



## 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)

### INTERIM RESULTS 2008 ANNOUNCEMENT FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2007

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*This announcement, for which the directors (the “Directors”) of the Prosperity International Holdings (H.K.) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purpose only

## INTERIM RESULTS FOR 2008

### FINANCIAL HIGHLIGHTS

The financial highlights of the Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2007 (the "Relevant Period") are summarized as follows:

- The unaudited consolidated turnover for the Relevant Period was approximately HK\$318.8 million, representing a considerable increase of approximately 40.6% as compared with the corresponding period last year;
- The unaudited consolidated net profit for the Relevant Period was approximately HK\$10.6 million;
- Basic earnings per share for the Relevant Period amounted to HK7.1 cents;
- The Directors of the Company do not recommend the payment of any interim dividend for the Relevant Period.

The unaudited consolidated results of the Group for the six months ended 30 September 2007 and comparisons with the results for the corresponding period last year are set out in the accompanying table.

## **BUSINESS REVIEW**

### **Cement Clinker Business**

During the Relevant Period, the Group's total sales volume of cement clinker reached approximately 938,000 tonnes, representing an increase of approximately 15% over the corresponding period last year. In terms of the breakdown of the turnover during the Relevant Period, the African market accounted for 5.2%, the European 23.81%, the Taiwan 43.79%, the Oceanian 2.63% and the other Asian countries 24.57% of the turnover.

Leveraging on the favourable environment in global market, the Group has made the most of its management expertise and experience in trading of construction materials, as well as its strong network in the overseas market, thus achieving substantial business growth during the Relevant Period. The Group has been poised to seize existing business opportunity to export cement clinker from the PRC to overseas markets.

The Group only placed orders to its supplier after receiving confirmation of sales orders from customers. By entering into supply contracts with its 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.

The recent abolishment of export tax rebate on cement and cement clinker products and increase of global sea-freight cost resulted in a higher cost of sales for the Group. However, leveraging on our long-term relationship with our overseas clients and the strong demand of cement clinker in overseas market, the Group has successfully negotiated with our clients to share part of the burden in order to mitigate the full impact brought by the new policy.

### **Operation of Public Port and Other Related Facilities Business**

To further expand our business scope to include the building material-related business, the Group established a joint venture company with Anhui Conch Venture Investment Company Limited last year. 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. It is expected that the joint venture company will commence operation by the end of calendar year 2008.

## **Placing of New Shares**

During the period between 1 April 2007 and the date of this announcement, a total of 61,100,000 new shares of the Company were placed to independent investors. In which, 27,800,000 new shares of the Company were placed at a price of HK\$0.84 per share on 24 July 2007 and 33,300,000 new shares of the Company were placed at a price of HK\$0.90 per share on 26 October 2007 (collectively, the “Placings”).

The Directors of the Company considered that the Placings represented an ideal opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

The net proceeds raised from the Placings, after the deduction of the related expenses, amounted to approximately HK\$51 million which will be applied to general working capital of the Group and exploring investment or merger and acquisition opportunities.

## UNAUDITED CONSOLIDATED RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 September 2007, together with the comparative figures for the corresponding period last year, as follows:

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Turnover</b>	3	<b>133,094</b>	139,539	<b>318,838</b>	226,819
Cost of sales		<b>(125,313)</b>	(125,372)	<b>(297,567)</b>	(203,920)
Gross profit		<b>7,781</b>	14,167	<b>21,271</b>	22,899
Other income	4	<b>1,668</b>	1,467	<b>3,679</b>	2,442
Selling and distribution costs		<b>(345)</b>	(7,999)	<b>(6,932)</b>	(10,899)
Administrative expenses		<b>(3,896)</b>	(1,891)	<b>(6,373)</b>	(3,199)
<b>Profit from operating activities</b>		<b>5,208</b>	5,744	<b>11,645</b>	11,243
Finance costs		<b>(248)</b>	(123)	<b>(566)</b>	(145)
<b>Profit before tax</b>		<b>4,960</b>	5,621	<b>11,079</b>	11,098
Income tax expenses	6	<b>(200)</b>	(8)	<b>(500)</b>	(8)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>4,760</b>	5,613	<b>10,579</b>	11,090
<b>Earnings per share</b>					
– basic	7	<b>HK3.0 cents</b>	HK4.1 cents	<b>HK7.1 cents</b>	HK8.0 cents
– diluted	7	<b>HK2.8 cents</b>	HK3.9 cents	<b>HK6.8 cents</b>	HK7.7 cents

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 September 2007 HK\$'000	As at 31 March 2007 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		1,040	147
Investment in an associate		25,434	12,681
		<u>26,474</u>	<u>12,828</u>
<b>Current assets</b>			
Trade and bills receivables	9	34,744	47,534
Prepayments, deposits and other receivables		4,046	4,113
Pledged bank deposits	10	4,199	3,212
Bank and cash balances		25,787	18,613
		<u>68,776</u>	<u>73,472</u>
<b>TOTAL ASSETS</b>		<u><u>95,250</u></u>	<u><u>86,300</u></u>
<b>Capital and reserves</b>			
Share capital	11	16,682	13,902
Reserves		39,879	9,227
		<u>56,561</u>	<u>23,129</u>
<b>Equity attributable to equity holders of the Company</b>			
<b>Non-current liabilities</b>			
Bank loan		873	–
Finance lease obligation		231	–
		<u>1,104</u>	<u>–</u>
<b>Current liabilities</b>			
Trade and bills payables	12	17,271	41,632
Accrued liabilities and other payables		6,084	7,578
Due to a related company		90	90
Trade deposits received		204	2,000
Current tax liabilities		2,060	1,560
Short term interest-bearing borrowings	13	1,594	10,311
Bank loan		10,123	–
Finance lease obligation		159	–
		<u>37,585</u>	<u>63,171</u>
<b>TOTAL LIABILITIES</b>		<u><u>38,689</u></u>	<u><u>63,171</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>95,250</u></u>	<u><u>86,300</u></u>
<b>Net current assets</b>		<u><u>31,191</u></u>	<u><u>10,301</u></u>
<b>Total assets less current liabilities</b>		<u><u>57,665</u></u>	<u><u>23,129</u></u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in the shareholders' equity of the Group for the Relevant Period are as follows:

	Attributable to equity holders of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Accumulated profits/ (losses) HK\$'000	
At 1 April 2006,	14,496	6,468	14,878	365	(30,084)	6,123
Profit for the period	-	-	-	-	11,090	11,090
Repurchase of shares	(594)	(2,560)	-	-	-	(3,154)
Recognition of share - based payments	-	-	-	57	-	57
At 30 September 2006	<u>13,902</u>	<u>3,908</u>	<u>14,878</u>	<u>422</u>	<u>(18,994)</u>	<u>14,116</u>
At 1 April 2007	13,902	3,908	14,878	1,179	(10,738)	23,129
Profit for the period	-	-	-	-	10,579	10,579
Issue of shares on placement	2,780	20,572	-	-	-	23,352
Share issue expenses	-	(734)	-	-	-	(734)
Recognition of share - based payments	-	-	-	235	-	235
At 30 September 2007	<u>16,682</u>	<u>23,746</u>	<u>14,878</u>	<u>1,414</u>	<u>(159)</u>	<u>56,561</u>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Net cash (used in)/generated from operating activities	<b>(3,392)</b>	5,676
Net cash (used in)/generated from investing activities	<b>(14,720)</b>	976
Net cash generated from/(used in) financing activities	<b>25,287</b>	(10,542)
Net increase/(decrease) in cash and cash equivalents	<b>7,175</b>	(3,890)
Cash and cash equivalents at beginning of the period	<b>18,612</b>	16,215
Cash and cash equivalents at end of the period	<b>25,787</b>	12,325

Notes:

## 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").

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

## 2. Basis of preparation

The unaudited consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of the Hong Kong Limited.

The accounting policies used in preparing the unaudited consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2007.

## 3. Turnover

The Group's turnover represents the total invoiced value of cement clinker and other building materials sold during the periods.

## 4. Other income

	For the six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Commission received	513	760
Despatch income	2,511	1,400
Interest income	433	132
Others	222	150
	<u>3,679</u>	<u>2,442</u>



## 5. Segment information

The Group is engaged in the trading of cement clinker and other building materials. No analysis of segment revenue and result is presented as the Group's sole business is the trading of cement clinker and other buildings materials during the periods.

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.

### Six months ended 30 September 2007

	Cement Clinkers and other building materials business				Unallocated HK\$'000	Total HK\$'000
	Europe HK\$'000	Asia except PRC HK\$'000	Others HK\$'000	Total HK\$'000		
<b>REVENUE</b>	<u>75,463</u>	<u>218,529</u>	<u>24,846</u>	<u>318,838</u>	<u>-</u>	<u>318,838</u>
<b>ASSETS</b>						
Segment assets	-	93,458	-	93,458	-	93,458
Unallocated assets	-	-	-	-	1,792	1,792
Consolidated total assets	<u>-</u>	<u>93,458</u>	<u>-</u>	<u>93,458</u>	<u>1,792</u>	<u>95,250</u>
<b>OTHER INFORMATION</b>						
Capital expenditure	-	980	-	980	-	980
Depreciation	-	23	-	23	65	88
Other non-cash expenses	-	-	-	-	235	235

### Six months ended 30 September 2006

	Cement Clinkers and other building materials business				Unallocated HK\$'000	Total HK\$'000
	Europe HK\$'000	Asia except PRC HK\$'000	Others HK\$'000	Total HK\$'000		
<b>REVENUE</b>	<u>62,576</u>	<u>118,108</u>	<u>46,135</u>	<u>226,819</u>	<u>-</u>	<u>226,819</u>
<b>ASSETS</b>						
Segment assets	-	22,736	-	22,736	-	22,736
Unallocated assets	-	-	-	-	272	272
Consolidated total assets	<u>-</u>	<u>22,736</u>	<u>-</u>	<u>22,736</u>	<u>272</u>	<u>23,008</u>
<b>OTHER INFORMATION</b>						
Capital expenditure	-	4	-	4	-	4
Depreciation	-	1	-	1	2	3
Other non-cash expenses	-	-	-	-	57	57

## 6. Income tax expenses

	For the six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Current – Hong Kong	500	8
Current – Elsewhere	–	–
	<hr/>	<hr/>
	500	8
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at 17.5% on the estimated assessable profit for the six months ended 30 September 2007 and 30 September 2006. Taxation charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 7. Earnings per share

### *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 three months and six months ended 30 September 2007 attributable to equity holders of the Company of approximately HK\$4,760,000 and HK\$10,579,000 respectively (three months and six months ended 30 September 2006: approximately HK\$5,613,000 and HK\$11,090,000 respectively) and the weighted average number of ordinary shares of 159,867,106 and 149,499,073 respectively (three months and six months ended 30 September 2006: 139,017,106 and 139,207,139 respectively) in issue during the three months and six months ended 30 September 2007.

### *Diluted earnings per share*

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profits attributable to equity holders of the Company for the three months and six months ended 30 September 2007 of approximately HK\$4,760,000 and HK\$10,579,000 respectively (three months and six months ended 30 September 2006: HK\$5,613,000 and HK\$11,090,000 respectively) and the weighted average number of ordinary shares for the three months and six months ended 30 September 2007 of 167,822,511 and 156,536,564 (three months and six months ended 30 September 2006: approximately 143,974,113 and 144,300,717 respectively), being the weighted average number of ordinary shares of 159,867,106 and 149,499,073 in issue during the three months and six months ended 30 September 2007 (three months and six months ended 30 September 2006: 139,017,106 and 139,207,139 respectively) used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 7,955,405 and 7,037,491 respectively (three months and six months ended 30 September 2006: 4,957,007 and 5,093,578 respectively) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

## 8. Dividend

No interim dividend has been declared by the Board for the six months ended 30 September 2007 (six months ended 30 September 2006: Nil).

## 9. 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:

	<b>As at 30 September 2007 HK\$'000</b>	As at 31 March 2007 HK\$'000
0 to 90 days	34,744	47,511
91 to 180 days	-	-
181 to 365 days	-	-
Over 365 days	-	23
	<u>34,744</u>	<u>47,534</u>

## 10. 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 14 to the financial statements.

## 11. Share capital

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.1 (31 March 2007: HK\$0.1) each		
At 31 March 2007 and 30 September 2007	<u>1,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.1 (31 March 2007: HK\$0.1) each		
At 1 April 2007	139,017,106	13,902
Issue of shares on placement	<u>27,800,000</u>	<u>2,780</u>
At 30 September 2007	<u>166,817,106</u>	<u>16,682</u>

On 10 July 2007, the Company and Oriental Patron Asia Limited entered into a placing agreement in respect of the placement of 27,800,000 ordinary shares of HK\$0.1 each to independent investors at a price of HK\$0.84 per share. The placement was completed on 24 July 2007 and the premium on the issue of shares, amounting to approximately HK\$19,838,000, net of share issue expenses, was credited to the Company's share premium account.

## 12. Trade and bills payables

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

	<b>As at 30 September 2007 HK\$'000</b>	As at 31 March 2007 HK\$'000
0 to 90 days	17,271	41,620
91 to 180 days	-	-
181 to 365 days	-	12
	<u>17,271</u>	<u>41,632</u>

## 13. Short term interest-bearing borrowings

	<b>As at 30 September 2007 HK\$'000</b>	As at 31 March 2007 HK\$'000
Bank overdrafts	-	1
Secured trust receipt loans repayable within one year	1,594	10,310
	<u>1,594</u>	<u>10,311</u>

As at 30 September 2007, the trust receipt loans are denominated in US dollars and bear interest at floating rates ranging from 6.9% to 7.7% (31 March 2007: 7.1% to 7.8%), which exposed the Group to cash flow interest rate risk.

#### **14. Banking facilities**

As at 30 September 2007, the Group's banking facilities were secured by:

- (a) charge over certain bank deposits (note 10) of the Group;
- (b) corporate guarantee of the Company;
- (c) corporate guarantee of a subsidiary; and
- (d) personal guarantee of a Director of the Company.

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

- (a) the charge over certain bank deposits (note 10) 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.

#### **15. Contingent liabilities**

As at 30 September 2007, the Group did not have any significant contingent liabilities (31 March 2007: Nil).

#### **16. Comparative amounts**

Certain comparative amounts have been reclassified to conform to current period's presentation.

## **FINANCIAL PERFORMANCE**

During the Relevant Period, the turnover and gross profit amounted to approximately HK\$318.8 million and approximately HK\$21.3 million respectively, representing an increase of approximately 40.6% and slight decrease of approximately 7.1% over the corresponding period last year. The decrease in gross profit was mainly due to the recent abolishment of export tax rebate on cement and cement clinker products and the increase in global sea-freight cost which resulted in a higher cost of sales during the period.

Selling and distribution costs for the Relevant Period represented commission payable to sales agents and the expenses incurred by the marketing team to secure cement clinker contracts from customers and exploring business opportunities with potential customers. The decrease in relevant costs was mainly due to the reduction of sales commission to the sales agents as part of our efforts to contain higher cost of sales during the period.

Administrative expenses mainly included rental expenses, remunerations of Directors, salaries of administrative personnel as well as legal and professional fees payable to external auditors and legal consultants. The increase in office rental expenses and the number of executives and administrative staff resulted in the increase in the relevant cost during the Relevant Period.

Finance costs for the Relevant Period represented the interest expenses incurred from the financing offered by principal bankers for the purchase of cement clinker and investment in an associate company.

Profit for the Relevant Period was approximately HK\$10.6 million, representing a slight decrease of approximately 4.6% as compared with the corresponding period last year.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 September 2007, the Group's total assets amounted to HK\$95,250,000 of which pledged bank deposits were HK\$4,199,000 and bank and cash balances were HK\$25,787,000.

As at 30 September 2007, the Group's total liabilities were HK\$38,689,000, comprising a bank loan of HK\$10,996,000 and trade and bills payables of HK\$17,271,000. The bank loan was raised for financing the working capital of the Group. The Group's gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 13.6% as at 30 September 2007 (31 March 2007: 11.9%).

The net asset value of the Group as at 30 September 2007 was HK\$0.34 per share.

## **FUTURE GROWTH STRATEGIES**

During the Relevant Period, the Group continued 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 has successfully negotiated with our clients to share part of the burden in order to mitigate the full impact 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.

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.

## **PURCHASE, REDEMPTION OR SALES OF LISTED SHARES OF THE COMPANY**

The Company had not redeemed any of its shares during the six months ended 30 September 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the shares of the Company during the six months ended 30 September 2007.

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

At 30 September 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) 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 they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Mr. Wong Ben Koon ("Mr. Wong")	53,385,106	31,917,600 (Note 1)	85,302,706	51.13%
Madam Hon Ching Fong ("Madam Hon")	–	31,917,600 (Note 1)	31,917,600	19.13%
Mr. Ng Hon Fai ("Mr. Ng") (Note 2)	–	31,917,600 (Note 1 & 2)	31,917,600	19.13%

Notes:

- 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.
- Mr. Ng resigned as executive Director of the Company with effect from 16th August 2006.



**(b) Long positions in share options**

Number of share options held by the Directors and chief executive officer of the Company as at 30 September 2007:

<b>Name</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Mr. Wong	6,000,000	6,000,000
Dr. Jiang, Brent Zhiwei	3,000,000	3,000,000
Mr. Kong Siu Keung	2,400,000	2,400,000
	<u>11,400,000</u>	<u>11,400,000</u>

The details of share options held by the Directors and chief executive officer are disclosed in the section headed “Details of share options granted by the Company” below.

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 30 September 2007, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

**DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as the options holdings disclosed above, at no time during the Relevant Period 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.

## DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, Directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Scheme became effective on 25 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

At 30 September 2007, the number of shares in respect of which options had been granted under the scheme was 16,800,000 (30 September 2006: 13,800,000).

Details of the share options granted and outstanding during the Relevant Period are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2007	Granted during the period	Number of options outstanding as at 30 September 2007	Date of grant of share options	Options period	Exercise price of share options HK\$	Price of share at date of grant of options HK\$
<b>Directors</b>							
Mr. Wong Ben Koon	6,000,000	-	6,000,000	14 August 2006	15 August 2006 to 27 June 2016	0.78	0.78
Mr. Kong Siu Keung	2,400,000	-	2,400,000	30 July 2004	9 August 2004 to 27 June 2014	0.23	0.23
<b>Chief executive officer</b>							
Dr. Jiang, Brent Zhiwei	-	3,000,000	3,000,000	20 August 2007	31 August 2007 to 21 June 2017	0.93	0.93
<b>Other employees</b>							
2005 options	3,000,000	-	3,000,000	28 July 2005	8 August 2005 to 27 June 2015	0.34	0.34
2004 options	2,400,000	-	2,400,000	30 July 2004	9 August 2004 to 27 June 2014	0.23	0.23
	<u>13,800,000</u>	<u>3,000,000</u>	<u>16,800,000</u>				

During the Relevant Period, 3,000,000 share options were granted to the chief executive officer of the Company.

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

## **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 announcement, the Relevant Companies effectively hold approximately 40.9% interest in Yingde Dragon Mountain Cement Company Limited (the "Dragon Mountain Cement"), a wholly-owned foreign enterprise established in the PRC, approximately 10.2% interest in Prosperity Conch Cement Company Limited (the "Prosperity Conch"), a sino-foreign equity joint venture established in the PRC, and approximately 13.5% interest in Anhui Chaodong Cement Company Limited (the "Anhui Chaodong"), a company listed in the PRC. Mr. Wong is a director of Dragon Mountain Cement, Prosperity Conch and Anhui Chaodong (collectively, the "Cement Companies"). The Cement Companies are 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 announcement, all the products of the Cement Companies 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 the Cement Companies, the Board considers that there is no direct or indirect competition between the Group and the Cement Companies during the Relevant Period.

During the period between 1 April 2007 and the date of this announcement, the Group did not have any transactions with the Cement Companies.

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

So far as is known to any Director or chief executive of the Company, as at 30 September 2007, shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

## Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Ben Koon	(a) & (b)	Directly beneficially owned Interest of controlled corporation	53,385,106 31,917,600	
			85,302,706	51.13%
Well Success	(a)	Directly beneficially owned	31,917,600	19.13%
Advance Success	(b)	Through Well Success	31,917,600	19.13%
Mdm. Hon Ching Fong	(a) & (b)	Interest of controlled corporation	31,917,600	19.13%
Ms. Shing Shing Wai	(c)	Interest of substantial shareholder's spouse	85,302,706	51.13%
Harmony Asset Ltd.		Directly beneficially owned	23,300,000	13.97%

### 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) Advance Success is equally owned by Mr. Wong and Madam Hon. Mr. Wong is the sole director of Advance Success.
- (c) Ms. Shing Shing Wai is the spouse of Mr. Wong.

Save as disclosed above, as at 30 September 2007, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **AUDIT COMMITTEE**

The audit committee of the Company 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.

During the Relevant Period, the audit committee held two meetings. The audit committee has reviewed the Group's unaudited interim report for the six months ended 30 September 2007.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, during the Relevant Period, the Company complied with the code on corporate governance practices (the "CG Code") as set out in the Appendix 15 to the GEM Listing Rules except the following:

### **(i) 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 until 11 June 2007 when Dr. Jiang, Brent Zhiwei ("Dr. Jiang") was appointed as the CEO of the Company. The functions of a CEO before the appointment of Dr. Jiang 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 is responsible for the overall management of the Group, including strategic planning, business development and operations. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

### **(ii) 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. Kong Siu Keung, being executive Director of the Company, attended the annual general meeting on 17 August 2007 and was delegated to make himself available to answer questions if raised at the meeting. Mr. Yuen Kim Hung, Michael, a member of audit committee, was delegated to attend the same annual general meeting to answer questions if raised at the meeting. The absence of the chairman of the Company in general meetings and the absence of the chairman of audit committee in the annual general meeting constituted a deviation from the CG Code.

## **Appreciation**

On behalf of the Company, I would like to express my sincere gratitude to our shareholders and business partners for their confidence and loyal support to 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. As we enter into the second half of the financial year 2008, we look forward to achieving continued growth for the Group.

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

Hong Kong, 12 November 2007

The Directors of the Company as at the date of this announcement 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

*This announcement will remain on the Company's website at <http://www.equitynet.com.hk/8139> and on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for seven days from the day of its posting.*