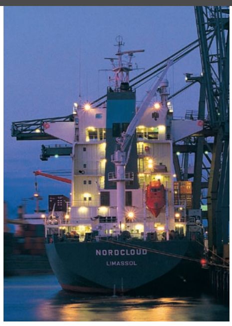
2007 ANNUAL REPORT






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

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 of the Stock Exchange 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. 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 issuers.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Ben Koon, Chairman
Madam HON Ching Fong
Mr. KONG Siu Keung

Independent Non-Executive Directors

Mr. MO Kwok Choi
Mr. YUEN Kim Hung, Michael
Mr. YUNG Ho

COMPLIANCE OFFICER

Mr. WONG Ben Koon

QUALIFIED ACCOUNTANT

Mr. KONG Siu Keung, FCPA, FCCA

COMPANY SECRETARY

Mr. KONG Siu Keung, FCPA, FCCA

AUTHORISED REPRESENTATIVES

Mr. WONG Ben Koon
Mr. KONG Siu Keung

MEMBERS OF AUDIT COMMITTEE

Mr. MO Kwok Choi
Mr. YUEN Kim Hung, Michael
Mr. YUNG Ho

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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25 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK EXCHANGE LISTING

The Growth Enterprise Market of
The Stock Exchange of Hong Kong Limited

STOCK CODE

8139

AUDITORS

RSM Nelson Wheeler
Certified Public Accountants
7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

SOLICITORS

Kirkpatrick & Lockhart Preston Gates & Ellis, Solicitors
35th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Citic Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited

Chairman's Statement

Dear Shareholders

I am pleased to present to you the annual report of Prosperity International Holdings (H.K.) Limited ("Prosperity International" or the "Company", together with its subsidiaries, collectively the "Group") for the year ended 31 March 2007 (the "Year").

FINANCIAL REVIEW

The financial year 2007 has been a fruitful one and carries a significant meaning to the Group. It was the first full year in which the Group operated its cement clinker business after the Group disposed of the loss-making decorative sheet business in January 2006. Following the restructure exercise, the Group has achieved a remarkable turnaround and seen significant profit growth after several years of loss making.

Over the Year, the Group recorded a turnover of approximately HK$550.6 million compared to HK$159.6 million in the financial year of 2006 and a net profit of approximately HK$19.3 million, compared to HK$6.8 million in the financial year of 2006.

The Group's outstanding performance was partly the result of the favourable market condition in the cement clinker trading business. The positive environment has contributed to the increase in the sales volume of the Group's cement clinker. It has also helped to expand the Group's market coverage. In addition, the Group's disposal of the decorative sheet business has effectively eliminated the negative effect brought by the loss-making business, resulting in the Group's extraordinary performance for the Year.

BUSINESS REVIEW

Trading of Cement Clinker

The Group's cement clinker trading business had an outstanding performance during the year under review. A close look at the achievement shows that the market environment has been conducive to the Group's business development. This has to do with the fact that cement clinker from the People's Republic of China ("the PRC") enjoys price advantage in the international export market. Leveraging on the favourable market environment, the Group has made the most of its management expertise and experience in trading construction materials in the region, as well as its strong network in the overseas markets, thus achieving substantial business growth during the Year.

The Group has been poised to seize existing business opportunities to export its cement clinker from the PRC to overseas markets. During the Year, The Group has successfully extended its reach to markets outside Asia, including North and South America, Europe, Africa and the Middle East. The cement clinker and other building materials trading business has become the sole income contributor of the Group during the Year.

During the Year, the Group has purchased and sold around 1,800,000 tonnes of cement clinker, which is tantamount to a significant two-fold increase from 580,000 tonnes in the financial year 2006. The stunning performance has boosted the Group's confidence in the future development of its cement clinker and other building material business.

FURTHER EXTENSION TO RELATED BUSINESS, OPERATION OF PUBLIC PORT AND OTHER RELATED FACILITIES BUSINESS

To further expand our business scope to include the building material-related business, the Group has established a joint venture company with Anhui Conch Venture Investment Company Limited ("Anhui Conch").

The joint venture company will be involved in the operation of a public port and other related facilities, as well as the provision of warehousing services mainly for building material companies in Jiangsu Province, the PRC. It will also be responsible for producing and selling slag powder, with a target production capacity of 1.5 million tonnes per year. The slag powder can be used for the production of cement.

The Group owns 25% of the joint venture company with a total investment of RMB25 million. The decision to establish the joint venture company was driven by the strong market demand for building materials from the international markets, as well as the rising demand for specialised port services and related ancillary facilities for importing and exporting building materials. Given that transportation cost will be the key uncertainty for the building material business, and that the Group needs to secure stable and long-term logistic support for its cement clinker trading and building material business, the establishment of a joint venture company is made all the more necessary. In addition, the joint venture company will allow the Group to make full use of its management expertise and experience in trading construction materials in the region, as well as its strong network in the overseas markets.

The joint venture company is expected to commence operation by the end of calendar year 2008.

FUTURE PROSPECTS

With strong demand prevailing in overseas markets, the volume of cement clinker export to the overseas markets is also expected to grow continuously. As such, the Group is confident in its belief that its cement clinker trading business will bring about more income and profits.

The Group will put more efforts in developing the cement clinker trading business. To this end, the Group will expand the market coverage and client base, increase the trade volume and explore new sources of supply of cement clinker.

In the coming year, the Group will strive to achieve high growth and to create better returns for our shareholders. We will monitor the construction of pier and slag powder production facilities with a view to commencing their operation by the end of 2008. We will also explore investment or merger and acquisition opportunities so as to further widen the scope of our business to include other building material and related ancillary business.

Chairman's Statement

We have recently appointed a chief executive officer who is particularly experienced in the management, commercial, operational and technical aspects of minerals and energy enterprises. Well-versed in the Chinese natural resources market, he will oversee the overall management of the Group, which covers areas including strategic planning, business development and operations. We will also capitalise on future opportunities in order to strengthen our position and market share.

APPRECIATION

On behalf of Prosperity International, I would like to express my sincere gratitude to our shareholders and business partners for their confidence in and support for the Group. In addition, I would like to take this opportunity to thank the management and all staff members for their dedication and valuable contribution during the Year. We are committed to propelling the growth of the Group in the financial year 2008.

By order of the Board
Wong Ben Koon
Chairman

Hong Kong, 20 June 2007

Management Discussion and Analysis

OPERATING ENVIRONMENTAL REVIEW

Cement Clinker Business

During 2006, the cement production volume in the PRC amounted to 1.204 billion tonnes, representing an increase of 19.07% from 2005. The export volume of cement clinker rose to 16.72 million tonnes in 2006, a 55.06% increase on the previous year.

The year 2006 saw a rise in the selling price of cement in the domestic market. The export price of cement has also increased during the year under review.

OPERATION REVIEW

Cement Clinker Business

Leveraging on the favourable market environment, the Group has made the most of its management expertise and experience in trading of construction materials in the region, as well as its strong network in the overseas market, thus achieving substantial business growth during the Year. The Group has been poised to seize existing business opportunity to export cement clinker from the PRC to overseas markets. During the Year, it has successfully extended its reach to markets outside Taiwan, including the North and South America, Europe, Africa, Middle East and Asia other than Taiwan. The new markets accounted for 52.7% of the turnover in the year under review. In terms of the breakdown of the turnover of each of the new market during the Year, the North America market accounted for 1.4%; South America 3%; the European 35.8%; African 7.2%; the Middle East 1.5% and the Asian (except Taiwan) 3.8% of the turnover. These compare to the 100% share of the Taiwan market in the financial year of 2006.

During the Year, the Group has purchased and sold approximately 1,800,000 tonnes of cement clinker, which is tantamount to a significant two-fold increase from 580,000 tonnes in the financial year 2006. The stunning performance has boosted the Group's confidence in the future development of its cement clinker and other building material business.

The Group only placed orders to its supplier after receiving confirmation of sales orders from customers. By entering into a supply contract with the supplier, the Group has been able to secure stable and sufficient supply of prime quality products from a leading cement clinker supplier in the PRC.

Operation of Public Port and Other Related Facilities Business

To further expand our business scope to include the building material-related business, the Group has established a joint venture company with a joint venture partner Anhui Conch. The joint venture company will be involved in the operation of a public port and other related facilities, as well as the provision of warehousing services mainly for building material companies in Jiangsu Province, the PRC. It will also be responsible for producing and selling slag powder, with a target production capacity of 1.5 million tonnes per year. The slag powder can be used for production of cement. The Group owns 25% of the joint venture company with a total investment of RMB25 million. It is expected that the joint venture company will commence operation by the end of calendar year 2008.

Management Discussion and Analysis

FINANCIAL REVIEW

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

RESULTS

The Group recorded a turnover and gross profit of approximately HK$550.6 million and approximately HK$49.8 million respectively during the Year. Contribution from the cement clinker business accounted for over 99.7% and 99.3% of the total turnover and gross profit respectively of the Group for the Year.

Selling and distribution costs for the Year represented the salaries and expenses incurred by the marketing team to secure cement clinker contracts from customers and explore business opportunities.

Administrative expenses mainly included remunerations of directors and administrative personnel, and the legal and professional fees paid to external auditors, legal consultants and other professional parties. The increase during the Year was mainly due to the legal professional fees paid for the formation of a joint venture company in the PRC, remunerations incurred for additional staff employed to support the expansion in business scale and discretionary bonus paid to employees for their contribution during the Year.

Finance costs for the Year represented the interest expenses incurred for financing offered by principal bankers for the purchase of cement clinker. The increase during the Year was due to the strong growth in trading volume of cement clinker.

Profit after tax of the Group excluding discontinued operation was approximately HK$19.3 million and HK$11.2 million for the year ended 31 March 2007 and 31 March 2006, respectively.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

During the Year, the Group generally financed its operations and settled its debts with cash generated from its operations and the banking facilities provided by its principal bankers. As at 31 March 2007, the trade facilities offered by banks to the Group amounted to approximately HK$168.2 million.

As at 31 March 2007, the bank and cash balances of the Group including pledged bank deposits amounted to approximately HK$21.8 million. The increase in bank balances was contributed by the strong cash inflow generated by sales of cement clinker during the Year.

The Group's gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 11.9% as at 31 March 2007 (2006: 20%). The improvement in gearing ratio demonstrates a strong cash flow from the operation of cement clinker business during the Year.

FOREIGN EXCHANGE EXPOSURE

The sales and purchases of the cement clinker business are predominately in US dollars. The Group does not currently engage in any hedging activities against the foreign exchange exposure, as it considers its costs associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the relevant circumstances and will take such measure as it deems prudent.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

On 11 October 2006, Prosperity Trading Limited (the "Prosperity Trading"), a wholly owned subsidiary of the Company, entered into an equity joint venture agreement with Anhui Conch, for the establishment of a 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 Jiangdu City, Jiangsu Province, the PRC.

The joint venture company is owned as to 25% by Prosperity Trading and as to 75% by Anhui Conch upon establishment. The registered capital of the joint venture company is RMB100 million (equivalent to approximately HK$100.9 million) which shall be contributed by Prosperity Trading and Anhui Conch in proportion to their respective equity interests in the joint venture company, that are RMB25 million (equivalent to approximately HK$25.2 million) from Prosperity Trading and RMB75 million (equivalent to approximately HK$75.6 million) from Anhui Conch. As at the date of this annual report, the registered capital of RMB100 million had been fully paid up in accordance with the required timetable.

On 31 October 2006, the Company published the circular entitled "Major Transaction, Formation of a Joint Venture Company", disclosing the details of the equity 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 31 March 2006.

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 can be used in production of cement. The expected continuing growth in the import and 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 ports and warehousing services to be provided by the joint venture company. The directors are of view that the equity 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.

Save as disclosed above, the Group made no other material or significant investments or acquisitions or disposals of subsidiaries during the Year.

CONTINGENT LIABILITIES

As at 31 March 2007, the Company had provided corporate guarantees to banks to secure banking facilities granted to a subsidiary of the Company. As at the same date, the facilities amount utilised was approximately HK$91.7 million (2006: HK$23.5 million).

As at 31 March 2007, the Group did not have any significant contingent liabilities (2006: Nil).

CHARGE ON GROUP ASSETS

As at 31 March 2007, certain bank deposits of the Group approximately HK$3.2 million (2006: HK$3.6 million) and trade receivables of the Group totalling HK$Nil (2006: HK$1.3 million) were pledged to banks in respect of banking facilities granted to the Group.

COMMITMENTS

As at 31 March 2007, the Group 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:

	2007	2006
	HK$'000	HK$'000
Within one year	**135**	–
In the second to fifth years inclusive	**–**	–
	135	–

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

(b) Capital commitments

	2007	2006
	HK$'000	HK$'000
Contracted but not provided for acquisition of property, plant and equipment	**580**	–
Capital expenditure contracted but not provided for in the financial statements in respect of unpaid balance of capital contributions to an associate	**12,594**	–

Pursuant to an equity joint venture agreement dated 11 October 2006 the Group has a 25% investment in an associate, which was incorporated in the PRC on 30 October 2006 for a period of twenty years with principal activities of operating a public port and other related facilities, provision of warehouse services and production and sales of slag powder. The associate has yet to commence business as at the balance sheet date. The total investment cost of the Group in proportion to its respective interest in the associate is RMB25 million which is to be financed in the form of cash by the Group. As at 31 March 2007, the Company has fulfilled its investment obligation in the associate to the extent of approximately RMB12.5 million. The remaining balance of approximately RMB12.5 million has been paid up on 17 April 2007.

HUMAN RESOURCES

As at 31 March 2007, the Group had a total of 18 staff of which 2 are based in the PRC and 16 are based in Hong Kong. The breakdown of staff by function and geographical location is as follows:

	The PRC	Hong Kong	Total
Management	–	5	5
Sales and marketing	2	5	7
Purchases and transportation	–	2	2
Finance and administration	–	4	4
	2	16	18

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group will pay discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. With the view to retaining certain important employees who will continue to make valuable contribution to the Group, share options to subscribe for shares of the Company in accordance with the new share option scheme adopted on 25 August 2003 may be granted.

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

FUTURE GROWTH STRATEGIES

In the coming year, the Group plans to consolidate its cement clinker trading business. To this end, it will expand the market coverage by tapping into new markets including India. Efforts will be made to increase the sales volume in relation to our existing customers. In addition, the Group will expand its client base by enlarging the customer base of existing markets. We will also explore new sources of supply so as to secure stable and sufficient supply of cement clinker. The recent abolishment of export tax rebate on cement and cement clinker products will result in a higher cost of sales for the Group. However, leveraging on our long-term and stable relationship with our overseas clients, the Group will shift part of the burden to our clients in order to ease the negative effects brought by the new policy.

The Group plans on expanding its business scope to cover building material and related ancillary services. We have already extended our reach to public port operation and other related facilities, as well as the production and sales of slag powder. We are now actively seeking investment opportunities to engage in other building material business.

We have recently appointed a chief executive officer to oversee the overall management of the Group. By seizing future market opportunities and making full use of our experienced and professional management team and extensive sales network, the Group is confident in its belief that our business strategies for developing the building material business will generate impressive returns.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Wong Ben Koon, aged 54, is one of the co-founders of the Group and the chairman of the Company. Mr. Wong is responsible for deriving the corporate culture and long term strategic plan of the Group. Mr. Wong has extensive experience in construction material industry in the PRC and overseas market.

Madam Hon Ching Fong, aged 59, is an executive director of the Company. Madam Hon is responsible for the Group's human resources management and administration. Madam Hon joined the Group in 1997.

Mr. Kong Siu Keung, aged 38, is an executive director and the Chief Financial Officer of the Company. Mr. Kong holds a master's degree in business administration. Mr. Kong is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Kong joined the Group in January 2004 and has over 14 years' experience in finance and accounting field.

Independent non-executive directors

Mr. Mo Kwok Choi, aged 72, was appointed as an independent non-executive director in October 2000. Mr. Mo had served as a general manager of Nanjing Iron & Steel Group Import and Export Group Limited from 1984 to 1999. Mr. Mo has extensive experience in business management.

Mr. Yuen Kim Hung, Michael, aged 46, was appointed as an independent non-executive director in January 2002. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountants, fellow member of the Association of Chartered Certified Association and a member of Certified General Accountants Association of Ontario. Mr. Yuen has over 13 years' experience in auditing, tax and accounting field.

Mr. Yung Ho, aged 63, was appointed as an independent non-executive director in September 2004. Mr. Yung has extensive experience in the industries of trading and property development in the PRC.

SENIOR MANAGEMENT

Dr. Jiang, Brent Zhiwei, aged 48, was appointed as the Chief Executive Officer of the Company with effect from 11 June 2007. Dr. Jiang is responsible for the overall management of the Group, including strategic planning, business development and operations. Dr Jiang has extensive experience in the management, commercial, operational and technical aspects of minerals and energy enterprises and a good understanding of the Chinese natural resources market. Prior to joining the Group, Dr. Jiang was the chief representative of a US energy company in Asia where he was mainly responsible for developing business opportunities in the Asian and Pacific Region. Before that Dr. Jiang had years of experience in working for one of the top multinational mining house in Australia, with responsibilities in the areas of market development, corporate development, merger & acquisition and technology development. Dr. Jiang holds a bachelor degree in minerals processing engineering from the China University of Mining & Technology and a doctorate degree in mineral processing & extractive metallurgy from The University of New South Wales in Australia.

Mr. Tok Beng Tiong, aged 36, is an executive in charge of cement clinker business. Mr. Tok obtained his Bachelor Degree in Commerce from the University of New South Wales in Australia. Mr. Tok has over 9 years' experience in construction materials industry in the PRC and overseas market and the relevant logistics management. Mr. Tok had been an employee of the Group from December 2001 to February 2003 and joined the Group again in January 2005. Mr. Tok is a director of Yingde Dragon Mountain Cement Co., Ltd. ("Dragon Mountain Cement").

Corporate Governance Report

The Company is committed to ensuring a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintaining high level of business ethics and corporate governance practices.

During the Year, the Company endeavours to comply with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "CG Code"). The Company considers that it has complied with the CG Code during the Year except for certain areas of non-compliance that are discussed later in this report. The board of directors of the Company (the "Board") continues to review and update the practices from time to time to ensure compliance with the legal and commercial standards.

THE BOARD

The Board comprises six directors including three executive directors and three independent non-executive directors. The independent non-executive directors possess appropriate academic and professional qualifications or related financial and business management expertise and have brought a wide range of business and financial experience to the Board. As at 31 March 2007, the composition of the Board is given below:

Executive Directors:

Mr. Wong Ben Koon *(Chairman of the Board)*
Madam Hon Ching Fong
Mr. Kong Siu Keung

Independent non-executive Directors:

Mr. Mo Kwok Choi *(Chairman of Audit Committee)*
Mr. Yuen Kim Hung, Michael *(member of Audit Committee and Chairman of Remuneration Committee)*
Mr. Yung Ho *(member of Audit Committee and Remuneration Committee)*

The biographical details of the directors are set out on page 12 of this annual report.

Regular Board meetings are held at least four times a year to review the financial and operating results of the Group and to propose interim and final dividends, if appropriate. It is also held as and when necessary to discuss significant matters, including the repurchases of shares and investment in an associate carried out during the Year. All directors are given an opportunity to include matters in the agenda for Board meetings.

There were eleven Board meetings held during the Year and the individual attendance record of each director at the meetings of the Board during the Year is set out below:

Name of Directors	Attendance/ Number of Board Meetings
Mr. Wong Ben Koon	11/11
Madam Hon Ching Fong	9/11
Mr. Kong Siu Keung	11/11
Mr. Mo Kwok Choi	10/11
Mr. Yuen Kim Hung, Michael	10/11
Mr. Yung Ho	10/11
Mr. Ng Hon Fai (Resigned on 16 August 2006)	4/11

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as quarterly, interim and annual results, investment, director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Chairman and the senior management.

Mr. Wong Ben Koon, Madam Hon Ching Fong and Mr. Ng Hon Fai are shareholders of the Company. Their respective interests are disclosed in the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares" in the report of the directors. Mr. Wong Ben Koon and Madam Hon Ching Fong have joint beneficial interests in certain companies outside the Group. Transactions between these companies and the Group, if any, during the Year are disclosed in note 32 to the financial statements.

Save as disclosed above and in note 32 to the financial statements, there is no financial, business, family or other material or relevant relationship among the directors.

The Company has received from each of its independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors to be independent. The details of the service contract of each independent non-executive director are disclosed in the section headed "Directors' Service Contracts" under the directors' report.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Mr. Wong Ben Koon is the chairman of the Company. The CG Code provides that the roles of chairman and CEO should be segregated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Company did not have a CEO during the Year. The functions of a CEO have been instead carried out by the executive directors who have different expertise in managing the business and other matters of the Group. This constitutes a deviation from the provisions of the CG Code.

Dr. Jiang, Brent Zhiwei was appointed as the CEO of the Company with effective from 11 June 2007. Dr. Jiang's biographical details are set out on page 13 of this annual report.

The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Mo Kwok Choi, Mr. Yuen Kim Hung, Michael and Mr. Yung Ho.

The main duties of the Audit Committee are to review the quarterly, half-yearly and annual financial information of the Company and oversee the Company's financial reporting system and internal control procedures.

The Audit Committee held four meetings during the Year for reviewing the financial results and reports, financial reporting and compliance procedures, risk management review and processes and the re-appointment of the external auditors. The Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

The individual attendance record of each audit committee member at the meetings of the Audit Committee during the Year is set out below:

Name of Directors	Attendance/Number of Audit Committee Meetings
Mr. Mo Kwok Choi	4/4
Mr. Yuen Kim Hung, Michael	4/4
Mr. Yung Ho	4/4

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

DIRECTOR' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report in this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee was set up in March 2005, constituted by two independent non-executive directors, namely, Mr. Yuen Kim Hung, Michael and Mr. Yung Ho.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure.

Three meetings had been held during the Year to discuss remuneration related matters and recommended to the Board bonus payments and increment in salary for the executive directors and senior management staff by way of written resolutions passed by the committee. Both Mr. Yuen Kim Hung, Michael and Mr. Yung Ho attended all the meetings.

NOMINATION COMMITTEE

The Company does not have a nomination committee. The power to nominate or appoint additional directors is vested in the Board according to the Articles of Association, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the Articles of Association of the Company and the laws of Hong Kong.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. A meeting of the Board was held during the Year in connection with the resignation of Mr. Ng Hon Fai as director with effect from 16 August 2006. The nomination procedures basically follow the provisions of the Articles of Association which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deems fit. The directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

COMMUNICATIONS WITH SHAREHOLDERS

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

Whilst the Company endeavours to maintain an on-going dialogue with its shareholders, the chairman of the Company and the chairman of audit committee may not always be able to attend general meetings due to other important business engagements. Mr. Ng Hon Fai and Mr. Kong Siu Keung, both being executive directors of the Company, attended the annual general meeting on 14 August 2006 and were delegated to make themselves available to answer questions if raised at the meeting. The absence of chairman in general meetings and the absence of chairman of audit committee in the annual general meeting constituted a deviation from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions.

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

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. During the Year, the Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Group.

AUDITORS' REMUNERATION

RSM Nelson Wheeler was appointed as the Company's external auditors with effect from 15 May 2006. The external auditors are primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the Year, the total remuneration payable to RSM Nelson Wheeler amounted to HK$680,800 of which HK$420,000 was incurred for statutory audit and HK$260,800 was incurred for non-audit services which mainly included tax advisory services and the professional services in relation to the formation of a joint venture company.

CONCLUSION

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interest. The management will continue to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

Directors' Report

The directors of the Company (the "Directors") are pleased to present their report and the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 33 to the financial statements. The core business of the Group is the trading of cement clinker and other building materials.

RESULTS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Group as at that date are set out in the financial statements on pages 30 and 31.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 March 2007, is set out on page 76. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 16 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2007 are set out in note 33 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year, together with the reasons therefor, are set out in note 21 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALES OF LISTED SHARES OF THE COMPANY

The Company purchased and cancelled 5,944,000 shares of the Company (the "Repurchase") during the Year through purchases on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The total amount paid to purchase the shares was approximately HK$3,154,000. The Board considers that the Repurchase enhanced the earnings per share of the Company and benefited the Company and its shareholders as a whole. Apart from the foregoing, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year, respectively.

RESERVES

The movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 32.

DISTRIBUTABLE RESERVES

As at 31 March 2007, the Company has no reserves available for distribution. The Company's share premium account, in the amount of approximately HK$3,908,000 as at 31 March 2007, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 81.4% of the total sales for the Year and sales to the largest customer included therein amounted to approximately 24.4%. The Group had three suppliers for the Year and purchases from the largest supplier included therein amounted to approximately 99.7%.

None of the directors of the Company or any of their associates, or any of the shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or three suppliers during the Year.

Directors' Report

DIRECTORS

The directors of the Company during the Year were:

Executive directors:

Mr. Wong Ben Koon
Madam Hon Ching Fong
Mr. Kong Siu Keung
Mr. Ng Hon Fai (resigned on 16 August 2006)

Independent non-executive directors:

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

In accordance with clause 87 of the Company's bye-laws, Madam Hon Ching Fong and Mr. Mo Kwok Choi will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 and 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Ben Koon and Madam Hon Ching Fong have entered into service contracts with the Company commencing from 1 July 2001 which will continue thereafter until terminated by not less than three months' prior notice in writing given by either party to the other. Such notice may only be given at any time on or after the second anniversary of the commencement date of the service contracts.

Mr. Kong Siu Keung entered into a service contract with the Company commencing from 12 February 2004 which will continue thereafter until terminated by not less than three months' prior notice in writing given by either party to the other. Such notice may only be given at any time on or after the second anniversary of the commencement date of the service contract.

Mr. Mo Kwok Choi and Mr. Yuen Kim Hung, Michael have entered into service contracts with the Company commencing from 18 July 2001 and 7 January 2002, respectively. Such service contracts shall be terminable by, among other things, not less than two months' prior notice in writing given by either party to the other.

Mr. Yung Ho has entered into a service contract with the Company commencing from 1 September 2005 for a term of three years and is subject to termination by, among other matters, either party giving not less than one month' written notice to the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the Year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest			
Name of director	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Wong Ben Koon ("Mr. Wong")	53,385,106	31,917,600 (Note 1)	85,302,706	61.36%
Madam Hon Ching Fong ("Madam Hon")	–	31,917,600 (Note 1)	31,917,600	22.96%
Mr. Ng Hon Fai ("Mr. Ng") (Note 2)	–	31,917,600 (Notes 1 & 2)	31,917,600	22.96%

Notes:

1. Mr. Wong, Madam Hon and Mr. Ng are interested in the shares of the Company 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.

2. Mr. Ng resigned as executive director of the Company with effect from 16 August 2006.

(b) Long positions in share options

Number of share options held by directors as at 31 March 2007:

Name	Number of options held	Number of underlying shares
Mr. Wong	6,000,000	6,000,000
Mr. Kong Siu Keung	2,400,000	2,400,000
	8,400,000	8,400,000

The details of share options held by the directors are disclosed in note 27 to the financial statements.

Mr. Wong has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2007, none of the directors had registered any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which he has taken or deemed to have under such provisions of SFO, or which were required, to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

SHARE OPTION SCHEME

The details of the Company's share option scheme, the share options outstanding and the movements during the Year are disclosed in note 27 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 date of this report, the Relevant Companies effectively hold approximately 40.9% interest in Dragon Mountain Cement, a wholly-owned foreign enterprise established in the PRC, and approximately 10.2% interest in Prosperity Conch Cement Company Limited ("Prosperity Conch"), a sino-foreign equity joint venture established in the PRC. Mr. Wong is a director of both Dragon Mountain Cement and Prosperity Conch. Dragon Mountain 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 date of this report, all the products of Dragon Mountain Cement and Prosperity Conch were sold in domestic market in the PRC without any export to overseas countries.

In view of the completely different target markets between the Group and Dragon Mountain Cement and Prosperity Conch, the Board considers that there is no direct or indirect competition between the Group and Dragon Mountain Cement and Prosperity Conch during the Year and up to the date of this report.

During the Year and up to the date of this report, the Group did not have any transactions with Dragon Mountain Cement and Prosperity Conch.

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

At 31 March 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions:

Name	Notes	**Capacity and nature of interest**	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital**
Mr. Wong	(a) & (b)	Directly beneficially owned	53,385,106	
		Interest of controlled corporation	31,917,600	
			85,302,706	61.36%
Well Success	(a)	Directly beneficially owned	31,917,600	22.96%
Advance Success	(b)	Through Well Success	31,917,600	22.96%
Mdm Hon	(a) & (b)	Interest of controlled corporation	31,917,600	22.96%
Ms. Shing Shing Wai	(c)	Interest of substantial shareholder's spouse	85,302,706	61.36%
Harmony Asset Ltd.		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) The entire issued share capital of Advance Success is beneficially owned as to 50% by Mr. Wong, and as to 50% by Madam Hon. The interests of Mr. Wong and Madam Hon in the shares of the Company are disclosed under the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares" above.

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

Save as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31 March 2007.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

CONNECTED TRANSACTIONS

Details of the connected transactions are disclosed in note 21 and note 32 to the financial statements in compliance with the requirements of Chapter 20 of the GEM Listing Rules.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

In the opinions of the directors, the Company has complied with the board practices and procedures of Rules 5.34 to 5.45 of the GEM Listing Rules throughout the Year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 14 to 19 of this annual report.

AUDITORS

RSM Nelson Wheeler were appointed as auditors of the Company with effect from 15 May 2006 to fill the vacancy upon the resignation of Ernst & Young which were the auditors of the Company for the year ended 31 March 2005. RSM Nelson Wheeler retires at the forthcoming annual general meeting of the Company and a resolution for their re-appointment as auditors of the Company will be proposed at the said meeting.

ON BEHALF OF THE BOARD
WONG Ben Koon
Chairman

Hong Kong, 20 June 2007

Independent Auditor's Report

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

TO THE SHAREHOLDERS OF
PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Prosperity International Holdings (H.K.) Limited (the "Company") set out on pages 30 to 75, which comprise the consolidated balance sheet as at 31 March 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 20 June 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Continuing operation			
Turnover	6	**550,597**	159,587
Cost of goods sold		**(500,775)**	(143,104)
Gross profit		**49,822**	16,483
Other income	7	**8,439**	1,072
Selling and distribution costs		**(28,296)**	(1,682)
Administrative expenses		**(8,603)**	(4,665)
Profit from operations		**21,362**	11,208
Finance costs	9	**(451)**	(51)
Profit before tax		**20,911**	11,157
Income tax expense	10	**(1,565)**	(4)
Profit for the year from continuing operation		**19,346**	11,153
Discontinued operation			
Loss for the year from discontinued operation	11	**–**	(4,362)
Profit for the year attributable to equity holders of the Company	12	**19,346**	6,791
Earnings per share			
From continuing and discontinued operations			
– basic	15(a)	**13.9 cents**	7.2 cents
– diluted	15(a)	**13.4 cents**	7.1 cents
From continuing operation			
– basic	15(b)	**13.9 cents**	11.8 cents
– diluted	15(b)	**13.4 cents**	11.6 cents

Consolidated Balance Sheet

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	16	**147**	9
Investment in an associate	17	**12,681**	–
		12,828	9
Current assets			
Inventories	18	**–**	15,089
Trade and bills receivables	19	**47,534**	1,316
Prepayments, deposits and other receivables		**4,113**	615
Pledged bank deposits	20	**3,212**	3,624
Bank and cash balances		**18,613**	16,215
		73,472	36,859
TOTAL ASSETS		**86,300**	36,868
Capital and reserves			
Share capital	21	**13,902**	14,496
Reserves	22	**9,227**	(8,373)
Equity attributable to equity holders of the Company		**23,129**	6,123
Current liabilities			
Trade and bills payables	23	**41,632**	8,670
Accrued liabilities and other payables		**7,578**	2,395
Due to a related company	24	**90**	23
Trade deposits received		**2,000**	12,265
Current tax liabilities		**1,560**	4
Short term interest-bearing borrowings	25	**10,311**	7,388
		63,171	30,745
TOTAL EQUITY AND LIABILITIES		**86,300**	36,868
Net current assets		**10,301**	6,114
Total assets less current liabilities		**23,129**	6,123

Approved by the Board of Directors on 20 June 2007

Wong Ben Koon
Chairman and Executive Director

Kong Siu Keung
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to equity holders of the Company						
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Property revaluation reserve HK$'000	Total HK$'000
At 1 April 2005	7,060	20,696	14,878	141	(71,922)	3,230	(25,917)
Revaluation deficit on buildings	–	–	–	–	–	(2,503)	(2,503)
Net expense recognised directly in equity	–	–	–	–	–	(2,503)	(2,503)
Profit for the year	–	–	–	–	6,791	–	6,791
Total recognised income and expense for the year	–	–	–	–	6,791	(2,503)	4,288
Issue of shares on placement (note 21(a))	1,152	2,504	–	–	–	–	3,656
Issue of shares for loan capitalisation (note 21(c))	6,324	17,676	–	–	–	–	24,000
Repurchase of shares (note 21(d))	(40)	(88)	–	–	–	–	(128)
Recognition of share-based payments	–	–	–	224	–	–	224
Transfer on disposal of subsidiaries	–	–	–	–	727	(727)	–
Transfer (note 22)	–	(34,320)	–	–	34,320	–	–
	7,436	(14,228)	–	224	35,047	(727)	27,752
At 31 March 2006	14,496	6,468	14,878	365	(30,084)	–	6,123
At 1 April 2006	14,496	6,468	14,878	365	(30,084)	–	6,123
Profit for the year	–	–	–	–	19,346	–	19,346
Total recognised income and expense for the year	–	–	–	–	19,346	–	19,346
Repurchase of shares (note 21(e))	(594)	(2,560)	–	–	–	–	(3,154)
Recognition of share-based payments	–	–	–	814	–	–	814
	(594)	(2,560)	–	814	–	–	(2,340)
At 31 March 2007	13,902	3,908	14,878	1,179	(10,738)	–	23,129

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**19,346**	6,791
Adjustments for:			
Income tax expenses		**1,565**	4
Depreciation		**11**	3,895
Gain on disposal of discontinued operation		**–**	(1,858)
Employee share option benefits		**814**	224
Allowance for receivables		**–**	1,207
Operating profit before working capital changes		**21,736**	10,263
Decrease/(increase) in inventories		**15,089**	(17,931)
Increase in trade and bills receivables		**(46,218)**	(1,410)
(Increase)/decrease in prepayments, deposits and other receivables		**(3,498)**	517
Increase in trade and bills payables		**32,962**	8,298
Increase in accrued liabilities and other payables		**5,183**	185
(Decrease)/increase in trade deposits received		**(10,265)**	12,265
Increase in amount due to a related company		**67**	23
Increase in amount due to a director		**–**	5,506
Cash generated from operating activities		**15,056**	17,716
Income tax paid		**(9)**	–
Net cash generated from operating activities		**15,047**	17,716
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged bank deposits		**412**	(3,624)
Acquisition of a subsidiary	28(a)	**–**	(6)
Disposal of subsidiaries	28(b)	**–**	(2,582)
Purchases of property, plant and equipment		**(149)**	(499)
Investment in an associate		**(12,681)**	–
Net cash used in investing activities		**(12,418)**	(6,711)

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other loans	–	(1,496)
Repayment of bank loans	–	(5,750)
Increase in trust receipt loans	2,922	7,388
Proceeds from issue of shares	–	3,802
Share issue expenses paid	–	(146)
Repurchase of shares	(3,154)	(128)
Net cash (used in)/generated from financing activities	(232)	3,670
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,397	14,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,215	1,540
CASH AND CASH EQUIVALENTS AT 31 MARCH	18,612	16,215
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	18,613	16,215
Bank overdrafts	(1)	–
	18,612	16,215

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the financial statements.

In the opinion of the directors, Mr. Wong Ben Koon is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; and Hong Kong Accounting Standards and Interpretations. 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.

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 financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, 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 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 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Consolidation

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

Subsidiaries are 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 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 interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are 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 interests in the subsidiary's equity are allocated against the interests 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. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in consolidated income statement 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) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. 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 the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Associates (Cont'd)

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency translation (Cont'd)

(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.

(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 rates on the transaction dates); and

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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. Construction in progress is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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.

Revaluation increases of buildings are recognised in the income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the property revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against property revaluation reserve directly in equity. All other decreases are recognised in the income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

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 residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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. Lease payments made (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(g) Discontinued operation

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

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

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.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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 receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

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

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Trade and other payables

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

(m) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

(n) Equity instruments

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

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

Commission and despatch income is recognised on an accrual basis.

Interest income is recognised on a time-proportion basis using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instrument at the date of grant. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Taxation (Cont'd)

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 the income statement, 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.

(t) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) 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, 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 and exclude items such as tax liabilities 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.

(v) Impairment of assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Impairment of assets (Cont'd)

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 the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(w) Provisions and contingent liabilities

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

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

(x) 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.

4. 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 Hong Kong. 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 provision in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

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.

(a) 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. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables, pledged bank deposits and bank and cash balances.

As at 31 March 2007, the three largest trade and bills receivables represent approximately 99% 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 19 to the financial statements.

The credit risk on liquid funds is limited because the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies and a corporation licensed with the Securities and Futures Commission.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) 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.

(e) Fair values

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

6. TURNOVER

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

	2007 HK$'000	2006 HK$'000
Turnover		
Cement clinker and other building materials	550,597	159,587
Decorative sheets	–	41,505
	550,597	201,092
Representing:		
Continuing operation	550,597	159,587
Discontinued operation (note 11)	–	41,505
	550,597	201,092

7. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Commission received	2,183	286
Despatch income	4,710	683
Interest income	305	57
Net foreign exchange gains	107	–
Others	1,134	137
	8,439	1,163
Representing:		
Continuing operation	8,439	1,072
Discontinued operation (note 11)	–	91
	8,439	1,163

8. 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 was also engaged in the manufacture and sale of decorative sheets in the People's Republic of China (the "PRC"). That operation was discontinued with effect from 17 January 2006 (see note 11 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 11 to the financial statements.

	2007	2006
	HK$'000	HK$'000
ASSETS		
Segment assets		
Continuing operation	**73,222**	36,629
Discontinued operation	**–**	–
Unallocated assets	**13,078**	239
Consolidated total assets	**86,300**	36,868
LIABILITIES		
Segment liabilities		
Continuing operation	**60,491**	29,181
Discontinued operation	**–**	–
Unallocated liabilities	**2,680**	1,564
Consolidated total liabilities	**63,171**	30,745
OTHER INFORMATION		
Capital expenditure	**149**	8
Depreciation	**11**	4
Other non-cash expenses	**814**	224

8. SEGMENT INFORMATION (CONT'D)

(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.

Year ended 31 March 2007

	Continuing operation				Discontinued operation	Unallocated	Total
	Europe	Asia except PRC	Others	Total	PRC		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	196,727	282,074	71,796	550,597	–	–	550,597
ASSETS							
Segment assets	–	73,222	–	73,222	–	–	73,222
Unallocated assets	–	–	–	–	–	13,078	13,078
Consolidated total assets	–	73,222	–	73,222	–	13,078	86,300
OTHER INFORMATION							
Capital expenditure	–	149	–	149	–	–	149

Year ended 31 March 2006

	Continuing operation				Discontinued operation	Unallocated	Total
	Europe	Asia except PRC	Others	Total	PRC		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	–	159,587	–	159,587	41,505	–	201,092
ASSETS							
Segment assets	–	36,629	–	36,629	–	–	36,629
Unallocated assets	–	–	–	–	–	239	239
Consolidated total assets	–	36,629	–	36,629	–	239	36,868
OTHER INFORMATION							
Capital expenditure	–	8	–	8	491	–	499

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank loans	451	2,246
Interest on other loans wholly repayable within five years	–	141
	451	2,387
Representing:		
Continuing operation	451	51
Discontinued operation (note 11)	–	2,336
	451	2,387

10. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
Hong Kong Profits Tax – current	1,565	4
Representing:		
Continuing operation	1,565	4
Discontinued operation	–	–
	1,565	4

Hong Kong Profits Tax has been provided at a rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year ended 31 March 2007.

Taxation charges 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%. No provision for PRC enterprise income tax has been made for the year ended 31 March 2006 as this disposed subsidiary did not generate any assessable profits arising in the PRC during the period up to the date of disposal.

10. INCOME TAX EXPENSE (CONT'D)

The income tax expense can be reconciled to the profit/(loss) before tax as follows:

	2007 Hong Kong HK$'000
Profit before tax	
Continuing operation	**20,911**
Discontinued operation	**–**
	20,911
Tax at applicable tax rate	**3,659**
Tax effect of net income that is not taxable in determining taxable profit	**(2,635)**
Tax effect of unrecognised temporary differences	**(8)**
Tax effect of tax loss not recognised	**549**
Income tax expense	**1,565**

			2006
	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Profit/(loss) before tax			
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 tax loss not recognised	419	1,510	1,929
Income tax expense	4	–	4

Notes to the Financial Statements

For the year ended 31 March 2007

11. DISCONTINUED OPERATION

Pursuant to an agreement dated 23 November 2005 entered into between a 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 in the year ended 31 March 2006. The disposal was completed on 17 January 2006.

The loss for the year ended 31 March 2006 from the discontinued operation is analysed as follows:

	HK$'000
Loss of discontinued operation	(6,220)
Gain on disposal of discontinued operation	1,858
	(4,362)

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 for the year ended 31 March 2006, are as follows:

	HK$'000
Turnover	41,505
Cost of goods sold	(38,733)
Gross profit	2,772
Other income	91
Selling and distribution costs	(1,322)
Administrative expenses	(4,218)
Other operating expenses	(1,207)
Loss from operations	(3,884)
Finance costs	(2,336)
Loss before tax	(6,220)
Income tax expense	–
Loss for the year	(6,220)

11. DISCONTINUED OPERATION (CONT'D)

During the year ended 31 March 2006, the disposed subsidiaries paid approximately HK$3,645,000 in respect of operating activities, paid approximately HK$491,000 in respect of investing activities and paid approximately HK$7,245,000 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 28(b) to the financial statements.

12. PROFIT FOR THE YEAR

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

	2007	2006
	HK$'000	HK$'000
Auditor's remuneration		
Current	**420**	475
Under-provision in prior year	**–**	22
	420	497
Cost of inventories sold	**361,913**	138,902
Depreciation	**11**	3,895
Allowance for receivables (included in other operating expenses)	**–**	1,207
Operating lease rentals in respect of land and buildings	**177**	90
Staff costs including directors' emoluments		
Salaries, bonus, allowances and other costs	**6,877**	5,628
Employee share option benefits (equity-settled)	**814**	224
Retirement benefits scheme contributions	**164**	203
	7,855	6,055

Cost of inventories sold includes staff costs of HK$Nil (2006: approximately HK$1,355,000) which is included in the amount disclosed separately above.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

The emoluments of each director were as follows:

	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	**–**	**–**	**–**	**729**	**–**	**729**
Mr. Ng Hon Fai (Note (a))	**–**	**100**	**–**	**–**	**5**	**105**
Madam Hon Ching Fong	**–**	**120**	**–**	**–**	**6**	**126**
Mr. Kong Siu Keung	**–**	**900**	**575**	**–**	**47**	**1,522**
Mr. Mo Kwok Choi	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Yuen Kim Hung, Michael	**88**	**–**	**–**	**–**	**–**	**88**
Mr. Yung Ho	**84**	**–**	**–**	**–**	**–**	**84**
Total for 2007	**292**	**1,120**	**575**	**729**	**58**	**2,774**
Mr. Wong Ben Koon	–	–	–	–	–	–
Mr. Ng Hon Fai	–	60	–	–	3	63
Madam Hon Ching Fong	–	120	10	–	6	136
Mr. Choi Yat Choy (Note (b))	–	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

Notes: (a) Resigned on 16 August 2006.
(b) Resigned on 1 August 2005.

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 (2006: HK$720,000) and HK$50,000 (2006: HK$300,000), respectively. Save as disclosed above, there was no other arrangement under which a director waived or agreed to waive any remuneration during the year.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

The five highest paid individuals in the Group during the year included two (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2006: three) individuals are set out below:

	2007 HK$'000	2006 HK$'000
Basic salaries and allowances	1,645	443
Discretionary bonus	2,306	–
Employee share option benefits	85	–
Retirement benefits scheme contributions	83	13
	4,119	456

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Nil to HK$1,000,000	2	3
HK$3,000,001 to HK$4,000,000	1	–

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

14. RETIREMENT 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 Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

15. EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic 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$19,346,000 (2006: HK$6,791,000) and the weighted average number of ordinary shares of 139,112,383 (2006: 94,711,567) in issue during the year.

Diluted earnings 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$19,346,000 (2006: HK$6,791,000) and the weighted average number of ordinary shares of 144,271,635 (2006: 96,075,297), being the weighted average number of ordinary shares of 139,112,383 (2006: 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 5,159,252 (2006: 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.

(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 year from continuing operation attributable to equity holders of the Company of approximately HK$19,346,000 (2006: HK$11,153,000) and the denominator used is the same as that detailed above for basic earnings 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 year from continuing operation attributable to equity holders of the Company of approximately HK$19,346,000 (2006: HK$11,153,000) and the denominator used is the same as that detailed above for diluted earnings per share.

(c) From discontinued operation

Basic loss per share from the discontinued operation for the year ended 31 March 2006 is HK4.6 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 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	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 2005	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 2005 and at 1 April 2006	–	–	25	2	–	27
Additions	–	–	149	–	–	149
At 31 March 2007	–	–	174	2	–	176
Accumulated depreciation and impairment						
At 1 April 2005	–	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 and at 1 April 2006	–	–	17	1	–	18
Charge for the year	–	–	10	1	–	11
At 31 March 2007	–	–	27	2	–	29
Carrying amount						
At 31 March 2007	–	–	147	–	–	147
At 31 March 2006	–	–	8	1	–	9

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.

17. INVESTMENT IN AN ASSOCIATE

	2007 HK$'000	2006 HK$'000
The year end balance comprises of the followings:		
Share of net assets other than goodwill	**12,340**	–
Goodwill	**341**	–
Unlisted investment	**12,681**	–

Details of the Group's associate at 31 March 2007 are as follows:

Name	**Place of incorporation**	**Particulars of registered capital**	**Percentage of interest held**	**Principal activities**
Jiang Du Haichang Port Industrial Company Limited ("Jiang Du Haichang")	PRC	RMB100 million	25%	Not yet commenced business

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

	Assets HK$'000	**Liabilities** HK$'000	**Equity** HK$'000	**Revenues** HK$'000	**Profit** HK$'000
2007					
100 per cent	49,360	–	49,360	–	–
Group's effective interest	12,340	–	12,340	–	–

18. INVENTORIES

	2007 HK$'000	2006 HK$'000
Finished goods	**–**	15,089

19. 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:

	2007	2006
	HK$'000	HK$'000
0 to 90 days	**47,511**	1,287
91 to 180 days	**–**	29
181 to 365 days	**–**	–
Over 365 days	**23**	–
	47,534	1,316

As at 31 March 2007, HK$Nil (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.

20. PLEDGED BANK DEPOSITS

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.

21. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.1 (2005: HK$0.01) each			
At 1 April 2005		**10,000,000,000**	100,000
Share consolidation	(b)	**(9,000,000,000)**	–
At 31 March 2006 and 2007		**1,000,000,000**	100,000
Issued and fully paid:			
Ordinary shares of HK$0.1 (2005: HK$0.01) each			
At 1 April 2005		**706,000,000**	7,060
Issue of shares on placement	(a)	**115,200,000**	1,152
Share consolidation	(b)	**(739,080,000)**	–
Issue of shares for loan capitalisation	(c)	**63,241,106**	6,324
Repurchase of shares	(d)	**(400,000)**	(40)
At 31 March 2006		**144,961,106**	14,496
Repurchase of shares	(e)	**(5,944,000)**	(594)
At 31 March 2007		**139,017,106**	13,902

Notes:

(a) 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 share. 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.

(b) 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.

(c) 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.

(d) 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.

(e) During the period from 4 April 2006 to 10 April 2006, the Company repurchased and cancelled 5,944,000 of its own shares through purchases on the Stock Exchange. The total amount paid to acquire the shares was approximately HK$3,154,000 and has been deducted from the share capital and share premium account.

22. RESERVES

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

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.

Nature and purpose of reserves

(a) *Share premium account*

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

(b) *Contributed surplus*

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.

(c) *Share-based payment reserve*

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 3(q) to the financial statements.

(d) *Property revaluation reserve*

The property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3(e) to the financial statements.

23. TRADE AND BILLS PAYABLES

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

	2007 HK$'000	2006 HK$'000
0 to 90 days	41,620	8,501
91 to 180 days	–	169
181 to 365 days	12	–
	41,632	8,670

24. DUE TO A RELATED COMPANY

The amount is unsecured, interest-free and has no fixed terms of repayment.

25. SHORT TERM INTEREST-BEARING BORROWINGS

	2007 HK$'000	2006 HK$'000
Bank overdrafts (note 30)	1	–
Secured trust receipt loans repayable within one year (note 30)	10,310	7,388
	10,311	7,388

As at 31 March 2007, the trust receipt loans are denominated in US dollars and bear interest at floating rates ranging from 7.1% to 7.8% (2006: 6.5% to 7%), which exposed the Group to cash flow interest rate risk.

26. DEFERRED TAX LIABILITIES

Deferred tax liabilities of the Group for the year ended 31 March 2006 arose from revaluation of leasehold buildings. The movements in deferred tax liabilities during the year ended 31 March 2006 are as follows:

	2006
	HK$'000
At beginning of year	817
Deferred tax credited to asset revaluation reserve during the year	(790)
Disposal of subsidiaries	(27)
At end of year	–

At 31 March 2007, the Group had unused tax losses of approximately HK$10,348,000 (2006: HK$7,388,000) available for offset against future profits. No deferred tax asset (2006: 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.

27. 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.

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.

27. SHARE-BASED PAYMENTS (CONT'D)

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 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 2006	Granted during the year	Number of options outstanding as at 31 March 2007	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. Kong Siu Keung	2,400,000	–	2,400,000	30 July 2004	9 August 2004 to 27 June 2014	0.23	0.23
Mr. Wong Ben Koon	–	6,000,000	6,000,000	14 August 2006	15 August 2006 to 27 June 2016	0.78	0.68
	2,400,000	6,000,000	8,400,000				
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
	5,400,000	–	5,400,000				
	7,800,000	6,000,000	13,800,000				

During the year, 6,000,000 (2006: 3,000,000) share options were granted to a director (2006: an employee).

27. SHARE-BASED PAYMENTS (CONT'D)

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 on 30 July 2004 and 28 July 2005 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 from 28 June 2005 for options granted on 28 July 2005. The options granted to the director on 14 August 2006 shall not be exercisable within 12 months from 28 June 2006.

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	**14 August 2006**	**28 July 2005**	**30 July 2004**
Option value	HK$964,161	HK$170,000	HK$280,000
Variables:			
Expected volatility	82.4%	30.3%	44.8%
Risk-free rate	4.2%	3.2%	3.1%
Expected life of options (years)	1.5	3.0	3.0
Expected dividend yield	10.0%	Nil	Nil

Expected volatility was based on the historical volatility of the share prices of the Group over a period that is equal to the expected life of options before the grant date for options granted on 14 August 2006 and 130 trading days before the grant date for options granted on 28 July 2005 and 30 July 2004.

The expected life of options was determined with reference to the Group's historical share price record.

The expected dividend yield was based on the Group's historical dividend payment record, financial conditions and intention of paying dividend.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

On 24 May 2005, the Group acquired 100% of the issued capital of Prosperity Cement (Asia) Limited ("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 outflow 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 tax, for the period between the date of acquisition and 31 March 2006 and for the year ended 31 March 2006 if the acquisition had been completed on 1 April 2005.

28. NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENT (CONT'D)

(b) Disposal of subsidiaries

As referred to in note 11 to the financial statements, on 17 January 2006 the Group discontinued its manufacture and sale of decorative sheets operation at the time of the disposal 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)
Current tax liabilities	(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 for year ended 31 March 2006 is disclosed in note 11 to the financial statements.

28. NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENT (CONT'D)

(c) Major non-cash transaction

During the year ended 31 March 2006, a loan due to a director and shareholder of approximately HK$24,000,000 was settled by the allotment of 63,241,106 ordinary shares of HK$0.1 each of the Company to the director and shareholder (note 21(c)).

29. CONTINGENT LIABILITIES

As at 31 March 2007, the Group did not have any significant contingent liabilities (2006: Nil).

30. BANKING FACILITIES

As at 31 March 2007, the Group's banking facilities were secured by:

(a) the charge over certain bank deposits (note 20) of the Group;

(b) corporate guarantee of the Company;

(c) corporate guarantee of a subsidiary;

(d) corporate guarantee of a related company in which Mr. Wong Ben Koon and Madam Hon Ching Fong, directors of the Company, have beneficial interests;

(e) the charge over two properties held by two related companies in which Mr. Wong Ben Koon has beneficial interest; and

(f) personal guarantee executed by two directors, Mr. Wong Ben Koon and Madam Hon Ching Fong of the Company.

According to the banking facilities letter updated on 9 May 2007, item (d), (e) and personal guarantee executed by Madam Hon Ching Fong of (f) have been released as security.

As at 31 March 2006, the Group's banking facilities were secured by:

(a) the charge over certain trade receivables (note 19) and bank deposits (note 20) of the Group;

(b) corporate guarantee of the Company; and

(c) a personal guarantee executed by a director of the Company.

31. COMMITMENTS

As at 31 March 2007, the Group 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:

	2007 HK$'000	2006 HK$'000
Within one year	135	–
In the second to fifth years inclusive	–	–
	135	–

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

(b) Capital commitments

	2007 HK$'000	2006 HK$'000
Contracted but not provided for acquisition of property, plant and equipment	580	–
Capital expenditure contracted but not provided for in the financial statements in respect of unpaid balance of capital contributions to an associate (Note)	12,594	–

Note: Pursuant to an equity joint venture agreement dated 11 October 2006 the Group has a 25% investment in an associate, Jiang Du Haichang which was incorporated in the PRC on 30 October 2006 for a period of twenty years with principal activities of operating a public port and other related facilities, provision of warehouse services and production and sales of slag powder. The associate has yet to commence business as at the balance sheet date. The total investment cost of the Group in proportion to its respective interest in Jiang Du Haichang is RMB25 million which is to be financed in the form of cash by the Group. At 31 March 2007 the Company has fulfilled its investment obligation in Jiang Du Haichang to the extent of approximately RMB12.5 million. The remaining balance of approximately RMB12.5 million has been paid up on 17 April 2007.

32. RELATED PARTY TRANSACTIONS

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

		2007 HK$'000	2006 HK$'000
(a)	Rental expenses paid to Cheong Sing Merchandise Agency Limited ("CMAL")#	**68**	90
	Rental expenses paid to Prosperity Materials (International) Limited ("PMIL")*	**28**	–
	Due to CMAL#	**90**	23

\# The rental expenses were charged with reference to the open market values as determined by the directors.

* The Group shared the office premises rented by PMIL. The rental expenses were charged in proportion to the area of office premises utilised by the Group on the rental of the office premises.

Mr. Wong Ben Koon and Madam Hon Ching Fong, directors of the Company, are also the directors of and have beneficial interest in CMAL and PMIL.

(b) On 27 December 2006, the Group issued a guarantee and an indemnity (the "Guarantee") to the landlord of PMIL in respect of a letter of undertaking and a tenancy agreement entered into between the landlord and PMIL on 27 December 2006 and 1 March 2007 respectively. On 27 December 2006, a letter of guarantee was issued to the Group by PMIL, a related company and a director of the Company to cover all potential liability that may arise from the Guarantee. Mr. Wong Ben Koon and Madam Hon Ching Fong, have beneficial interests in PMIL and the related company.

As at the balance sheet date, the monthly lease charge under the tenancy agreement is approximately HK$314,000 for a period of thirty-four months. The directors consider that it is highly unlikely that a claim will be made against the Group under the Guarantee. Hence no contingent liability is disclosed in respect of the Guarantee. Based on a valuation report issued by BMI Appraisals Limited, independent professionally qualified valuers, the fair value of the Guarantee at date of issue was nominal.

On 12 June 2007, the Guarantee was unconditionally released by the landlord.

(c) During the year ended 31 March 2006, 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.

33. PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2007 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Profit World Ventures Limited	British Virgin Islands ("BVI")	20,000 ordinary shares of US$1 each	100%	–	Investment holding
Prosperity Trading Limited	Hong Kong ("HK")	10,000 ordinary shares of HK$1 each	–	100%	Trading of building materials
PCAL	HK	2 ordinary shares of HK$1 each	–	100%	Trading of cement clinker
Prosperity Cement Shipping Limited	BVI	2 ordinary shares of US$1 each	–	100%	Dormant
Prosperity Development Limited - Macao Commercial Offshore	Macau	100,000 ordinary shares of MOP$1 each	–	100%	Dormant

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 20 June 2007.

Summary Financial Information

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in note below:

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**550,597**	159,587	–	–	–
Profit/(loss) before tax	**20,911**	11,157	(3,457)	(4,559)	(4,517)
Income tax expense	**(1,565)**	(4)	–	–	–
Profit/(loss) from continuing operation	**19,346**	11,153	(3,457)	(4,559)	(4,517)
Loss from discontinued operation	**–**	(4,362)	(34,320)	(25,962)	(9,560)
Profit/(loss) for the year	**19,346**	6,791	(37,777)	(30,521)	(14,077)
Attributable to:					
Equity holders of the Company	**19,346**	6,791	(36,621)	(27,765)	(13,345)
Minority interests	**–**	–	(1,156)	(2,756)	(732)
	19,346	6,791	(37,777)	(30,521)	(14,077)

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**12,828**	9	47,002	61,200	65,754
Current assets	**73,472**	36,859	27,402	52,027	69,836
Current liabilities	**(63,171)**	(30,745)	(81,068)	(87,949)	(65,040)
Non-current liabilities	**–**	–	(19,253)	(15,924)	(35,777)
Total equity	**23,129**	6,123	(25,917)	9,354	34,773
Attributable to:					
Equity holders of the Company	**23,129**	6,123	(25,917)	7,503	30,201
Minority interests	**–**	–	–	1,851	4,572
	23,129	6,123	(25,917)	9,354	34,773

Amounts disclosed in the summary financial information for prior years were extracted from the annual report for the year ended 31 March 2006.