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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)

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF NEW SHARES

AND

SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE

AND

RESUMPTION OF TRADING

Financial adviser to Prosperity International Holdings (H.K.) Limited



SOMERLEY LIMITED

THE ACQUISITION

On 19 November 2007, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with independent third parties, pursuant to which the Purchaser has conditionally agreed to acquire 60% of the entire issued share capital of the Target. The total consideration for the Sale Shares is RMB62.0 million (equivalent to approximately HK\$65.1 million), which shall be satisfied as to RMB44.5 million (equivalent to approximately HK\$46.73 million) in cash and as to RMB17.5 million (equivalent to approximately HK\$18.4 million) by the issue of 18,375,000 Consideration Shares (and such shares of such other nominal amount as shall derive or result from a sub-division, consolidation, re-classification or re-construction of the Shares). The Consideration Shares are representing (i) approximately 9.18% of the existing issued share capital of the Company of 200,117,106 Shares as at the date of this announcement; and (ii) approximately 8.41% of the issued share capital of the Company of 218,492,106 Shares as enlarged by the issue of Consideration Shares.

The Target is an investment holding company whose sole asset is the holding of entire equity interest in Guilin Star Brite. Guilin Star Brite is a wholly foreign-owned enterprise established in the PRC and holds the mining permit (採礦許可證) of the Xiang Lu Shan Granite Mining Site.

The entering into of the Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is not subject to the approval of the Shareholders. However, the issue of the Consideration Shares is subject to the approval of the Shareholders at the SGM. As no Shareholders have an interest in the Agreement which is materially different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the issue of the Consideration Shares.

SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE

The Board proposes that each of the existing issued and unissued Shares of HK\$0.10 each in the share capital of the Company be subdivided into ten Subdivided Shares of HK\$0.01 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out below.

The Shares are currently traded in board lots of 8,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 20,000 Subdivided Shares.

A circular containing, amongst other things, further details of the Acquisition, financial information of the Target Group, the technical assessment report of the Xiang Lu Shan Granite Mining Site, details of the Share Subdivision and the notice to convene SGM will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares was suspended with effect from 9:30 a.m. on 20 November 2007 at the request of the Company pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 26 November 2007.

On 19 November 2007, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement to acquire from the Vendor, a third party independent of the Company and its connected persons, the Sale Shares, which represent 60% of the entire issued share capital of the Target. Details of the Acquisition are set out below.

THE AGREEMENT

- Date** : 19 November 2007
- Purchaser** : Sharp Advance International Limited, an indirect wholly-owned subsidiary of the Company
- Vendor** : WM Aalbrightt Investment Holdings Limited, a company wholly-owned by the Vendor Guarantor
- Vendor Guarantor** : Mr. Yu Min, the beneficial owner of the entire issued share capital of the Vendor, warrants the performance of obligations of the Vendor under the Agreement

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and the Vendor Guarantor are third parties independent of the Company and its connected persons. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor is an investment holding company set up for the purpose of holding the interest of the Target.

Assets to be acquired

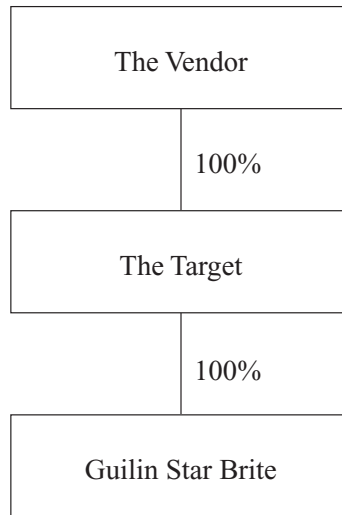
The Purchaser has conditionally agreed to acquire from the Vendor the Sale Shares, which represent 60% of the entire issued share capital of the Target.

The Target has not carried out any substantive business since its establishment save for acquiring the entire interest of Guilin Star Brite from Star Brite (USA) Inc., a company wholly and beneficially owned by the Vendor Guarantor.

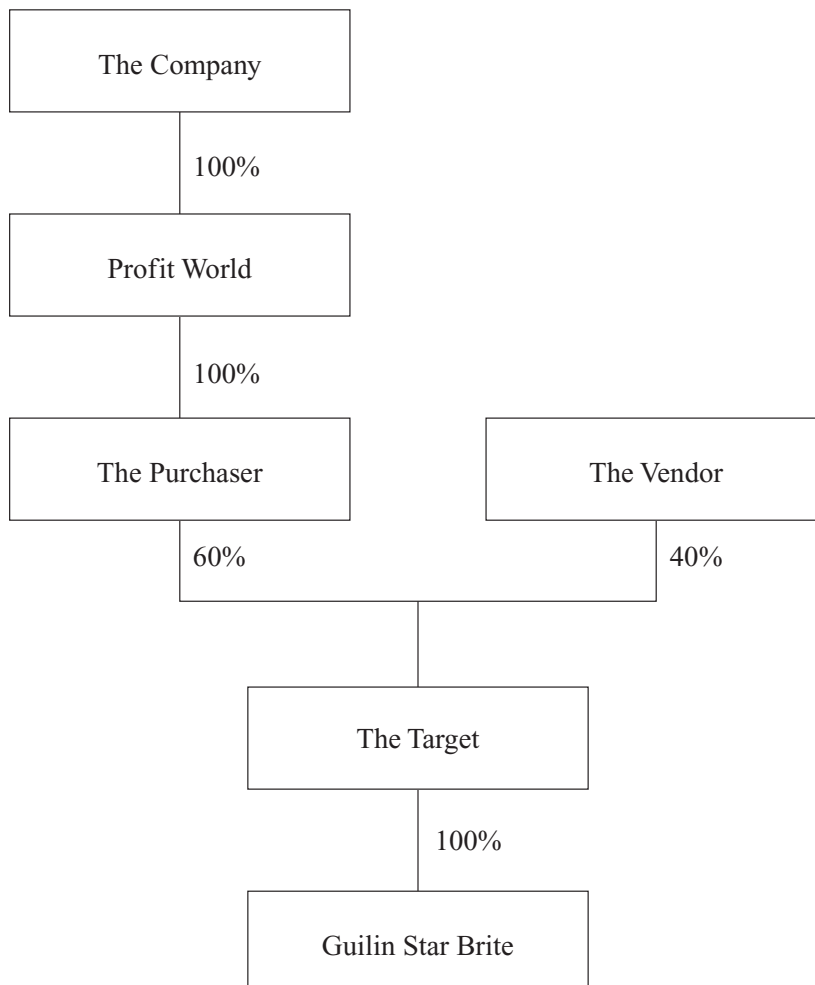
Further information on the Target Group is set out in the paragraph headed "Information on the Target Group and the Xiang Lu Shan Granite Mining Site" below.

Set out below is the ownership structure of the Target Group as at the date of the Agreement and immediately after Completion:

As at the date of the Agreement



Immediately after Completion



Consideration

The total consideration for the Sale Shares is RMB62.0 million (equivalent to approximately HK\$65.1 million), which shall be satisfied as to RMB44.5 million (equivalent to approximately HK\$46.7 million) in cash and as to RMB17.5 million (equivalent to approximately HK\$18.4 million) by the issue of 18,375,000 Consideration Shares. The Consideration Shares are representing (i) approximately 9.18% of the existing issued share capital of the Company of 200,117,106 Shares as at the date of this announcement; and (ii) approximately 8.41% of the issued share capital of the Company of 218,492,106 Shares as enlarged by the issue of Consideration Shares.

The cash consideration shall be payable in the following manner:

- (i) a deposit of RMB15.0 million or its HK\$ equivalent (equivalent to approximately HK\$15.75 million) as fully refundable deposit upon the signing of the Agreement; and
- (ii) the balance of RMB29.5 million or its HK\$ equivalent (equivalent to approximately HK\$30.975 million) shall be paid within 14 Business Days from the date of the Purchaser's acknowledgement receipt of the renewed mining permit of the Xiang Lu Shan Granite Mining Site, expected to be issued in 2008 (to be further discussed in the section headed "Undertaking for renewal of the mining right" below).

The cash consideration will be financed by the net proceeds of the placing as set out in the announcement of the Company dated 11 July 2007 and internal resources of the Group.

The 18,375,000 Consideration Shares shall be allotted and issued to the Vendor within 14 Business Days from the date of the Purchaser's acknowledgement receipt of the renewed mining permit of the Xiang Lu Shan Granite Mining Site.

The issue of 18,375,000 Consideration Shares for settling RMB17.5 million (equivalent to approximately HK\$18.4 million) represents an issue price of approximately HK\$1.0 per Consideration Share. The issue price of approximately HK\$1.0 per Share represents:

- (a) a discount of approximately 49.0% to the closing price of HK\$1.96 per Share as quoted on the Stock Exchange as at the last trading day immediately prior to the date of the Agreement (the "Last Trading Day");
- (b) a discount of approximately 20.9% to the average closing price of approximately HK\$1.264 per Share based on the daily closing prices as quoted on the Stock Exchange over the 120 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 9.4% to the average closing price of approximately HK\$1.104 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Day;

- (d) a premium of approximately 194.1% over the unaudited consolidated net assets per Share attributable to equity holders of the Company of approximately HK\$0.34 based on the unaudited consolidated net assets attributable to equity holders of the Company of approximately HK\$56.6 million and the total issued Shares of 166,817,106 Shares as at 30 September 2007;
- (e) a premium of approximately 138.1% over the unaudited consolidated net assets per Share attributable to equity holders of the Company of approximately HK\$0.42 based on the unaudited consolidated net assets attributable to equity holders of the Company of approximately HK\$56.6 million as at 30 September 2007 and net proceeds of HK\$28.37 million from the Placing (defined below) and the total issued Shares of 200,117,106 Shares; and
- (f) a price earning ratio of approximately 7.5 on the fully diluted earnings per Share of approximately HK\$0.134 based on the audited net profit attributable to equity holders of the Company for the year ended 31 March 2007.

The issue price of approximately HK\$1.0 per Share was agreed based on arm's length negotiations between the Company and the Vendor with reference to the average closing price of the Shares for the 180 trading days of approximately HK\$1.104 per Share. The Company entered into a placing agreement with the placing agent on 10 October 2007 to place 33.3 million Shares at the issue price of HK\$0.90 per Share (the "Placing"). Following the release of the announcement relating to the Placing, the closing price of the Shares surged from HK\$1.1 on 10 October 2007 (the last trading day immediately before the Placing) to HK\$1.94 on 12 October 2007 (the first trading day immediately after the announcement of the Placing). The closing prices of the Shares are maintaining at a high level following the release of the Placing announcement. In the circumstances, the Board considers that it is more appropriate to determine the issue price by reference to the Share price performance over a longer period. In determining the issue price, the Directors have also referenced to the fundamentals of the Company. The issue price for the Consideration Shares is at a high price to book ratio and a reasonable price earning ratio (as illustrated above). On the above basis, the Directors are of the view that the issue price of approximately HK\$1.0 per Share is fair and reasonable.

The Consideration Shares have an aggregate market value of approximately HK\$36,015,000, based on the closing price on the Last Trading Day.

The Consideration Shares, when issued, shall rank pari passu in all respects with all the existing Shares in issue including the right to any dividends or distributions. Application will be made to the Stock Exchange for the listing of and, permission to deal, in the Consideration Shares.

The Vendor and the Vendor Guarantor undertake to the Purchaser and the Company that the Vendor will not in the period commencing on the date of issue of the Consideration Shares and ending on the date which is six months from the issue date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Consideration Shares.

The Consideration was determined after arm's length negotiations between the Company and the Vendor by reference to, among other things, (a) the total estimated mineral resources of the Xiang Lu

Shan Granite Mining Site of approximately 4,000,000 m³ which includes crude dimension stone of approximately 800,000 m³; (b) the estimated annual production volume of feldspar powder and crude dimension stone from Xiang Lu Shan Granite Mining Site of 80,000 tonnes (equivalent to approximately 31,000 m³) and 7,000 m³ respectively; and (c) the market price information of the products available to the Company, to the knowledge of the Directors, the market price of imported crude dimension stone of similar quality range from approximately RMB7,000 per m³ to approximately RMB24,000 per m³ and the market price of domestic feldspar powder of similar quality range from approximately RMB580 per tonne to approximately RMB770 per tonne.

Conditions precedent

Completion is subject to the following conditions precedent being fulfilled or waived by the Purchaser:

- (a) the Purchaser having completed its due diligence on the Target Group (including without limitation, review of business, legal, financial, commercial and taxation aspects), the results of which are, in the absolute opinion of the Purchaser, satisfactory and acceptable to the Purchaser in all respects;
- (b) all representations, warranties and undertakings on the part of the Vendor and the Vendor Guarantor given under the Agreement remaining true and accurate;
- (c) the Shareholders having passed an ordinary resolution at the SGM approving the transactions contemplated under the Agreement;
- (d) all necessary approvals (whether governmental, regulatory, under the GEM Listing Rules or otherwise) as may be required in respect of the Agreement and the transactions contemplated thereunder, having been obtained by the Vendor, the Vendor Guarantor, the Target, the Purchaser and the Company; and
- (e) the Purchaser receiving the following documents in form and content satisfactory to the Purchaser:
 - (i) certified copies of all necessary approval, agreements and other documents entered into by relevant parties for the acquisition of Guilin Star Brite by the Target as set out in the paragraph headed "Assets to be acquired" above from the Vendor and/or the Vendor Guarantor;
 - (ii) signed original legal opinion dated the Completion Date from the PRC legal adviser of the Purchaser as to Guilin Star Brite and the Target Group's operation in the PRC and the properties owned, occupied or leased by the Target Group in the PRC, such opinions to be in the form previously accepted by the Purchaser.

In the event that the conditions precedent are not fulfilled on or before 31 March 2008 (or such other date as all the parties to the Agreement may agree in writing), the rights and obligations of the parties under the Agreement shall lapse and the Agreement shall be of no further effect and the parties thereto shall be released from such obligations without any liability save for any antecedent breach or any accrued right or remedies, which shall not be prejudiced or affected.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions except conditions (c), (d) and (e).

Completion shall take place on the 10th Business Day after the fulfilment (or waiver) of the conditions or such other date as may be agreed by the Purchaser and the Vendor in writing.

If Completion fails to take place or can reasonably be expected not to take place on or before 31 March 2008, the rights and obligations of the parties under the Agreement shall lapse and the Agreement shall be of no further effect and the parties thereto shall be released from such obligations without any liability save for antecedent breach.

Shareholders' Loans

Pursuant to the terms of the Agreement, the Vendor and the Purchaser shall, within 3 months after the Completion Date, collectively provide RMB20.0 million (equivalent to approximately HK\$21.0 million) to the Target (as to RMB8.0 million (equivalent to approximately HK\$8.4 million) by the Vendor and RMB12.0 million (equivalent to approximately HK\$12.6 million) by the Purchaser) in accordance with their respective percentage shareholdings in the Target in the form of shareholders' loans.

The shareholders' loans shall be unsecured, interest free and have no fixed term of repayment. It shall be applied as to (i) RMB16.4 million (equivalent to approximately HK\$17.2 million) for payment of registered capital of Guilin Star Brite and the balance of RMB3.6 million (equivalent to approximately HK\$3.8 million) as shareholders' loan to Guilin Star Brite to finance its capital expenditures and as general working capital.

Undertaking for renewal of the mining right

Guilin Star Brite holds the mining permit (採礦許可證) of the Xiang Lu Shan Granite Mining Site, which will expire in September 2008 (the "Expiry Date"). The Vendor undertakes to the Purchaser to procure Guilin Star Brite to renew the mining permit upon expiry. If the mining permit cannot be renewed, the Vendor shall repurchase or procure the repurchase of all (but not part) of the Sale Shares under the Agreement (and such shares of such other nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the Sale Shares under the Agreement) (the "Repurchase Shares") and all of the shareholders' loans advanced by the Purchaser to the Target (including the RMB12 million shareholders' loan mentioned in the paragraph headed "Shareholders' Loans" above) within twenty Business Days of the Expiry Date.

The repurchase price payable by the Vendor to the Purchaser shall be the deposit of RMB15.0 million (equivalent to approximately HK\$15.75 million) and the shareholder's loan advanced by the Purchaser to the Target from time to time (including the RMB12 million shareholders' loan mentioned in the paragraph headed "Shareholders' Loans" above), plus a premium calculated at a rate of 3-month HIBOR on the date of repurchase by the Vendor or its nominee(s) plus 3% per annum for the period from Completion Date until the date of instrument of transfer and contract notes for the transfer of the Repurchase Shares.

INFORMATION ON THE TARGET GROUP AND THE XIANG LU SHAN GRANITE MINING SITE

The Target is an investment holding company incorporated in Hong Kong and whose entire issued share capital was beneficially owned by the Vendor as at the date of the Agreement. The Target has not carried out any substantive business since its establishment save for acquiring the entire interest of Guilin Star Brite from Star Brite (USA) Inc., a company wholly and beneficially owned by the Vendor Guarantor.

Guilin Star Brite, a wholly foreign-owned enterprise incorporated in the PRC, holds the mining right of the Xiang Lu Shan Granite Mining Site and is principally engaged in exploration, exploitation and processing of granite and selling of granite products.

The mining permit of the Xiang Lu Shan Granite Mining Site is valid for a period of ten years and will expire in September 2008. The Company has sought preliminary consultation with the PRC lawyer in relation to the renewal of the mining permit. The PRC lawyer considers that there is no material legal obstacle for Guilin Star Brite to renew the mining permit.

The Target was incorporated in June 2007 and therefore, there were no audited financial statements prepared for the Target.

Based on the unaudited management accounts of the Target prepared in accordance with the generally accepted accounting principles in Hong Kong, the loss before taxation for the period from date of incorporation to 31 July 2007 was approximately HK\$8,118. As at 31 July 2007, the unaudited net assets of the Target was approximately HK\$153,820 and the amount due to Vendor Guarantor amounted to approximately HK\$2,818,118.

Based on the unaudited management accounts of Guilin Star Brite prepared in accordance with the generally accepted accounting principles in Hong Kong, the losses before taxation for the two years ended 31 December 2006 were approximately RMB88,204 (equivalent to approximately HK\$84,684, based on historical exchange rate of RMB1.00 to HK\$0.9601) and RMB660,692 (equivalent to approximately HK\$656,463, based on historical exchange rate of RMB1.00 to HK\$0.9936) respectively. Guilin Star Brite incurred no income tax liabilities and had not recorded any extraordinary items for the two years ended 31 December 2006. As at 31 December 2006 and 31 July 2007, the unaudited net deficit and assets of Guilin Star Brite were approximately RMB385,969 (equivalent to approximately HK\$383,883, based on historical exchange rate of RMB1.00 to HK\$0.9946) and RMB2,289,495 (equivalent to approximately HK\$2,365,508, based on historical exchange rate of RMB1.00 to HK\$1.0332) respectively.

The Xiang Lu Shan Granite Mining Site is located at Xiang Lu Shan, Longshui Town, Quanzhou County, Guangxi Province (廣西省全州縣龍水鎮香爐山). As set out in the mining permit, the Xiang Lu Shan Granite Mining Site has a site area of approximately 2.0 km² with allowable annual production size of approximately 40,000 m³. According to the reserve report of Xiang Lu Shan Granite Mining Site dated 15 November 2000 prepared by 中國建築材料工業地質勘查中心廣西總隊 (China Construction Materials and Geological Prospecting Centre, Guangxi General Team) and approved by 廣西壯族自治區礦產資源委員會辦公室 (Guangxi Zhuang Tribe Autonomous Region Mineral Resources Commission

and Office Association), the total estimated mineral resources is approximately 4,000,000 m³, such estimation was based on current exploration area of granite site of approximately 1.0 km². Some of the near surface Stone Resources are currently being exploited on a small scale using primitive hand operated air drills for drilling and blasting and hydraulic excavators. Stone is transported from the mountain in 10 tonne trucks down a dirt track where it is sent for processing by third parties. Total extraction is insignificant and the output includes some dimension stone as well as aggregate and road base for local consumption.

The Group has engaged an independent technical adviser, Minarco-MineConsult, to prepare a technical assessment report for the Stone Resources at the Xiang Lu Shan Granite Mining Site which shall be included in the circular to be despatched to the Shareholders as regards the Acquisition.

REASONS FOR AND EFFECT OF THE ACQUISITION

The Group is principally engaged in the trading of cement clinker and other building materials. The Group is also engaged in the operation of public port and other related facilities business, as well as the provision of warehousing services mainly for building material companies through a 25%-owned joint venture company. As set out in the annual report for the year ended 31 March 2007, the Group will continue to explore investment or merger and acquisition opportunities so as to further widen the scope of its business to include other building material and related ancillary business.

The Directors are of the view that the economy of the PRC will continue to grow. As a result of the continued urbanisation and economic development of the PRC, the Directors consider that the PRC property market will continue to grow and the local demand for and consumption of granite-derived construction and building materials will remain strong in the near future. The Acquisition will enable the Group to tap into the growing market and widen the Group's building material business. Mr. Wong Ben Koon, the Chairman of the Group, has extensive experience in construction material industry in the PRC and overseas market. Dr. Jiang, Brent Zhiwei, the Chief Executive Officer of the Company, has extensive experience in managing and operating minerals and energy enterprises. Dr. Jiang is experienced in the natural resources market of the PRC. Upon Completion, the Group will recruit a team of engineers with the relevant experience and professional background in the PRC mining industry to manage and operate the Xiang Lu Shan Granite Mining Site and the existing management of Guilin Star Brite will be retained for assisting in managing the mine. The Stone Resources are currently being exploited at a small scale. The Company intends that after Completion and with the new funding of RMB 20 million to be made available to Guilin Star Brite in the form of shareholders' loans, Guilin Star Brite would build a processing plant and improve the road system nearby so as to bring the production of the mine to a more economical scale. Currently the quarry is producing some dimension stone and aggregate and road base for local consumption. Following Completion, the Company intends to develop the quarry for value added products for the ceramic and glass industries as well as dimension stone and crushed products for local consumption. According to the management's assessment, the Stone Resources are of a quality that is capable of being extracted into high quality dimension stone and feldspar powder. Dimension stone is widely used in construction and building material industries and feldspar powder is widely used in glass, ceramic and construction material industries. Furthermore, the estimated resources of 4,000,000 m³ is based on a site of area of approximately 1.0 km². The mining permit covers a total area of 2.0371 km² and there exists potential to increase estimates of Stone Resources by further exploration both within the existing

lease area as well as to the south, north and west. This will have the potential of allowing for a larger scale quarry to be developed which will benefit from economies of scale.

After Completion, the Target will become a 60%-owned subsidiary of the Group and the results of the Target Group will be consolidated into the accounts of the Group. Accordingly, the Acquisition strengthens the revenue base of the Group.

In view of the above, the Directors consider that the terms of the Agreement, which have been agreed after arm's length negotiations between the Company and the Vendor, are on normal commercial terms, fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at the date of this announcement and immediately after the issue of the Consideration Shares:

	As at the date of this announcement		Immediately after the issue of the Consideration Shares but before the Share Subdivision	
	No. of Shares	%	No. of Shares	%
Shareholders				
Well Success Group Limited (<i>notes 1 & 2</i>)	31,917,600	15.95	31,917,600	14.61
Mr. Wong Ben Koon	53,385,106	26.68	53,385,106	24.43
Harmony Asset Limited	23,300,000	11.64	23,300,000	10.66
Mr. Li Yiu Keung	28,860,000	14.42	28,860,000	13.21
The Vendor	–	–	18,375,000	8.41
Other public shareholders	62,654,400	31.31	62,654,400	28.68
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>200,117,106</u>	<u>100.00</u>	<u>218,492,106</u>	<u>100.00</u>

Notes:

1. The entire issued share capital of Well Success Group Limited is beneficially owned as to 25.2% by Mr. Wong Ben Koon, an executive Director, as to 16.4% by Mr. Ng Hon Fai, and as to 58.4% by Advance Success Limited.
2. The entire issued share capital of Advance Success Limited is equally and beneficially owned by Mr. Wong Ben Koon and Madam Hon Ching Fong, both are executive Director. Mr. Wong Ben Koon is the sole director of Advance Success Limited.

GEM LISTING RULES IMPLICATION

The entering into of the Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is not subject to the approval of the Shareholders. However, the issue of the Consideration Shares is subject to the approval of the Shareholders at the SGM. As no Shareholders have an interest in the Agreement which is materially different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the issue of the Consideration Shares.

SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE

The Board also proposes that each of the existing issued and unissued Shares of HK\$0.10 each in the share capital of the Company be subdivided into ten Subdivided Shares of HK\$0.01 each. The Shares are currently traded in board lots of 8,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 20,000 Subdivided Shares. No odd lots of Subdivided Shares will be resulted from the Share Subdivision and the change of the board lot size, other than those odd lots already existed before the Share Subdivision becoming effective.

Share Capital of the Company

As at the date of this announcement, the authorized share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares, of which 200,117,106 Shares have been issued and allotted as fully paid or credited as fully paid. Upon the Share Subdivision becoming effective, the authorized share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 Subdivided Shares. On the basis that 200,117,106 Shares are in issue as at the date of this announcement, the issued share capital of the Company will be HK\$20,011,711 divided into 2,001,171,060 Subdivided Shares upon the Share Subdivision becoming effective. The Subdivided Shares will rank *pari passu* in all respects with each other.

As at the date of this announcement, there are no outstanding convertible securities issued or options granted which carry rights to acquire Shares and the Directors have no present intention to grant any options under the Company's share option scheme during the period from the date of this announcement to the date of the SGM.

Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the SGM for approving the Share Subdivision; and
- (b) the Listing Committee of GEM granting listing of, and permission to deal in, the Subdivided Shares.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Subdivided Shares.

Reasons for the Share Subdivision

The Board believes that the Share Subdivision will improve the liquidity in trading in shares of the Company and enable the Company to attract more investors and broaden the Shareholder base. Accordingly, the Board considers that the Share Subdivision is in the interests of the Company and the Shareholders as a whole.

Other than the expenses to be incurred by the Company in relation to the Share Subdivision, the implementation of the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

Expected Timetable

The expected timetable for implementation of the Share Subdivision and the associated trading arrangements will be disclosed in the circular to be despatched to the Shareholders.

GENERAL

A circular containing, among other things, further details of the Acquisition, financial information of the Target Group, the technical assessment report of the Xiang Lu Shan Granite Mining Site, details of the Share Subdivision and the notice to convene the SGM will be despatched to the Shareholders as soon as possible.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 20 November 2007 pending the release of this announcement. The Company has made an application to the Stock Exchange for resumption of trading in the Shares from 9:30 a.m. on 26 November 2007.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 19 November 2007 entered into among the Vendor, the Purchaser and the Vendor Guarantor relating to the Acquisition
“Board”	the board of the Directors
“Business Day(s)”	means a day (other than Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong

“BVI”	British Virgin Islands
“Company”	Prosperity International Holdings (H.K.) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Completion”	completion of the Agreement
“Completion Date”	the 10th Business Day immediately after fulfillment (or waiver) of all the conditions precedent (or such other date as the parties to the Agreement may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of RMB62.0 million payable by the Purchaser for the Acquisition
“Consideration Shares”	18,375,000 Shares (and such shares of such other nominal amount as shall derive or result from a sub-division, consolidation, re-classification or reconstruction of the Shares) to be allotted and issued to the Vendor
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility on GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guilin Star Brite”	桂林斯達萊特石業開發有限公司 (Guilin Star Brite Stone Materials Co. Ltd.), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Target
“HIBOR”	Hong Kong Interbank Offered Rate
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Profit World”	Profit World Ventures Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Purchaser”	Sharp Advance International Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company

“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macao Special Administrative Region and Taiwan
“Sale Shares”	60,000 shares representing 60% of the issued share capital of the Target
“SGM”	the special general meeting of the Company to be convened and held to approve the issue of the Consideration Shares and the Share Subdivision
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Subdivision”	The subdivision of every existing issued and unissued Shares into 10 Subdivided Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stone Resources”	the total estimated mineral resources of approximately 4,000,000m ³ based on current exploration area of granite site of approximately 1.0 km ² according to the reserve report of Xiang Lu Shan Granite Mining Site dated 15 November 2000 prepared by 中國建築材料工業地質勘查中心廣西總隊 (China Construction Materials and Geological Prospecting Centre, Guangxi General Team) and approved by 廣西壯族自治區礦產資源委員會辦公室 (Guangxi Zhuang Tribe Autonomous Region Mineral Resources Commission and Office Association)
“Subdivided Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company upon the Share Subdivision becoming effective
“Target”	WM Aalbrightt Investment Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target and Guilin Star Brite
“Vendor”	WM Aalbrightt Investment Holdings Limited, a company incorporated in BVI with limited liability
“Vendor Guarantor” or “Mr. Yu”	Mr. Yu Min, the beneficial owner of the entire issued share capital of the Vendor and the guarantor of the performance by the Vendor of its obligations under the Agreement
“Xiang Lu Shan Granite Mining Site”	granite mining site situated in 廣西省全州縣龍水鎮香爐山 (Xiang Lu Shan, Longshui Town, Quanzhou County, Guangxi Province)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 to HK\$1.05, for the purposes of illustration only. No representation is made that any amount in Hong Kong dollars or RMB could have been or could be converted at the above rate or at any other rates.

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

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

Hong Kong, 23 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, for which the directors of the Company 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 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.

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 on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* For identification purpose only