*
Continuing operation		
Turnover	24,852	8,441
Cost of sales	(23,637)	(7,529)
Gross profit	1,215	912
Other income	49	19
Selling and distribution costs	(422)	–
Administration expenses	(2,324)	(692)
Profit/(Loss) from operation	(1,482)	239
Finance costs	(672)	(4)
Profit/(Loss) before taxation	(2,154)	235
Taxation	–	–
Profit for the period from continuing operation		235
Discontinued operation		
Loss for the period from discontinued operation		(2,389)
Loss for the period	(2,154)	(2,154)

2. Turnover

The Group is principally engaged in the trading of cement clinker and other building materials in the Relevant Period. For the first quarter last year, the Group was principally engaged in the trading of cement clinker and the manufacture and sale of decorative sheets. An analysis of the Group's turnover for the Relevant Period is as follows:

	For the three months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Turnover		
Cement clinker and other building materials	**87,280**	8,441
Decorative sheets	–	16,411
	87,280	24,852
Representing:		
Continuing operation	**87,280**	8,441
Discontinued operation	–	16,411
	87,280	24,852

3. Other Income

	For the three months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Interest income	**63**	3
Others	**912**	46
Total other income	**975**	49
Representing:		
Continuing operation	**975**	19
Discontinued operation	–	30
	975	49

4. Taxation

Hong Kong profits tax has been provided at a rate of 17.5% on the estimated assessable profit for the year ended 31 March 2006. No provision for Hong Kong profits tax has been made for the three months ended 30 June 2005 and for the three months ended 30 June 2006 as the Group did not generate any assessable profits arising in Hong Kong during the periods.

Taxation charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

For the first quarter last year, the tax rate applicable to a subsidiary established and operating in the PRC is 24%. No provision for PRC enterprise income tax has been made for the first quarter last year as the subsidiary did not generate any assessable profits arising in the PRC during the period. The subsidiary was disposed in January 2006.

5. Discontinued operation

Pursuant to an agreement dated 23 November 2005 entered into between a wholly-owned subsidiary of the Company, Profit World Ventures Limited ("Profit World") and an independent third party (the "Purchaser"), Profit World disposed of 100% interest in two wholly-owned subsidiaries, Golden Tapestry Profits Limited ("Golden Tapestry") and Xingda Decorative Sheets Company Limited ("Xingda").

Golden Tapestry was dormant and Xingda held 90% interest in a sino-foreign equity joint venture, Guangzhou Xingda Decorative Sheets Co., Ltd. ("Guangzhou Xingda"). Xingda and Guangzhou Xingda were engaged in the manufacture and sale of decorative sheets before disposal. The disposal was completed on 17 January 2006.

The loss of the discontinued operation for the first quarter last year, which have been involved in the consolidated results, are analysed as follows:

	For the three months ended 30 June 2005 *HK$'000*
Turnover	16,411
Cost of sales	(16,108)
Gross profit	303
Other income	30
Selling and distribution costs	(422)
Administrative expenses	(1,632)
Loss from operations	(1,721)
Finance costs	(668)
Loss before taxation	(2,389)
Taxation	–
Loss for the period	(2,389)

6. Earnings/(loss) per share

(a) From continuing and discontinued operations

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit for the Relevant Period attributable to equity holders of the Company of approximately HK$5,477,000 (three months ended 30 June 2005: loss attributable to equity holders of the Company of approximately HK$1,882,000) and the weighted average number of ordinary shares of 139,604,974 (three months ended 30 June 2005: 81,360,440, as adjusted to reflect the share consolidation of every 10 shares of HK$0.01 each into one consolidated share of HK$0.1 each in July 2005) in issue during the Relevant Period.

Diluted earnings/(loss) per share

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profit for the Relevant Period attributable to equity holders of the Company of approximately HK$5,477,000 and the weighted average number of ordinary shares of 144,834,479 (three months ended 30 June 2005: 82,532,731, as adjusted to reflect the share consolidation in July 2005), being the weighted average number of ordinary shares of 139,604,974 in issue during the Relevant Period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 5,299,505 (three months ended 30 June 2005: 1,172,291, as adjusted to reflect the share consolidation in July 2005) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

(b) From continuing operation

Basic earnings per share

The calculation of basic earnings per share from continuing operation attributable to equity holders of the Company is based on the profit for the Relevant Period from continuing operation attributable to equity holders of the Company of approximately HK$5,477,000 (three months ended 30 June 2005: profit from continuing operation attributable to equity holders of the Company of approximately HK$235,000) and the denominator used is the same as that detailed above for basic earnings/(loss) per share.

Diluted earnings per share

The calculation of diluted earnings per share from continuing operation attributable to equity holders of the Company is based on the profit for the Relevant Period from continuing operation attributable to equity holders of the Company of approximately HK$5,477,000 (three months ended 30 June 2005: profit from continuing operation attributable to equity holders of the Company of approximately HK$235,000) and the denominator used is the same as that detailed above for diluted earnings/(loss) per share.

(c) From discontinued operation

For the first quarter last year, basic loss per share and diluted loss per share from the discontinued operation are HK$2.6 cents per share respectively, based on the loss for the period from discontinued operation attributable to the equity holders of the Company of approximately HK$2,117,000 and the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

7. Dividend

No dividend has been declared by the Board for the three months ended 30 June 2006 (three months ended 30 June 2005: Nil).

8. Movement of reserves

	Share premium account	Contributed surplus	Goodwill reserve	Share-based payments reserve	Accumulated profits /(losses)	Properties Revaluation reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005, as restated	20,696	14,878	–	141	(71,922)	3,230	(32,977)
Loss for the period	–	–	–	–	(1,882)	–	(1,882)
Issue of shares on placement	2,504	–	–	–	–	–	2,504
Goodwill arising from acquisition of a subsidiary	–	–	(88)	–	–	–	(88)
Recognition of share-based payments	–	–	–	36	(36)	–	–
At 30 June 2005	23,200	14,878	(88)	177	(73,840)	3,230	(32,443)
At 1 April 2006	6,468	14,878	–	365	(30,084)	–	(8,373)
Profit for the period	–	–	–	–	5,477	–	5,477
Repurchase of shares	(2,560)	–	–	–	–	–	(2,560)
Recognition of share-based payments	–	–	–	29	–	–	29
At 30 June 2006	3,908	14,878	–	394	(24,607)	–	(5,427)

4. INDEBTEDNESS

As at the close of business on 30th September, 2006, the Group did not have any outstanding borrowings and contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at 30th September, 2006, the Group had no other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in indebtedness and contingent liabilities of the Group since 30th September, 2006.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internal resources and present available banking and other facilities and in the absence of unforeseen circumstances, the Group will have sufficient working capital for at least twelve months from the date of this circular.

6. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st March 2006 (being the date to which the latest published audited financial statements of the Company were made up).

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "Statement") has been prepared to illustrate the effect of the formation of the Joint Venture Company, assuming the transaction had been completed as at 31st March, 2006, might have affected the financial position of the Group.

The Statement is based on the audited consolidated net assets of the Group as at 31st March, 2006 as extracted from the annual report of the Company for the year ended 31st March, 2006, after making certain pro forma adjustments resulting from the formation of the Joint Venture Company.

The Statement is prepared based on a number of assumptions, estimates and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the formation of the Joint Venture Company actually occurred on 31st March, 2006. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of this circular and other financial information included elsewhere in this circular.

	The Group	Pro forma adjustments		Pro forma Group
	HK$'000	*HK$'000*	*Note*	*HK$'000*
Non-current assets				
Property, plant and equipment	9			9
Investment in an associate	–	24,000	(i)	24,000
	9			24,009
Current assets				
Inventories	15,089			15,089
Trade and bills receivables	1,316			1,316
Prepayments, deposits and other receivables	615			615
Pledged bank deposits	3,624			3,624
Bank and cash balances	16,215	(24,520)	(i)	(8,305)
	36,859			12,339
Total assets	36,868			36,348
Capital and reserves				
Share capital	14,496			14,496
Reserves	(8,373)	(520)	(i)	(8,893)
Equity attributable to equity holders of the Company	6,123			5,603
Current liabilities				
Trade and bills payables	8,670			8,670
Accrued liabilities and other payables	2,395			2,395
Due to a related company	23			23
Trade deposits received	12,265			12,265
Provision for taxation	4			4
Short term interest-bearing borrowings	7,388			7,388
	30,745			30,745
Total liabilities	30,745			30,745
Total equity and liabilities	36,868			36,348
Net current assets/(liabilities)	6,114			(18,406)
Total assets less current liabilities	6,123			5,603

Note:

(i) To record capital contribution of RMB25,000,000 (equivalent to approximately HK$24,000,000) by the Group in cash and cost of HK$520,000 directly attributable to the formation of the Joint Venture Company.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

RSM! Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

7th Floor,
Allied Kajima Building,
138 Gloucester Road,
Hong Kong

31 October 2006

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

Dear Sirs

We report on the unaudited pro forma statement of assets and liabilities (the "Statement") 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 formation of a joint venture company might have affected the net assets and liabilities of the Group presented, for inclusion in Appendix II to the circular of the Company dated 31 October 2006 (the "Circular"). The basis of preparation of the Statement is set out on pages 57 to 58 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Statement in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM 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 ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Statement 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 Statement 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 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 Statement 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 Statement 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 Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Statement is for illustrative purpose 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 2006 or any future date.

Opinion

In our opinion:

(a) the Statement 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 Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

As at the Latest Practicable Date, 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 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 Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position in issued Shares:

Number of shares held, capacity and nature of interest

Name of director	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Wong	53,385,106	31,917,600 *(Note)*	85,302,706	61.36%
Madam Hon Ching Fong ("Madam Hon")	–	31,917,600 *(Note)*	31,917,600	22.96%
Mr. Ng Hon Fai ("Mr. Ng")	–	31,917,600 *(Note)*	31,917,600	22.96%

Note: Mr. Wong, Madam Hon and Mr. Ng are interested in the Shares through their interests in Well Success Group Limited ("Well Success"), which is owned as to 25.2% by Mr. Wong, 16.4% by Mr. Ng and 58.4% by Advance Success Limited ("Advance Success"). Advance Success is equally owned by Mr. Wong and Madam Hon. Mr. Wong is the sole director of Advance Success.

(b) Long positions in underlying Shares of equity derivatives

Name	Number of options held	Date granted	Period during which options exercisable	Exercise price per Share
Mr. Wong	6,000,000	15 August 2006	15 August 2006 to 27 June 2016	0.78
Mr. Kong Siu Keung	2,400,000	30 July 2004	9 August 2004 to 27 June 2014	0.23

Save as disclosed above, as at the Latest Practicable Date, 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 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 Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

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 the Latest Practicable Date, Shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital, 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
Well Success	*(a)*	Directly beneficially owned	31,917,600	22.96%
Advance Success	*(a)*	Through Well Success	31,917,600	22.96%
Ms. Shing Shing Wai	*(b)*	Interest of substantial shareholder's spouse	85,302,706	61.36%
Harmony Asset Limited		Directly beneficially owned	11,800,000	8.49%

Notes:

(a) The entire issued share capital of Well Success is beneficially owned as to 25.2% by Mr. Wong, as to 16.4% by Mr. Ng and as to 58.4% by Advance Success.

(b) Ms. Shing Shing Wai is the spouse of Mr. Wong.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group within the two years immediately preceding the date of this circular:

(a) an agreement for capitalisation of loan dated 18 November 2004 and made amongst the Company, Xingda Decorative Sheets Company Limited ("Xingda") and Mr. Wong for the capitalisation of the sum of HK$7,800,000 being part of the loan advanced by Mr. Wong to Xingda by the issue and allotment of 130,000,000 ordinary shares of HK$0.01 each then in the capital of the Company credited as fully paid at HK$0.06 per share;

(b) a placing agreement dated 18 March 2005 and made between the Company and Oriental Patron Asia Limited as placing agent for the placing of up to a maximum of 115,200,000 new ordinary shares of HK$0.01 each then in the capital of the Company at the placing price of HK$0.033 per share;

(c) a deed of novation dated 31 July 2005 and made amongst Mr. Wong as creditor, Guangzhou Xingda Decorative Sheets Co., Ltd ("Guangzhou Xingda") as debtor and Prosperity Trading (an indirect wholly-owned subsidiary of the Company) as new debtor, whereby in consideration of HK$1 payable by Guangzhou Xingda to Prosperity Trading, Prosperity Trading agreed to assume, with effect from 31 July 2005, all obligations as debtor in respect of the interest free loan of RMB14,779,000 advanced by Mr. Wong to Guangzhou Xingda;

(d) a deed of novation dated 31 July 2005 and made amongst Mr. Wong as creditor, Xingda as debtor and Prosperity Trading as new debtor, whereby in consideration of HK$1 payable by Xingda to Prosperity Trading, Prosperity Trading agreed to assume, with effect from 31 July 2005, all obligations as debtor in respect of the interest free loan of HK$9,110,000 advanced by Mr. Wong to Xingda;

(e) a deed of novation dated 30 September 2005 and made amongst Mr. Wong as creditor, Guangzhou Xingda as debtor and Prosperity Trading as new debtor, whereby in consideration of HK$1 payable by Guangzhou Xingda to Prosperity Trading, Prosperity Trading agreed to assume, with effect from 30 September 2005, all obligations as debtor in respect of the interest free loan of RMB1,830,000 advanced by Mr. Wong to Guangzhou Xingda;

(f) a sale and purchase agreement dated 23 November 2005 entered into between, among others, Profit World Ventures Limited (a wholly-owned subsidiary of the Company) and an independent third party in relation to the disposal of the entire issued ordinary shares of Xingda and Golden Tapestry Profits Limited ("Golden Tapestry") and the loan granted by the Group to Xingda and Golden Tapestry and their respective subsidiaries;

(g) the loan capitalisation agreement dated 23 November 2005 and entered into between the Company, Prosperity Trading and Mr. Wong in respect of the subscription by Mr. Wong for 63,241,106 ordinary shares of HK$0.1 each in the capital of the company credited as fully paid at an issue price of HK$0.3795 per Share in consideration for the settlement in full HK$24 million of the loan advanced by him to the Group; and

(h) the Joint Venture Agreement;

Save as the aforesaid, as at the Latest Practicable Date, no material contracts (not being contracts entered in to the ordinary course of business) had been entered into by any member of the Group within two years immediately preceding the date of this circular.

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Director was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting at the date of this circular and was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct interest or indirect interest in any assets which had been, since 31st March, 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the interests of Directors, management Shareholders or their respective associates in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the GEM Listing Rules were as follows:

Mr. Wong and Madam Hon have beneficial interests in Prosperity Minerals Group Limited, Max Start Holdings Limited and Max Will Profits Limited (collectively, the "Relevant Companies"), respectively. Mr. Wong is also a director of Prosperity Minerals Group Limited. As at the Latest Practicable Date, Mr. Wong and the Relevant Companies effectively hold approximately 40.9% interest in Yingde Dragon Mountain Cement Co., Ltd. ("Yingde Cement"), a wholly-owned foreign enterprise established in the Mainland China, and approximately 10.2% interest in Prosperity Conch Cement Company Limited ("Prosperity Conch"), a sino-foreign equity joint venture established in the Mainland China. Mr. Wong is a director of both Yingde Cement and Prosperity Conch. Yingde Cement and Prosperity Conch are both engaged in the manufacture, warehouse and sale of cement and cement clinker. Mr. Wong and Madam Hon confirmed that, up to the Latest Practicable Date, all the products of Yingde Cement and Prosperity Conch were sold in domestic market in the PRC without any export to overseas countries.

Save as disclosed above, none of the Directors, the management Shareholders or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

AUDIT COMMITTEE

The Company has established an audit committee which comprises the three independent non-executive Directors. Its principal duties include the review of the Company's annual report and accounts, half-yearly report and quarterly reports, and review and supervision of the Company's financial reporting and internal control procedures. The details of the members are as follows:

Mr. Mo Kwok Choi had served as a general manager of Nanjing Iron & Steel Group Import and Export Group Limited from 1984 to 1999.

Mr. Yuen Kim Hung, Michael ("Mr. Yuen") is a member of the Hong Kong Institute of Certified Public Accountants, fellow member of the Association of Chartered Certified Accountant and a member of Certified General Accountants Association of Ontario. Mr. Yuen has over 12 years of experience in auditing, tax and accounting field. Mr. Yuen is currently an independent non-executive director of New Universe International Group Limited, a company listed on GEM, and a non-executive director of Prosperity Minerals Holdings Limited, a company listed under the AIM market operated by the London Stock Exchange.

Mr. Yung Ho has extensive experience in the industries of trading and property development in the PRC.

EXPERT AND CONSENT

RSM Nelson Wheeler, a firm of certified public accountants, had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letters and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, RSM Nelson Wheeler did not have any shareholding, directly or indirectly, in member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in member of the Group, nor did it have any interest, direct or indirect, in any assets which had been, since 31st March, 2006 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

PROCEDURE FOR DEMANDING A POLL

Pursuant to the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required pursuant to the GEM Listing Rules or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(a) by the chairman of such meeting; or

(b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

(e) if required pursuant to the GEM Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a Shareholder or, in the case of a Shareholder being a corporation, by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

MISCELLANEOUS

(a) The qualified accountant and the secretary of the company is Mr. Kong Siu Keung, a fellow member of Association of Chartered Certified Accountants, the United Kingdom.

(b) The compliance officer of the Company is Mr. Wong Ben Koon, an executive Director, who is one of the co-founders of the Group and the chairman of the Company and responsible for the corporate culture and strategic planning of the Group.

(c) The Company's Hong Kong branch share registrar and transfer office is Tengis Limited, which is situated at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(d) The Company's Bermuda principal share registrar and transfer office is The Bank of Bermuda Limited, which is situated at Bank of Bermuda Building, 6 Front Street, Hamilton HM 11 Bermuda.

(e) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at any weekday (public holiday excepted) at the 10th Floor, Prosperity Industrial Building, 89 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including 13th November, 2006:

(a) the memorandum of association and the bye-laws of the Company;

(b) the comfort letter regarding the unaudited pro forma financial information of the Group from RSM Nelson Wheeler, the text of which is set out in Appendix II to this circular;

(c) the material contracts referred to in the section headed "Material contracts" in this Appendix;

(d) the consent letter from RSM referred to in the section headed "Expert and consent" in this Appendix;

(e) the annual reports of the Company for the two years ended 31st March 2006; and

(f) the first quarterly report of the Company for the three months ended 30th June 2006.