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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2007

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

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

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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 only*

FINANCIAL HIGHLIGHTS

The financial highlights of the Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the nine months ended 31 December 2007 (the "Relevant Period") are summarized as follows:

- The unaudited consolidated turnover for the Relevant Period was approximately HK$411.8 million, representing an increase of approximately 6.6% as compared with the corresponding period last year;

- The unaudited consolidated net profit for the Relevant Period was approximately HK$18.1 million;

- Basic earnings per share for the Relevant Period amounted to HK11.1 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 nine months ended 31 December 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 1,217,459 tonnes. In terms of the breakdown of the turnover during the Relevant Period, the African market accounted for 8.57%, the European 18.58%, the Taiwan 47.85%, the Oceanian 3.74% and the other Asian countries 21.26% of the turnover.

Leveraging on the favourable environment in global market, the Group has made the most use of its management expertise and experience in trading of construction materials, as well as its strong network in the overseas market, thus achieving 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 "Placements").

The Directors of the Company considered that the Placements represented ideal opportunities to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

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

On 4 January 2008, the shareholders of the Company passed an ordinary resolution of granting the directors of the Company the new general mandate to allot and issue shares of the Company with an aggregate nominal amount not exceeding HK$4,002,342.1 (representing 40,023,421 shares of the Company with the nominal value of HK$0.10 each), being 20% of the aggregate nominal amount of HK$20,011,710.6 divided into 200,117,106 shares with nominal value of HK$0.10 each in issue as at the same date. The new general mandate could provide financial flexibility for the Group to conduct any equity financing exercise for its future development.

The Acquisition of WM Aalbrightt Investment Holdings (Hong Kong) Limited

On 19 November 2007, an indirect wholly-owned subsidiary of the Company, entered into an agreement with independent third parties to conditionally acquire 60% of the entire issued share capital of the WM Aalbrightt Investment Holdings (Hong Kong) Limited (the "Target Company"). The total consideration 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").

The Target Company is an investment holding company whose sole asset is the holding of entire equity interest in Guilin Star Brite Stone Materials Co., Ltd., a wholly foreign-owned enterprise incorporated in the People's Republic of China (the "PRC"), which holds the mining permit of the Xiang Lu Shan Granite Mining Site (the "Granite Mining Site"). The total estimated mineral resources of the Granite Mining Site is approximately 4,000,000 m^3. As set out in the mining permit, the Granite Mining Site has a site area of approximately 2.0 km^2 with allowable annual production size of approximately 40,000 m^3.

The Reasons for and Effect of the Acquisition

The Directors are of the view that the economy of the PRC will continue to grow. As a result of the continued urbanization 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.

Following the completion of the acquisition, 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 estimated mineral resources of the Granite Mining Site 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.

On 14 December 2007, the Company published a circular in relation to this acquisition which involves issue of the Consideration Shares. On 4 January 2008, the shareholders of the Company passed the ordinary resolution of issuing the Consideration Shares. The acquisition is expected to be completed by the end of March 2008.

Share Subdivision and Change of Board Lot Size

On 4 January 2008, the shareholders of the Company passed the ordinary resolution of subdividing every 1 issued and unissued share of HK$0.1 each in the share capital of the Company into 10 subdivided new shares of HK$0.01 each (the "Subdivided Shares"). Effective 7 January 2008, the total number of ordinary shares in issue increased from 200,117,106 shares to 2,001,171,060 shares. The shares of the Company were previously traded in board lots of 8,000 shares. Effective 21 January 2008, the Subdivided Shares are traded in board lots of 20,000 Subdivided Shares.

Future Prospects

As entered into the final quarter of the financial year 2008, the Group will continuously develop the core business in trading of cement clinker and strengthen our client base. The Group will also explore investment or merger and acquisition opportunities so as to further widen the scope of our business to include other building material and related ancillary business. As such, the Group is confident in its belief that its cement clinker trading business will bring steady and sufficient profits and cash flow to support our corporate growth and maximize our shareholders' wealth.

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 nine months ended 31 December 2007, together with the comparative figures for the corresponding period last year, as follows:

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2007	2006	**2007**	2006
		HK$'000	HK$'000	**HK$'000**	HK$'000
Turnover	2	**92,975**	159,601	**411,813**	386,420
Cost of sales		**(81,924)**	(146,464)	**(379,491)**	(350,384)
Gross profit		**11,051**	13,137	**32,322**	36,036
Other income	3	**1,158**	2,749	**4,837**	5,191
Selling and distribution costs		**(707)**	(6,442)	**(7,639)**	(17,341)
Administrative expenses		**(3,277)**	(2,253)	**(9,650)**	(5,452)
Profit from operating activities		**8,225**	7,191	**19,870**	18,434
Finance costs		**(182)**	(145)	**(748)**	(290)
Profit before tax		**8,043**	7,046	**19,122**	18,144
Income tax expenses	4	**(500)**	(847)	**(1,000)**	(855)
Profit for the period attributable to equity holders of the Company		**7,543**	6,199	**18,122**	17,289
Earnings per share					
– basic	5	**HK3.9 cents**	HK4.5 cents	**HK11.1 cents**	HK12.4 cents
– diluted	5	**HK3.7 cents**	HK4.3 cents	**HK10.5 cents**	HK12.0 cents

Notes:

1. **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.

2. **Turnover**

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

3. **Other income**

	For the nine months ended 31 December	
	2007	2006
	HK$'000	HK$'000
Commission received	**686**	1,666
Despatch income	**2,963**	2,672
Interest income	**737**	214
Others	**451**	639
	4,837	5,191

4. **Income tax expenses**

	For the nine months ended 31 December	
	2007	2006
	HK$'000	HK$'000
Current – Hong Kong	**1,000**	855
Current – Elsewhere	**–**	–
	1,000	855

Hong Kong profits tax has been provided at 17.5% on the estimated assessable profit for the nine months ended 31 December 2007 and 31 December 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.

5. 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 nine months ended 31 December 2007 attributable to equity holders of the Company of approximately HK$7,542,000 and HK$18,122,000 respectively (three months and nine months ended 31 December 2006: approximately HK$6,199,000 and HK$17,289,000 respectively) and the weighted average number of ordinary shares of 191,068,193 and 163,405,833 respectively (three months and nine months ended 31 December 2006: 139,017,106 and 139,143,564 respectively) in issue during the three months and nine months ended 31 December 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 nine months ended 31 December 2007 of approximately HK$7,542,000 and HK$18,122,000 respectively (three months and nine months ended 31 December 2006: HK$6,199,000 and HK$17,289,000 respectively) and the weighted average number of ordinary shares for the three months and nine months ended 31 December 2007 of 203,427,965 and 172,713,680 (three months and nine months ended 31 December 2006: approximately 144,180,562 and 144,260,052 respectively), being the weighted average number of ordinary shares of 191,068,193 and 163,405,833 in issue during the three months and nine months ended 31 December 2007 (three months and nine months ended 31 December 2006: 139,017,106 and 139,143,564 respectively) used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 12,359,772 and 9,307,847 respectively (three months and nine months ended 31 December 2006: 5,163,456 and 5,116,488 respectively) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

6. Dividend

No interim dividend has been declared by the Board for the nine months ended 31 December 2007 (nine months ended 31 December 2006: Nil).

7. Movement of Reserves

	Attributable to equity holders of the Company				
	Share premium account HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Accumulated profits/ (losses) HK$'000	Total HK$'000
At 1 April 2006	6,468	14,878	365	(30,084)	(8,373)
Profit for the period	–	–	–	17,289	17,289
Repurchase of shares	(2,560)	–	–	–	(2,560)
Recognition of share-based payments	–	–	85	–	85
At 31 December 2006	3,908	14,878	450	(12,795)	6,441
At 1 April 2007	3,908	14,878	1,179	(10,738)	9,227
Profit for the period	–	–	–	18,122	18,122
Issue of shares on placement	20,572	–	–	–	20,572
Share issue expenses	(734)	–	–	–	(734)
Placement on 24 July 2007	19,838	–	–	–	19,838
Issue of shares on placement	26,640	–	–	–	26,640
Share issue expenses	(1,549)	–	–	–	(1,549)
Placement on 26 October 2007	25,091	–	–	–	25,091
Recognition of share-based payments	–	–	235	–	235
At 31 December 2007	48,837	14,878	1,414	7,384	72,513

8. Share capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 (31 March 2007: HK$0.1) each		
At 31 March 2007 and 31 December 2007	1,000,000,000	100,000
Issued and fully paid:		
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 on 24 July 2007	27,800,000	2,780
Issue of shares on placement on 26 October 2007	33,300,000	3,330
At 31 December 2007	200,117,106	20,012

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.

On 11 October 2007, the Company and Oriental Patron Asia Limited entered into a placing agreement in respect of the placement of 33,300,000 ordinary shares of HK$0.1 each to independent investors at a price of HK$0.90 per share. The placement was completed on 26 October 2007 and the premium on the issue of shares, amounting to approximately HK$25,091,000, net of share issue expenses, was credited to the Company's share premium account.

On 4 January 2008, the shareholders of the Company passed the ordinary resolution of subdividing every 1 issued and unissued share of HK$0.1 each in the share capital of the Company into 10 subdivided new shares of HK$0.01 each. Effective 7 January 2008, the total number of ordinary shares in issue increased from 200,117,106 shares to 2,001,171,060 shares.

9. 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$411.8 million and approximately HK$32.3 million respectively, representing an increase of approximately 6.6% and a decrease of approximately 10.3% respectively 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 the 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$18.1 million, representing a slight increase of approximately 4.8% as compared with the corresponding period last year.

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 resulted 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 customers and sales agents 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. By the end of March 2008, our business scope will be further extended to include granite mining. Leveraging on our management's expertise and experience, we will continue to seek investment opportunities to engage in other building material and natural resources mining 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 and natural resources mining 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 nine months ended 31 December 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the shares of the Company during the nine months ended 31 December 2007.

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

At 31 December 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

	Number of shares held, capacity and nature of interest			
Name of Director	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Wong Ben Koon ("Mr. Wong")	53,385,106	31,917,600 *(Note 1)*	85,302,706	42.63%
Madam Hon Ching Fong ("Madam Hon")	–	31,917,600 *(Note 1)*	31,917,600	15.95%
Mr. Ng Hon Fai ("Mr. Ng") (Note 2)	–	31,917,600 *(Note 1 & 2)*	31,917,600	15.95%

Notes:

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

2. Mr. Ng resigned as executive Director of the Company with effect from 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 31 December 2007:

Name	Number of options held	Number of underlying shares
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
	11,400,000	11,400,000

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 31 December 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 31 December 2007, the number of shares in respect of which options had been granted under the scheme was 16,800,000 (31 December 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 December 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$
Director							
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
Chief executive officer							
Dr. Jiang, Brent Zhiwei	–	3,000,000	3,000,000	20 August 2007	31 August 2007 to 20 June 2017	0.93	0.93
Other employees							
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
	13,800,000	3,000,000	16,800,000				

The share options granted to the chief executive officer of the Company on 20 August 2007 shall not be exercisable within 12 months from 21 June 2007.

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 a director of the Relevant Companies and Madam Hon is 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 31 December 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:

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CON'T)

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	53,385,106	
		Interest of controlled corporation	31,917,600	
			85,302,706	42.63%
Well Success	(a)	Directly beneficially owned	31,917,600	15.95%
Advance Success	(b)	Through Well Success	31,917,600	15.95%
Mdm Hon Ching Fong	(a) & (b)	Interest of controlled corporation	31,917,600	15.95%
Ms. Shing Shing Wai	(c)	Interest of substantial shareholder's spouse	85,302,706	42.63%
Harmony Asset Ltd.		Directly beneficially owned	23,300,000	11.64%
Mr. Li Yiu Keung		Directly beneficially owned	28,860,000	14.42%

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 31 December 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 three meetings. The audit committee has reviewed the Group's unaudited third quarterly result announcement for the nine months ended 31 December 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 the special general meeting on 4 January 2008 and was delegated to make himself available to answer questions if raised at the meetings. Mr. Yuen Kim Hung, Michael, a member of audit committee, was delegated to attend the same general meetings to answer questions if raised at the meetings. The absence of the chairman of the Company in the annual general meeting and the absence of the chairman of audit committee in the general meetings 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 final quarter 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 February 2008

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 GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at http://www.equitynet.com.hk/8139.