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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2008

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This announcement, for which the directors of Prosperity International Holdings (H.K.) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Prosperity International Holdings (H.K.) Limited. The directors of Prosperity International Holdings (H.K.) Limited, 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*

FINANCIAL AND BUSINESS HIGHLIGHTS

The financial and business highlights of Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2008 (the "Year") are summarised as follows:

– Turnover for the Year was approximately HK$648.6 million, representing an increase of approximately 18% as compared with HK$550.6 million for the financial year 2007.

– Profit for the Year attributable to equity holders of the Company was approximately HK$38.5 million.

– Excluding the amount of approximately HK$14.2 million arising from the excess of fair value of net assets acquired over the cost of acquisition of subsidiaries, net profit for the Year amounted to approximately HK$24.3 million, representing an encouraging growth of approximately 26% as compared with HK$19.3 million for the financial year 2007.

– Basic earnings per share for the Year reached HK2.2 cents.

– The Group's clinker and cement trading business maintained a stable growth amid the challenges in the macro environment during the Year.

– The Group has successfully extended its business scope to include mineral resources business by acquiring a company which owns a granite mining permit of a site located in Guangxi Province, the People's Republic of China (the "PRC"), during the Year.

– The directors of the Company do not recommend the payment of final dividend for the Year.

RESULTS

The board of directors of the Company (the "Board" or the "Directors") are pleased to announce the audited consolidated results of the Group for the year ended 31 March 2008, which have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**648,611**	550,597
Cost of goods sold		**(596,679)**	(500,775)
Gross profit		**51,932**	49,822
Other income	*4*	**6,281**	8,439
Selling and distribution costs		**(16,694)**	(28,296)
Administrative expenses		**(14,530)**	(8,603)
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	*10*	**14,222**	–
Finance costs	*6*	**(1,187)**	(451)
Profit before tax		**40,024**	20,911
Income tax expense	*7*	**(1,491)**	(1,565)
Profit for the year attributable to equity holders of the Company		**38,533**	19,346
Earnings per share			
– basic (2007: restated)	*9(a)*	**2.2 cents**	1.4 cents
– diluted (2007: restated)	*9(b)*	**2.1 cents**	1.3 cents

CONSOLIDATED BALANCE SHEET
At 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,128**	147
Interests in an associate		**28,074**	12,681
Mining right	*10*	**192,640**	–
		221,842	12,828
Current assets			
Trade and bills receivables	*11*	**37,775**	47,534
Prepayments, deposits and other receivables		**5,240**	4,113
Pledged bank deposits		**9,032**	3,212
Bank and cash balances		**42,164**	18,613
		94,211	73,472
Total assets		**316,053**	86,300
EQUITY			
Capital and reserves			
Share capital		**20,012**	13,902
Reserves		**96,083**	9,227
Equity attributable to equity holders of the Company		**116,095**	23,129
Minority interests	*10*	**57,713**	–
Total equity		**173,808**	23,129
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**147**	–
Deferred tax liabilities		**48,160**	–
		48,307	–

	Note	2008 HK$'000	2007 HK$'000
Current liabilities			
Trade and bills payables	*12*	**18,607**	41,632
Other payables		**66,176**	7,578
Due to a related company		**90**	90
Trade deposits received		**203**	2,000
Current tax liabilities		**18**	1,560
Bank borrowings		**8,679**	10,311
Current portion of obligations under finance leases		**165**	–
		93,938	63,171
Total liabilities		**142,245**	63,171
Total equity and liabilities		**316,053**	86,300
Net current assets		**273**	10,301
Total assets less current liabilities		**222,115**	23,129

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium account	Foreign currency translation reserve	Contributed surplus	Share-based payment reserve	Other reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	14,496	6,468	–	14,878	365	–	(30,084)	6,123	–	6,123
Profit for the year	–	–	–	–	–	–	19,346	19,346	–	19,346
Total recognised income and expense for the year	–	–	–	–	–	–	19,346	19,346	–	19,346
Repurchase of shares	(594)	(2,560)	–	–	–	–	–	(3,154)	–	(3,154)
Recognition of share-based payments	–	–	–	–	814	–	–	814	–	814
	(594)	(2,560)	–	–	814	–	–	(2,340)	–	(2,340)
At 31 March 2007 and 1 April 2007	13,902	3,908	–	14,878	1,179	–	(10,738)	23,129	–	23,129
Translation differences	–	–	2,640	–	–	–	–	2,640	–	2,640
Net income recognised directly in equity	–	–	2,640	–	–	–	–	2,640	–	2,640
Profit for the year	–	–	–	–	–	–	38,533	38,533	–	38,533
Total recognised income and expense for the year	–	–	2,640	–	–	–	38,533	41,173	–	41,173
Transfer	–	–	–	–	–	50	(50)	–	–	–
Recognition of share-based payments	–	–	–	–	754	–	–	754	–	754
Acquisition of subsidiaries (note 10)	–	–	–	–	–	–	–	–	57,713	57,713
Issue of new shares	6,110	44,929	–	–	–	–	–	51,039	–	51,039
	6,110	44,929	–	–	754	50	(50)	51,793	57,713	109,506
At 31 March 2008	20,012	48,837	2,640	14,878	1,933	50	27,745	116,095	57,713	173,808

NOTES TO THE FINANCIAL STATEMENTS

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS") and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures" retrospectively. Certain information presented in prior year under the requirements of HKAS 32 "Financial Instruments: Disclosure and Presentation" has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies.

3. TURNOVER

The Group was principally engaged in the trading of clinker and cement and other building materials in current year. The Group's turnover represents the sales of goods to customers, net of discounts and returns.

4. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Commission received	**1,129**	2,183
Despatch income	**3,788**	4,710
Interest income	**862**	305
Net foreign exchange gains	**108**	107
Others	**394**	1,134
	6,281	8,439

5. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into two main business segments.

(i) Clinker and cement and other building materials – trading of clinker and cement and other building materials.

(ii) Granite and granite products – exploration, exploitation and processing of granite and selling of granite products.

There are no sales or other transactions among the business segments.

	Clinker and cement and other building materials		Granite and granite products		Corporate and unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	**648,611**	550,597	**–**	–	**–**	–	**648,611**	550,597
Segment results	**28,205**	16,649	**–**	–	**–**	–	**28,205**	16,649
Unallocated expenses							**(7,497)**	(3,726)
Other income							**6,281**	8,439
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries							**14,222**	–
Finance costs							**(1,187)**	(451)
Income tax expenses							**(1,491)**	(1,565)
Profit for the year							**38,533**	19,346
ASSETS								
Segment assets	**88,860**	73,222	**197,546**	–	**–**	–	**286,406**	73,222
Interests in an associate							**28,074**	12,681
Unallocated assets							**1,573**	397
Total assets							**316,053**	86,300
LIABILITIES								
Segment liabilities	**32,321**	60,491	**140**	–	**–**	–	**32,461**	60,491
Unallocated liabilities							**109,784**	2,680
Total liabilities							**142,245**	63,171
OTHER INFORMATION								
Capital expenditure	**343**	149	**–**	–	**663**	–	**1,006**	149
Depreciation	**59**	9	**–**	–	**110**	2	**169**	11
Share-based payments	**–**	–	**–**	–	**754**	814	**754**	814
Impairment losses on receivables	**21**	–	**–**	–	**–**	–	**21**	–

(b) Secondary reporting format – geographical segments

In determining the Group's geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

Year ended 31 March 2008

	Europe	**Asia except the PRC**	**The PRC**	**Others**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**126,408**	**461,392**	**–**	**60,811**	**–**	**648,611**
ASSETS						
Segment assets	**–**	**88,860**	**197,546**	**–**	**–**	**286,406**
Interests in an associate	**–**	**–**	**–**	**–**	**28,074**	**28,074**
Unallocated assets	**–**	**–**	**–**	**–**	**1,573**	**1,573**
Total assets	**–**	**88,860**	**197,546**	**–**	**29,647**	**316,053**
OTHER INFORMATION						
Capital expenditure	**–**	**1,006**	**–**	**–**	**–**	**1,006**

Year ended 31 March 2007

	Europe	Asia except the PRC	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	196,727	282,074	71,796	–	550,597
ASSETS					
Segment assets	–	73,222	–	–	73,222
Interests in an associate	–	–	–	12,681	12,681
Unallocated assets	–	–	–	397	397
Total assets	–	73,222	–	13,078	86,300
OTHER INFORMATION					
Capital expenditure	–	149	–	–	149

6. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans	**1,164**	451
Finance lease charges	**23**	–
	1,187	451

7. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Hong Kong Profits Tax – current	**1,491**	1,565

Hong Kong Profits Tax has been provided at a rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year ended 31 March 2008.

Taxation charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The income tax expense can be reconciled to the profit before tax as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before tax	**40,024**	20,911
Tax at Hong Kong Profits Tax rate of 17.5% (2007: 17.5%)	**7,004**	3,659
Tax effect of net income that is not taxable in determining taxable profit	**(6,774)**	(2,635)
Tax effect of unrecognised temporary differences	**(7)**	(8)
Tax effect of tax loss not recognised	**1,268**	549
Income tax expense	**1,491**	1,565

8. STAFF COSTS

Staff costs including directors' emoluments are analysed below:

	2008	2007
	HK$'000	*HK$'000*
Salaries, bonus, allowances and other costs	**9,750**	6,877
Share-based payments	**754**	814
Retirement benefits scheme contributions	**349**	164
	10,853	7,855

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated based on the Group's profit attributable to the equity holders of the Company for the Year of approximately HK$38,533,000 (2007: HK$19,346,000) and the weighted average number of ordinary shares of 1,725,334,994 (2007: 1,391,123,830, as adjusted to reflect the share subdivision in January 2008) in issue during the Year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is calculated based on the Group's profit attributable to the equity holders of the Company for the Year of approximately HK$38,533,000 (2007: HK$19,346,000) and the weighted average number of ordinary shares of 1,830,004,762 (2007: 1,442,716,350, as adjusted to reflect the share subdivision in January 2008), being the weighted average number of ordinary shares of 1,725,334,994 (2007: 1,391,123,830, as adjusted to reflect the share subdivision in January 2008) in issue during the Year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 104,669,768 (2007: 51,592,520, as adjusted to reflect the share subdivision in January 2008) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the Year.

10. ACQUISITION OF SUBSIDIARIES

On 31 March 2008, the Group acquired 60% of the issued share capital (the "Sales Shares") of WM Aalbrightt Investment Holdings (Hong Kong) Limited ("WM Aalbrightt"), an investment holding company, which directly owns 100% equity interest in Guilin Star Brite Stone Materials Co. Ltd. ("Guilin Star Brite"). Guilin Star Brite owns a mining right and is principally engaged in exploration, exploitation and processing of granite and selling of granite products. The consideration, before expenses, of approximately HK$70,646,000 (equivalent to RMB62,000,000) was satisfied by cash of approximately HK$48,790,000 (equivalent to RMB44,500,000) and by allotting 183,750,000 (as adjusted to reflect the share subdivision in January 2008) new shares of HK$0.01 each of the Company at an issue price of approximately HK$0.12 per share.

The adoption of approximately HK$0.12 per share as the fair value of shares to be issued by the Company at the date of exchange was based on a fair value assessment by the Directors, taking into consideration of all aspects of the acquisition and significant factors influencing the negotiations. The Directors considered the published price at the date of exchange of the shares issued for the acquisition is not a suitable indicator of fair value of the shares due to thinness of the market of the Company's issued shares.

The net assets acquired in the transaction, are as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Property, plant and equipment	152	–	152
Mining right	–	192,640	192,640
Prepayments, deposits and other receivables	800	–	800
Bank and cash balances	3,954	–	3,954
Other payables	(5,102)	–	(5,102)
Deferred tax liabilities	–	(48,160)	(48,160)
NET ASSETS	(196)	144,480	144,284
Minority interests			(57,713)
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries			(14,222)
Total consideration			72,349

The fair value of the mining right acquired through the acquisition of subsidiaries is determined provisionally based on the information available by the balance sheet date. Further study on the mining reserve may result in a change of the fair value of the mining right and the fair value of share consideration.

11. TRADE AND BILLS RECEIVABLES

The Group receives from each customer for clinker and cement 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:

	2008 ***HK$'000***	2007 *HK$'000*
0 to 90 days	**37,775**	47,511
91 to 180 days	**–**	–
181 to 365 days	**–**	–
Over 365 days	**–**	23
	37,775	47,534

As of 31 March 2008, no trade receivables was past due (2007: HK$23,000 were past due but not impaired). The aging analysis of these trade receivables was as follows:

	2008	2007
	HK$'000	HK$'000
Over 1 year	–	23

12. TRADE AND BILLS PAYABLES

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

	2008	2007
	HK$'000	HK$'000
0 to 90 days	18,607	41,620
91 to 180 days	–	–
181 to 365 days	–	12
	18,607	41,632

13. DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 March 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT REVIEW

Clinker and Cement Business

The excess supply in the cement industry in the PRC prevailed in 2007 but the gap between supply and demand was narrowed due to the strong domestic demand. During 2007, the production volume of cement grew at a slower rate, amounting to 1.36 billion tonnes and representing an increase of 10.12% over 2006. The export volume of cement decreased by 21.7% but the export volume of clinker grew continuously to reach 17.81 million tonnes in 2007, representing an increase of 6.5% over 2006.

The slowdown of the growth rate of cement export was mainly attributable to the abolishment of cement export tax rebate, appreciation of Renminbi and high sea-freight cost. However, demand remained strong in the Europe and the Gulf Region to support increase in export price.

OPERATION REVIEW

Clinker and Cement Business

During the Year, the Group purchased and sold approximately 1,807,000 tonnes of clinker and cement, representing a slight increase of 0.4% from last financial year. Clinker and cement exports from the PRC faced the challenges arising from the abolishment of the export tax rebate on clinker and cement products, Renminbi's appreciation and the sharp increase in the global sea-freight cost, which we had to pass on to our customers in the form of higher selling prices. All these combined to hinder the growth of our clinker and cement trading activities.

Leveraging on the Group's management expertise, extensive experiences and strong sales network in trading construction materials in the region, the Group is poised to capture the strong demand for clinker and cement in global markets. The Group has strengthened its market coverage in Asia and Africa. In terms of the turnover breakdown by each market during the Year, the African market accounted for 7.1%; Europe 19.6%; Oceania 2.3%; Taiwan 48.2%, and other Asian Countries 22.8% as compared to North America 1.4%; South America 3%; Europe 35.8%; Africa 7.2%; Middle East 1.5%; Taiwan 47.3%; and other Asian Countries 3.8% in the financial year of 2007.

The Group provides a one-stop solution to its customers, which involves meeting the customers' requirements with the Group's comprehensive supply chain management expertise, sourcing reliable and consistent quality of clinker and cement, and providing logistic management services.

Investment in Granite Material Production

In order to further expand our business scope from the building materials and related ancillary businesses to the mineral resources exploration, exploitation and mining production business, the Group acquired 60% equity interest in WM Aalbrightt, which indirectly owns a granite mining permit in Xiang Lu Shan Granite Mining Site in the PRC.

The mining site, located at Xiang Lu Shan, Longshui Town, Quanzhou County, Guangxi Province, the PRC with a site area of approximately 2 km^2, will produce high quality white-colour dimension stones and feldspar powder.

As shown in the report issued by an internationally renowned independent technical adviser, the total estimated volume of mineral resources of the site is approximately 4 million m^3. The figure is based on a site area of approximately 0.8 km^2. In fact, the mining permit covers a total area of approximately 2 km^2. It allows further exploration within the existing lease area, providing the Group a quarry of a larger scale and better economies of scale in the future.

With the expected commencement of production at the granite mining site in the latter half of 2008, the Group will produce high quality white-colour dimension stones from the granite mining site. In addition to the exploration of crude dimension stones, it will also develop the quarry for high value-added feldspar powder, which is used in the ceramic and glass industries.

Given that the PRC property market will continue to grow and the people will become more affluent, the local demand for granite-derived construction and building materials will remain strong in the near future. The investment in this granite mining site will enable the Group to tap a huge growing market.

Operation of Public Port and Other Related Facilities Business

The Group established a joint venture with Anhui Conch Venture Investment Company Limited in October 2006. The joint venture company will be engaged in the operation of a public port and other related facilities and the provision of warehousing services mainly for building materials companies in Jiangsu Province, the PRC. It will also produce and sell slag powder, which can be used in the production of cement, with a target production capacity of 1.5 million tonnes per year. The Group owns 25% of the joint venture company with a total investment of RMB25 million.

Due to the unforeseen delay in securing relevant licenses for the port operation, the joint venture did not commence the construction work at the port on schedule. It is estimated that the commercial operation will commence by late 2009.

FINANCIAL REVIEW

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

RESULTS

The Group recorded a turnover and gross profit of approximately HK$648.6 million and approximately HK$51.9 million respectively during the Year. Contribution from the clinker and cement trading business accounted for over 99.5% and 98.8% of the total turnover and gross profit of the Group respectively for the Year.

The selling and distribution costs for the Year represented the commission paid to sales agents and salaries and expenses incurred by the sales and marketing team to secure clinker and cement contracts from customers and explore 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 the cost of sales during the Year.

The administrative expenses mainly included remunerations of the directors of the Company and administrative personnel, and the legal and professional fees paid to external auditors, legal consultants and other professional parties. The increase during the Year was mainly due to the increase in office rental expenses and remuneration paid to management and administrative staff during the Year.

The finance costs for the Year represented the interest expenses incurred for the financing offered by principal bankers for the purchase of clinker and cement and the investment in an associate company. The increase during the Year was due to a term loan drawn in April 2007 to finance the above-mentioned investment and the increase in the trading volume of clinker and cement.

Excluding the amount of approximately HK$14.2 million arising from the excess of fair value of net assets acquired over the cost of acquisition of subsidiaries as disclosed in note 10 of this announcement, profit after tax from the clinker and cement business and other building material businesses for the Year was approximately HK$24.3 million, representing an increase of approximately 26% as compared with HK$19.3 million for the year ended 31 March 2007.

SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE

On 4 January 2008, the shareholders of the Company passed the ordinary resolution for 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.

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 its shareholder base.

PLACING OF NEW SHARES

During the Year, a total of 61,100,000 new shares (or 611,000,000 Subdivided Shares) of the Company were placed to independent investors, of which 27,800,000 new shares (or 278,000,000 Subdivided Shares) were placed at a price of HK$0.84 per share on 24 July 2007 and 33,300,000 new shares (or 333,000,000 Subdivided Shares) were placed at a price of HK$0.90 per share on 26 October 2007 (collectively, the "Placements").

The Board considered that the Placements 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 Placements, after the deduction of the related expenses, amounted to approximately HK$51 million which were used as the general working capital of the Group and for exploring investment or merger and acquisition opportunities.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

During the Year, the Group generally financed its operations and settled its debts with cash generated from its operations and banking facilities provided by its principal bankers. As at 31 March 2008, the facilities offered by the banks to finance the business activities of the Group amounted to approximately HK$252.1 million.

As at 31 March 2008, the cash and bank balances including pledged bank deposits of the Group amounted to approximately HK$51.2 million. The increase in bank balance was resulted from the strong cash inflow generated by the sales of clinker and cement and the Placements completed during the Year.

The Group's gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 2.8% as at 31 March 2008 (2007: 11.9%). The improvement was mainly due to the strong growth in cash generated from the clinker and cement business and the net proceeds from the Placements during the Year.

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Acquisition of WM Aalbrightt Investment Holdings (Hong Kong) Limited

On 31 March 2008, the Group acquired 60% of the issued share capital of WM Aalbrightt, an investment holding company, which directly owns 100% equity interest in Guilin Star Brite. The consideration, before expenses, of approximately HK$70,646,000 (equivalent to RMB62,000,000) was satisfied by cash of approximately HK$48,790,000 (equivalent to RMB44,500,000) and by allotting 183,750,000 (as adjusted to reflect the share subdivision in January 2008) new shares of HK$0.01 each of the Company at an issue price of approximately HK$0.12 per share (the "Consideration Shares").

Guilin Star Brite, a wholly foreign-owned enterprise incorporated in the PRC, is principally engaged in exploration, exploitation and processing of granite and selling of granite products, and owns a granite mining permit in Xiang Lu Shan Granite Mining Site (the "Granite Mining Site"). The total estimated mineral resources of the Granite Mining Site is approximately 4 million m^3. As set out in the mining permit, the Granite Mining Site has a site area of approximately 2 km^2 with an allowable annual production volume of approximately 40,000 m^3.

On 14 December 2007, the Company published a circular in relation to the acquisition which involves issuing the Consideration Shares. On 4 January 2008, the shareholders of the Company passed the ordinary resolution for issuing the Consideration Shares.

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, the people will become more affluent and the local demand for granite-derived construction and building materials will remain strong in the future. The acquisition will enable the Group to tap a huge growing market and widen the Group's building material business.

The Group intends to develop the quarry for high value-added feldspar powder used in the ceramic and glass industries as well as dimension stone for local and overseas consumption. The mineral resources of the Granite Mining Site are of a quality that is capable of being extracted into high quality dimension stones and feldspar powder. Dimension stone is widely used in the construction and building material industries and feldspar powder is widely used in the glass, ceramic and construction material industries.

As per the announcement of the Company dated 8 January 2008, the Group was in preliminary discussions with an independent third party regarding a potential acquisition in, and conducting due diligence on, a company which is engaged principally in the distribution of building materials and related businesses in Asia. However, after thorough consideration of the pricing of the project and the utmost benefit of shareholders, the Directors decided to cease the negotiation of the above-mentioned potential acquisition.

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

CONTINGENT LIABILITIES

As at 31 March 2008, the Company had provided corporate guarantees to banks to secure banking facilities granted to the subsidiaries of the Company. As at the same date, the facilities amount utilized was approximately HK$62.2 million (2007: HK$91.7 million).

As at 31 March 2008, the Group did not have any significant contingent liabilities (2007: Nil).

CHARGE ON GROUP ASSETS

The Group's pledged bank deposits of approximately HK$9.0 million (2007: HK$3.2 million) represented deposits pledged to banks to secure banking facilities granted to the Group.

COMMITMENTS

As at 31 March 2008, the Group had the following commitments:

(a) Operating Lease Commitments – as lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**37**	135

Operating lease payments represent rentals payable by the Group for an office premises and a staff quarter (for the year ended 31 March 2007). Leases are negotiated for a term of one year and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Capital and other Commitments

	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided for acquisition of property, plant and equipment	**1,374**	580
Capital contributions to		
– an associate	–	12,594
– a subsidiary (Note)	**13,200**	–

Note:

Pursuant to the sale and purchase agreement for the acquisition of WM Aalbrightt, the Group shall within 3 months after the date of completion provide approximately HK$13.2 million (equivalent to RMB12 million) to WM Aalbrightt as a shareholder's loan (note 10).

HUMAN RESOURCES

As at 31 March 2008, the Group had a total of 34 staff members, 16 of them based in the PRC and 18 based in Hong Kong. The breakdown of staff by function and geographical location is as follows:

	The PRC	Hong Kong	Total
Management	2	7	9
Sales and marketing	2	4	6
Purchases and transportation	–	2	2
Mining operation	6	–	6
Finance and administration	6	5	11
	16	18	34

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

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

FUTURE GROWTH STRATEGIES

In the coming year, the Group will continue to consolidate the business of clinker and cement trading by expanding the market coverage and further exploring new markets, increasing sales volume to existing customers and expanding its client base in current markets. In terms of granite material production, we are poised to explore sales opportunities in the PRC and overseas markets after the commencement of production in late 2008. In addition, we are ready for the commencement of construction of the public port and other related facilities as well as the production and sales of slag powder. We aim to acquire relevant licenses by the end of 2008.

Given the enormous demand for mineral resources in the PRC and the devotion of our professional management team focusing on developing mineral resources exploration, exploitation and mining production business, the Group will diversify into mineral resources such as the gold, copper, lead, zinc and coal mining business. At the same time, the Group is actively seeking mineral resources projects in the PRC and other part of Asia, which involves investing in existing mineral extraction projects and acquiring mining and exploration rights.

By leveraging on market opportunities, the experienced and professional management team and the extensive sales network, the Group is confident that its strategies of developing building material and mineral resources exploration, exploitation and mining production businesses will generate impressive returns.

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 Company's 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.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Mo Kwok Choi (Chairman of the Audit Committee), 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 Group and oversee the Group's financial reporting system and internal control procedures.

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

REMUNERATION COMMITTEE

The Remuneration Committee was set up in March 2005, constituted by two independent non-executive Directors, namely, Mr. Yuen Kim Hung, Michael (Chairman of the Remuneration Committee) and Mr. Yung Ho.

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

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

INDEPENDENT BOARD COMMITTEE

The Company established the Independent Board Committee on 14 December 2007 for the refreshment of the general mandate proposed in the Company's circular dated 14 December 2007. The Independent Board Committee comprised of Mr. Mo Kwok Choi, Mr. Yuen Kim Hung, Michael and Mr. Yung Ho, all of them being the independent non-executive Directors. Mr. Mo Kwok Choi was appointed as the chairman of the Independent Board Committee. The Independent Board Committee held one committee meeting during the Year.

NOMINATION COMMITTEE

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

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 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, each of them confirms that he/she has complied in full with the required standard of dealings regarding directors' securities transactions throughout the year ended 31 March 2008.

INTERNAL CONTROL

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

PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE

The Annual Report of the Company containing all the information required by the GEM Listing Rules will be published on the GEM website in due course.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2008 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2008. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

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

Hong Kong, 26 June 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, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise 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.

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