
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Prosperity International Holdings (H.K.) Limited (the “**Company**”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee. This circular is addressed to the shareholders of the Company in connection with an annual general meeting to be held on 17 August 2007. This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities in the Company.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

GENERAL MANDATE TO ISSUE AND TO REPURCHASE SHARES, REFRESHMENT OF THE SCHEME MANDATE LIMIT, GRANTING OF OPTIONS AND RE-ELECTION OF DIRECTORS

A letter from the Board is set out on pages 3 to 9 of this circular.

The notice convening an annual general meeting (“AGM”) of Prosperity International Holdings (H.K.) Limited to be held at 10:00 a.m. on Friday, 17 August 2007 at Suites 1801-6, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong is despatched together with this circular. Whether or not you are able to attend the AGM in person, you are requested to complete and return the enclosed form of proxy for the AGM in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof in person should you so wish.

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

* *for identification purpose only*

21 July 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

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

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

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Suites 1801-6, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday 17 August 2007, at 10:00 a.m.
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Company”	Prosperity International Holdings (H.K.) Limited (昌興國際控股(香港)有限公司*), an exempted company and incorporated in Bermuda with limited liability and the Shares of which are listed on GEM
“Corporate Governance Code”	the Code on Corporate Governance Practices, Appendix 15 to the GEM Listing Rules
“Directors”	the directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, as modified from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	18 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Registrar”	the Company’s branch share registrar in Hong Kong, Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Repurchase Mandate”	a general and unconditional mandate to exercise all the powers of the Company to purchase Shares not exceeding 10% of the Company’s issued share capital as at the date of the resolution to approve such mandate until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution)

DEFINITIONS

“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the consolidation of every 10 shares of HK\$0.01 each in the issued and unissued share capital of the Company into one Share of HK\$0.10 each in the issued and unissued share capital of the Company as approved at the annual general meeting of the Company held on 28 July 2005
“Share Issue Mandate”	a general and unconditional mandate to allot, issue, grant, distribute and otherwise deal with additional Shares not exceeding 20% of the Company’s issued share capital as at the date of the resolution to approve such mandate until the conclusion of the next annual general meeting of the Company
“Share Option Scheme”	the existing share option scheme of the Company adopted by the Shareholders at the annual general meeting held on 25 August 2003 and approved at its annual general meeting held on the same day
“Share Mandate Limit”	the maximum number of Shares which may be issued upon the exercise in full of options available to be granted by the Directors on behalf of the Company from time to time under the Share Option Scheme and any other share option scheme(s) of the Company
“Share Repurchase Rules”	the applicable provisions under the GEM Listing Rules to regulate the repurchase by companies of their own securities by companies with listing on GEM
“Shareholder(s)”	registered holder(s) of the Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



Prosperity International Holdings (H.K.) Limited

昌興國際控股(香港)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8139)

Executive Directors:

Mr. Wong Ben Koon (*Chairman*)

Mdm. Hon Ching Fong

Mr. Kong Siu Keung

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Mo Kwok Choi

Mr. Yuen Kim Hung, Michael

Mr. Yung Ho

*Head office and principal place of
business in Hong Kong:*

Suites 1801-6, 18th Floor, Tower 2

The Gateway

25 Canton Road

Tsimshatsui, Kowloon

Hong Kong

21 July 2007

To the Shareholders

Dear Sirs or Madams,

**GENERAL MANDATE TO ISSUE AND TO REPURCHASE SHARES,
REFRESHMENT OF THE SCHEME MANDATE LIMIT,
GRANTING OF OPTIONS AND RE-ELECTION OF DIRECTORS**

I. INTRODUCTION

At the forthcoming AGM of the Shareholders to be held on Friday, 17 August 2007, the following resolutions, amongst others, will be proposed:

- (i) to grant the Directors a general mandate to issue Shares and to exercise the powers of the Company to undertake repurchases of its own Shares on GEM;
- (ii) to refresh the Scheme Mandate Limit adopted at the annual general meeting of the Company held on 25 August 2003;

* *for identification purpose only*

LETTER FROM THE BOARD

- (iii) to grant options (the “**Options**”) under the Share Option Scheme to subscribe for 3,000,000 Shares of the Company, representing approximately 2.16% of the issued share capital of the Company as at the Latest Practicable Date, to Dr. Jiang, Brent Zhiwei (“**Dr. Jiang**”), the chief executive officer of the Company at an exercise price of HK\$0.93 per Share; and
- (iv) to re-elect the Directors.

The purpose of this circular is to provide you with the resolutions proposed at the AGM set out above so as to give you all information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

II. GENERAL MANDATES

1. General mandate to issue Shares

At the AGM, an ordinary resolution will be proposed to grant the Board a general and unconditional mandate to allot, issue, grant, distribute and otherwise deal with additional Shares not exceeding 20% of the Company’s issued share capital as at the date of such resolution (as adjusted in accordance with the resolution) for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution).

2. General mandate to repurchase Shares

At the AGM, an ordinary resolution will be proposed to grant the Board a general and unconditional mandate to exercise all the powers of the Company to purchase Shares not exceeding 10% of the Company’s issued share capital as at the date of the resolution to approve such mandate until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution).

In accordance with the GEM Listing Rules, an explanatory statement is set out in Appendix I of this circular to provide you with requisite information reasonable necessary to enable you to make an informed decision on whether to vote for or against the proposed ordinary resolution for the grant of the Repurchase Mandate at the AGM.

III. REFRESHMENT OF THE SCHEME MANDATE LIMIT

Pursuant to the GEM Listing Rules, the Scheme Mandate Limit may not exceed 10% of the Shares in issue as at the date of approval or adoption of that limit by the Shareholders. The Scheme Mandate Limit may be refreshed by the Shareholders in general meeting from time to time.

LETTER FROM THE BOARD

Pursuant to the GEM Listing Rules, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company or its subsidiaries must not exceed 30% of the Shares from time to time.

At the annual general meeting of the Company held on 25 August 2003, the then shareholders of the Company approved the adoption of the Share Option Scheme and the Scheme Mandate Limit, being 10% of the shares of the Company in issue as at 25 August 2003 (i.e. 480,000,000 shares of HK\$0.01 each before Share Consolidation or 48,000,000 Shares after Share Consolidation). Accordingly, the Directors were able to grant options (which do not include those options granted before the date of passing such resolution) under the Share Option Scheme or any other scheme of the Company or its subsidiaries for subscription up to 4,800,000 Shares (or 48,000,000 shares of HK\$0.01 each before the Share Consolidation).

At the annual general meeting of the Company held on 28 July 2005, the then shareholders of the Company approved a refreshment of the Scheme Mandate Limit, being 10% of the Shares then in issue as at 28 July 2005 (i.e. 82,120,000 shares of HK\$0.01 each before Share Consolidation or 8,212,000 Shares after Share Consolidation). Accordingly, the Directors were able to grant options (which do not include those options granted before the date of passing of such resolution) under the Share Option Scheme or any other scheme of the Company or its subsidiaries for subscription of up to 8,212,000 Shares.

As at the Latest Practicable Date, 139,017,106 Shares were in issue and option to subscribe for 13,800,000 Shares has been granted (but not exercised) under the Share Option Scheme.

On that basis and assuming no further allotment and issue of Shares and/or repurchase of Shares up to the date of the AGM, upon the approval of the refreshment of the Scheme Mandate Limit by the Shareholders in the AGM, the Scheme Mandate Limit (as refreshed) will allow the Company to grant options entitling holders thereof to subscribe for up to 13,901,710 Shares, being not exceeding 10% of the Shares then in issue at the AGM (which would not be counted as granted under the 10% Scheme Mandate Limit of the Share Option Scheme approved by the Shareholders at the annual general meeting held on 25 August 2003 nor as under the refreshed Scheme Mandate Limit which was approved by the Shareholders at the annual general meeting of the Company held on 14 August 2006) which will include the proposed grant of options entitling Dr. Jiang to subscribe for 3,000,000 Shares.

On the same assumption, the Directors expect that the grant of options in full under the refreshed Scheme Mandate Limit hereof will not cause the Shares to be issued upon the full exercise of the then outstanding options granted and available to be granted under the Share Option Scheme or any other share option scheme(s) of the Company to be in excess of 30% of the Shares in issue from time to time. No option may be granted under the Share Option Scheme or any other share option scheme(s) of the Company or its subsidiaries if this will result in the limit being exceeded.

LETTER FROM THE BOARD

Application will be made to the Stock Exchange by the Company for the approval of the listing of and permission to deal in the Shares, representing a maximum of 10% of the Shares in issue as at the date of the AGM approving the refreshment of the Scheme Mandate Limit, which may be issued pursuant to the exercise of the options under the Share Option Scheme and any other share option scheme(s) of the Company.

IV. GRANT OF OPTIONS

Pursuant to the GEM Listing Rules and the terms of the Share Option Scheme, if the Board determines to offer options to a participant which would result in the securities issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant exceed 1% of the relevant class of securities of the Company in issue (the “**Maximum Entitlement**”), the grant shall be subject to (i) the issue of a circular by the Company to its shareholders; (ii) the approval of the shareholders of the Company in general meeting with such participant and his associates abstain from voting; and (iii) the approval of the refreshment of the Scheme Mandate Limit.

The Board proposes to seek shareholders’ approval for the granting of options under the Share Option Scheme to subscribed for 3,000,000 Shares, representing approximately 2.16% of the issued share capital of the Company as at the Latest Practicable Date to Dr. Jiang, who was appointed as the chief executive officer of the Company effective from 11 June 2007. The Directors propose to grant the Share Options to Dr. Jiang by considering his responsibilities to the Group, his remuneration package and with reference to the percentage of Share Options granted by the Company to an executive director on 30 July 2004, namely, Mr. Kong Siu Keung who is also the qualified accountant and company secretary of the Company. Dr. Jiang is responsible for the overall management of the Group, including strategic planning, business development and operations, and has extensive experience in the management, commercial, operational and technical aspects of mineral and energy enterprises and a good understanding of the Chinese natural resources market. Dr. Jiang is the chief executive (as defined under the GEM Listing Rules) of the Company and in accordance with the GEM Listing Rules, the proposed grant of Options to Dr. Jiang must be approved in accordance with Rules 23.03(4) and 23.04(1) of the GEM Listing Rules. Prior to the granting of such options, no option has been granted to Dr. Jiang.

The terms of the options proposed to be granted to Dr. Jiang are summarized as follows:

Under the rules of the Share Option Scheme,

A. Price of Shares

The Subscription Price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (a) the official closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer to grant option, which must be a business day; (b) the average of the official closing price

LETTER FROM THE BOARD

of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of offer to grant option; and (c) the nominal value of a Share.

As (a) the closing price as at 21 June 2007, the date of the Board meeting at which the Board proposes to grant the Options to Dr. Jiang, was HK\$0.93 per Share, (b) the average of the official closing price of the last five (5) trading dates up to and including 20 June 2007 was HK\$0.92, and (c) the nominal value of the Share was HK\$0.10, the proposed exercise price of the Option has been determined to be at HK\$0.93 per Share.

B. Exercise period and Restriction on Exercise

The exercise period of the Options will be from the date of acceptance of the Options up to 20 June 2017, both dates inclusive, which is in compliance within the term of the Share Option Scheme.

The option to be granted to Dr. Jiang shall not be exercised within 12 months from 21 June 2007.

C. Amount payable on acceptance of the Option

HK\$1 will be payable on acceptance of the Option.

D. Voting, dividend, transfer and other rights

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the grantee as the holder of the Shares. Subject to the aforesaid, Shares allotted and issued on the exercise of Options will rank pari passu with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue.

According to the GEM Listing Rules, the proposed grant of Options to Dr. Jiang must be approved by the Shareholders at the AGM by way of poll and Dr. Jiang and his associates must abstain from voting on this resolution at the AGM. Mr. Mo Kwok Choi, Mr. Yuen Kim Hung, Michael, Mr. Yung Ho, the independent non-executive Directors, approved the granting of options to Dr. Jiang at the meeting of the independent non-executive directors held on 21 June 2007 to recognize Dr. Jiang's valuable contribution to the Company and consider such grant to be in the best interest of the Company. As at the Latest Practicable Date, none of Dr. Jiang and his associates holds any Shares in the Company.

LETTER FROM THE BOARD

V. RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

In relation to ordinary resolution no. 2 in the notice of the AGM regarding the re-election of Directors, Mdm. Hon Ching Fong and Mr. Mo Kwok Choi will retire at the forthcoming AGM pursuant to the Bye-laws, and, being eligible, will offer themselves for re-election.

In relation to ordinary resolution no. 2 in the notice of the AGM regarding the re-appointment of Directors, Mr. Mo Kwok Choi, Mr. Yuen Kim Hung, Michael and Mr. Yung Ho are proposed to be re-appointed as independent non-executive Directors at the AGM.

Biographical details of the Directors proposed to be re-elected and re-appointed are set out in Appendix II to this circular.

VI. PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-law 66 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange, by any Director or directors who, individually or collectively, hold proxies in respect of shares respectively five per cent. (5%) or more of the total voting rights at such meeting.

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

LETTER FROM THE BOARD

VII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

VIII. ACTION TO BE TAKEN

Whether or not you intend to attend the AGM, you are requested to complete and return the form of proxy accompanying the notice of the AGM in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the AGM. The return of a form of proxy will not preclude you from attending and voting in person if you so wish.

IX. RECOMMENDATION

The Directors believe that the Share Issue Mandate, Repurchase Mandate, refreshment of the Scheme Mandate Limit, grant of Options and re-election of Directors are all in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of all the resolutions to be proposed at the AGM.

X. GENERAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Wong Ben Koon
Chairman

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

SHARE REPURCHASE RULES

The Share Repurchase Rules provide that all proposed repurchases of securities by a company with listing on GEM must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of a general mandate or by a specified approval of a particular transaction. A maximum of 10% of the fully paid-up securities of a company as at the date of the passing of the relevant resolution may be repurchased on GEM.

SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the company comprised of 1,000,000,000 Shares and the number of Shares in issue is 139,017,106.

Subject to the passing of the relevant ordinary resolution and on the basis that no further Shares will be issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 13,901,710 Shares, equivalent to 10% of the issued share capital of the Company as at the date of the resolution granting the Repurchase Mandate, during the Relevant Period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully-paid up.

“**Relevant Period**” means the period from the date of the passing of the resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; and
- (iii) the date on which the authority set out in the resolution is revoked or varied by the passing of an ordinary resolution of the Shareholders in general meeting.

MARKET PRICES

The highest and lowest closing prices at which Shares have been traded on GEM during the current month and in each of the previous 12 months preceding the printing of this circular were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2006		
July	0.73	0.63
August	0.82	0.68
September	0.81	0.80
October	0.86	0.80
November	0.87	0.75
December	0.88	0.70
2007		
January	0.86	0.74
February	0.84	0.70
March	0.80	0.70
April	0.80	0.74
May	0.95	0.78
June	1.15	0.88
July (up to the Latest Practicable Date)	1.42	0.99

REASONS FOR REPURCHASE

The Directors believe that the ability to repurchase Shares is in the interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in net assets and/or earnings per Share. The Directors are seeking the Repurchase Mandate to give the Company the flexibility to do so if and when appropriate. The number(s) and class(es) of shares to be repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

FUNDING OF REPURCHASES

Repurchases must be made out of funds which are legally available for such purpose in accordance with the Memorandum of Association of the Company, the Bye-laws of the Company, the GEM Listing Rules and the applicable laws of Bermuda. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company.

There may be an adverse impact on the working capital or gearing position of the company (as compared with the position disclosed in the audited consolidated financial statements contained in the annual report of the Company for the year ended 31 March

2007) in the event that the Repurchase Mandate is exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as this would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

DIRECTORS' DEALING

To the best knowledge of the Directors who have made all reasonable enquiries, none of the Directors or their associates (as defined under the GEM Listing Rules) has a present intention to sell shares to the Company or has undertaken not to do so in the event that the general mandate is approved by the Shareholders.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the Repurchase Mandate only in accordance with the GEM Listing Rules, the Bye-laws and the applicable laws of Bermuda.

EFFECT OF THE TAKEOVERS CODE

A repurchase of Shares may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, (1) Harmony Asset Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange held approximately 8.49% of the issued share capital of the Company, and (2) Mr. Wong Ben Koon held approximately 38.40% of the issued share capital of the Company directly and his concert party Well Success Group Limited ("**Well Success**") held approximately 22.96% of the issued share capital of the Company. Well Success is beneficially owned, as to 25.2% by Mr. Wong Ben Koon, 16.4% by Mr. Ng Hon Fai and 58.4% by Advance Success Limited which is owned as to 50% by Mr. Wong and 50% by Mdm. Hon Ching Fong (a Director). Details of the interest of Mr. Wong Ben Koon, Well Success and the other Directors in the Shares are set out in the Company's Annual Report for the year ended 31 March 2007.

In the event that the Repurchase Mandate is exercised in full and assuming that there is no change in the number of Shares held by Harmony Asset Limited, Mr. Wong Ben Koon and Well Success and there is no other change to the issued share capital of the Company, the shareholdings of Harmony Asset Limited, Mr. Wong Ben Koon and Well Success in the Company will be increased to approximately 9.43%, 42.67% and 25.51% respectively. Mr. Wong Ben Koon would be required under Rule 26 of the Takeovers Code to make a mandatory offer pursuant to such increase. In such an event, the Directors will take all

necessary steps to comply with the Listing Rules and the Takeovers Code. Save as mentioned, the Directors are not aware of any consequence which may arise under the Takeovers Code as a result of any purchase to be made under the Repurchase Mandate.

The Directors have no present intention to repurchase Shares to such extent which will result in the amount of Shares held by the public being reduced to less than 20% of the total issued share capital of the Company.

SHARE REPURCHASE BY THE COMPANY

No purchase has been made by the Company of Shares in the six months prior to the Latest Practicable Date.

CONNECTED PERSONS

No connected person (as defined under the GEM Listing Rules) of the Company has notified the Company of a present intention to sell Shares to the Company and no such person has undertaken not to sell any such Shares to the Company in the event that the Repurchase Mandate is granted by the Shareholders.

In accordance with the Bye-laws and the respective appointment letters, the following Directors will retire from office at the AGM and the appointment of all the independent non-executive Directors will cease at the AGM (as the case may be), and, being eligible, the following Directors will offer themselves for re-election and re-appointment (as the case may be):-

Mdm. Hon Ching Fong (“**Mdm. Hon**”), aged 59, is an executive Director. Mdm. Hon is responsible for the Group’s human resources management and administration. Mdm. Hon joined the Group as a director in July 1997. As at the Latest Practicable Date, according to the register maintained by the Company pursuant to section 352 of the SFO, Mdm. Hon was interested in 31,917,600 Shares. She entered into a service contract with the Company at the monthly salary of HK\$10,000, which is determined by the Board with reference to her duties and responsibilities. The term of her appointment commenced from 1 July 2001 which will continue thereafter until terminated by not less three months’ prior notice in writing given by either party to the other. Mdm. Hon is also a director of the following indirect wholly-owned subsidiaries of the Company, namely, Prosperity Trading Limited, Prosperity Cement (Asia) Limited, Prosperity Cement Shipping Limited and Prosperity Development Limited – Macao Commercial Offshore.

Mdm. Hon is indirectly interested in 22.96% of the Shares and is indirectly interested in 58.4% of the shares of Well Success Group Limited, a controlling shareholder of the Company within the meaning of Part XV of the SFO.

Mdm. Hon does not hold any directorship in other listed companies in the past three years. Apart from the aforesaid appointments, Mdm. Hon does not hold any position in the Company or any subsidiary of the Company.

Apart from the above disclosure, Mdm. Hon does not have any relationship with the directors, senior management or management shareholders or substantial or controlling shareholders of the Company.

Mr. Mo Kwok Choi (“**Mr. Mo**”), aged 72, was appointed as an independent non-executive Director since 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. Mo entered into a service contract with the Company which commenced from 18 July 2001 which will continue thereafter until terminated, among other things, by not less than two months’ prior notice in writing given by either party to the other. Mr. Mo’s current monthly salary is HK\$10,000, which is determined by the Board with reference to his duties and responsibilities.

Mr. Yuen Kim Hung, Michael (“**Mr. Yuen**”), aged 46, was appointed as an independent non-executive Director on 7 January 2002. Mr. Yuen has extensive experience in auditing, tax and accounting field.

Mr. Yuen entered into a service contract with the Company which commenced from 7 January 2002 which will continue thereafter until terminated by not less than two months' prior notice in writing given by either party to the other. Mr. Yuen's current monthly salary is HK\$7,000, which is determined by the Board with reference to his duties and responsibilities.

Mr. Yuen is currently an independent non-executive director of New Universe International Group Limited, a company listed on GEM, and a non-executive director of Prosperity Minerals Holdings Limited, a company listed under the AIM market operated by the London Stock Exchange. Apart from the above Mr. Yuen does not hold any directorship in other listed companies in the past three years.

Mr. Yung Ho ("Mr. Yung"), aged 63, was appointed as an independent non-executive Director from September 2004. Mr. Yung has extensive experience in the industries of trading and property development in the People's Republic of China.

Mr. Yung entered into a service contract with the Company for a term of three years commencing from 1 September 2005, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws of the Company and is subject to termination by either party giving not less than one month's written notice. Mr. Yung's monthly salary of HK\$7,000, which is determined by the Board with reference to his duties and responsibilities. Save as disclosed herein, there are no other benefits provided to Mr. Yung for his directorship in the Company.

Save as disclosed herein, there are no other benefits provided to Mr. Mo, Mr. Yuen and Mr. Yung for their directorships of the Company.

No independent non-executive Directors have any interests in the Shares within the meaning of Part XV of the SFO.

So far as the Directors are aware, all the independent non-executive Directors are not connected with the directors, senior management, substantial shareholders or controlling shareholders of the Company or its subsidiaries or any of their respective associates.

Save as disclosed herein, none of the independent non-executive Directors holds any directorship in other listed companies in the past three years nor any position in the Company or any of its subsidiaries.

**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)****NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Suites 1801-6, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 17 August 2007 at 10:00 a.m. for the following purposes:

As Ordinary Business

1. To receive and consider the audited financial statements and the reports of the Directors and of the Auditors for the year ended 31 March 2007;
2. To re-elect and re-appoint the Directors;
3. To authorise the Board of Directors to fix the Directors' remuneration;
4. To re-appoint the Auditors and to authorise the Board of Directors to fix their remuneration; and

As Special Business

5. To consider and if thought fit, pass with or without amendment, the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to sub-paragraph (c) of this Resolution, pursuant to the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as amended from time to time, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

* for identification purpose only

- (b) the approval in sub-paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in subparagraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company (“Shares”); or (iii) the exercise of any options granted under the share option scheme of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of the dividend on Shares in accordance with the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this Resolution:

“**Relevant Period**” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by the passing of an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of shares, or offer or issue of warrants, options or other securities of the Company giving rights to subscribe for Shares, open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

6. To consider and, if thought fit, pass with or without amendment(s) the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase Shares on the Stock Exchange or any other exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases (the **“Recognised Stock Exchange”**) subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules as amended from time to time or that of any other Recognised Stock Exchange, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be purchased by the Company pursuant to the approval in sub-paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by the passing of an ordinary resolution of the shareholders of the Company in general meeting.”

7. To consider and, if thought fit, pass with or without amendment(s) the following resolution as an Ordinary Resolution:

“THAT conditional upon Resolution 5 and Resolution 6 set out in the notice convening this meeting of which this resolution forms part being passed, the aggregate nominal amount of the shares capital of the Company which are repurchased by the Company after the date of the passing of this Resolution (up to a maximum of 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as stated in Resolution 6 set out in the notice

convening this meeting of which this resolution forms part) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company under the authority granted pursuant to Resolution 5 set out in the notice convening this meeting of which this resolution forms part.”

8. To consider and, if thought fit, pass with or without amendment(s), the following resolution as an Ordinary Resolution:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the ordinary shares of the Company (“**Shares**”) which may fall to be issued pursuant to the exercise of options which may be granted under the Refreshed Scheme Limit (as defined below), the refreshment of the scheme limit under the share option scheme adopted by the Company on 25 August 2003, of up to 10% of the number of Shares in issue as at the date of passing of this Resolution (“**Refreshed Scheme Limit**”), be and is hereby approved and the directors of the Company be and are hereby authorised to grant options and to allot and issue Shares pursuant to the exercise of any options granted under the Refreshed Scheme Limit and to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit in order to effect the foregoing.”

9. To consider and, if thought fit, pass with or without amendment(s), the following resolution as an Ordinary Resolution:

“**THAT** the Board of Directors may grant an Option to Dr. Jiang, Brent Zhiwei (“**Dr. Jiang**”) to subscribe for 3,000,000 ordinary shares of the Company under the existing share option scheme of the Company (the “**Share Option Scheme**”) at the subscription price of HK\$0.93 per Share at any time commencing from the date of acceptance of the offer pursuant to the rules of the Share Option Scheme adopted by the Company on 25 August 2003 and **THAT** such grant of share option to Dr. Jiang not be counted as granted under the 10% share mandate limit of the Share Option Scheme approved by the shareholders of the Company at the annual general meeting held on 25 August 2003 nor as under the refreshed scheme limit which may be approved by the shareholders of the Company by passing of Resolution No. 8 contained in notice of meeting convening this meeting.”

and **THAT** the directors of the Company be and are hereby authorized to do all such acts, deeds and things as they shall, in their absolute discretion deem fit, in order to effect and complete the foregoing.”

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

Hong Kong, 21 July 2007

The Directors as at the date of this notice are:

Executive Directors:

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

Independent Non-Executive Directors:

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

Notes:

- (1) Any shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
- (2) In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of authority, must be deposited at the Company's share registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
- (3) Delivery of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
- (4) In the case of joint registered holders of any Share, any one of such joint registered holders may vote at the meeting, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the meeting, the vote of the most senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.