



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

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

* For identification purpose only

FINANCIAL HIGHLIGHTS

The financial highlights of Prosperity International Holdings (H.K.) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2008 (the “Relevant Period”) are summarized as follows:

- The unaudited consolidated turnover for the Relevant Period was approximately HK\$215.5 million, representing an increase of approximately 16% as compared with the corresponding period last year;
- The unaudited consolidated net profit for the Relevant Period was approximately HK\$6.0 million, representing an increase of approximately 3.6% as compared with the corresponding period last year;
- Basic earnings per share for the Relevant Period amounted to approximately HK\$0.3 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 three months ended 30 June 2008 and comparisons with the results for the corresponding period last year are set out in the accompanying table.

BUSINESS REVIEW

Clinker and Cement Business

During the Relevant Period, the Group purchased and sold approximately 533,175 tonnes of clinker and cement, representing a slight decrease of approximately 6% as compared with the corresponding period last year. Clinker and cement exports from the People's Republic of China (the "PRC") faced the challenges arising from sharp increase in the cost of clinker and cement as a result of enormous increase in fuel price and raw materials cost, in particular coal, and the substantial appreciation of RMB which led the PRC producers to increase their export prices in order to protect their eroding profit margin and the continuous high global sea-freight cost which combined to push up the selling price. At the same time, clinker and cement supply from the PRC for export were tight during this period, which is mainly due to the strong domestic demand. All these factors hindered the growth of our clinker and cement trading activities.

Leveraging on the Group's management expertise, extensive experiences and strong sales network in trading of construction materials in the region, the Group has its edge in capitalizing the strong demand for clinker and cement in the global markets. The Group has strengthened its market coverage in Asia and Africa. In terms of the turnover breakdown by each market during the Relevant Period, the African market accounted for 8.5%, the European 20.9%, the Taiwan 53.2%, the Oceanian 3.5% and the other Asian countries 13.9% of the turnover.

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 investment Holdings (Hong Kong) Limited (the "WM Aalbrightt"), which indirectly owns a granite mining permit in Xiang Lu Shan Granite Mining Site (the "Granite Mining Site") in the PRC.

The Granite Mining Site, located at Xiang Lu Shan, Longshui Town, Quanzhou County, Guangxi Province, the PRC with a site area of approximately 2 km², 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 m³. The figure is based on a site area of approximately 0.8 km². In fact, the mining permit covers a total area of approximately 2 km². 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 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 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 company 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 commercial operation will commence by late 2009.

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 were traded in board lots of 20,000 Subdivided Shares.

The board of directors of the Company (the “Board” or the “Directors”) considered that the share subdivision improved the liquidity in trading in shares of the Company and enabled the Company to attract more investors and broaden its shareholder base.

Placing of New Shares

During the year ended 31 March 2008, 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 HK0.90 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.

UNAUDITED CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 30 June 2008, together with the comparative figures for the corresponding period last year, as follows:

		For the three months ended 30 June	
	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Turnover	2	215,506	185,744
Cost of goods sold		(201,448)	(172,254)
Gross profit		14,058	13,490
Other income	3	2,511	2,011
Selling and distribution costs		(6,293)	(6,587)
Administrative expenses		(3,932)	(2,477)
Finance costs		(175)	(318)
Profit before tax		6,169	6,119
Income tax expense	5	(140)	(300)
Profit for the period		6,029	5,819
Attributable to:			
Equity holders of the Company	8	6,107	5,819
Minority interest	8	(78)	–
		6,029	5,819
Earnings per share			
– basic (2007: Restated)	6	HK0.3 cents	HK0.4 cents
– diluted (2007: Restated)	6	HK0.3 cents	HK0.4 cents

Notes:

1. Basis of preparation

The unaudited consolidated results 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 results are consistent with those used in the Group's annual financial statements for the year ended 31 March 2008.

2. Turnover

The Group was principally engaged in the trading of clinker and cement and other building materials during the Relevant Period. The Group's turnover represents the sales of goods to customers, net of discount and returns.

3. Other income

	For the three months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Commission received	468	298
Despatch income	1,393	1,239
Interest income	119	136
Net foreign exchange gains	–	2
Others	531	336
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	2,511	2,011

4. Staff costs

	For the three months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Salaries, bonus, allowances and other costs	1,771	713
Share-based payments	–	235
Retirement benefits scheme contributions	116	72
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	1,887	1,020

5. Income tax expense

	For the three months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Hong Kong Profits Tax – current	<u>140</u>	<u>300</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the three months ended 30 June 2008 (2007: 17.5%).

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.

6. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the three months ended 30 June 2008 of approximately HK\$6,107,000 (three months ended 30 June 2007: approximately profit of HK\$5,819,000) and the weighted average number of ordinary shares of 2,001,171,060 (three months ended 30 June 2007: 1,390,171,060 as adjusted to reflect the share subdivision in January 2008) in issue during the three months ended 30 June 2008.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company for the three months ended 30 June 2008 of approximately HK\$6,107,000 (three months ended 30 June 2007: approximately profit of HK\$5,819,000) and the weighted average number of ordinary shares of 2,130,671,863 (three months ended 30 June 2007: 1,443,824,430 as adjusted to reflect the share subdivision in January 2008), being the weighted average number of ordinary shares of 2,001,171,060 in issue during the three months ended 30 June 2008 (three months ended 30 June 2007: 1,390,171,060 as adjusted to reflect the share subdivision in January 2008) used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 129,500,803 (three months ended 30 June 2007: 53,653,370 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 three months ended 30 June 2008.

7. Dividend

No interim dividend has been declared by the Board for the three months ended 30 June 2008 (three months ended 30 June 2007: Nil).

8. Movement of reserves

	Share premium account <i>HK\$ '000</i>	Foreign currency exchange reserve <i>HK\$ '000</i>	Contributed surplus <i>HK\$ '000</i>	Share-based payments reserve <i>HK\$ '000</i>	Other reserve <i>HK\$ '000</i>	Accumulated profits/ (losses) <i>HK\$ '000</i>	Total <i>HK\$ '000</i>	Minority interest <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 April 2007	3,908	–	14,878	1,179	–	(10,738)	9,227	–	9,227
Recognition of share-based payments	–	–	–	235	–	–	235	–	235
Profit for the period	–	–	–	–	–	5,819	5,819	–	5,819
At 30 June 2007	<u>3,908</u>	<u>–</u>	<u>14,878</u>	<u>1,414</u>	<u>–</u>	<u>(4,919)</u>	<u>15,281</u>	<u>–</u>	<u>15,281</u>
At 1 April 2008	48,837	2,640	14,878	1,933	50	27,745	96,083	57,713	153,796
Recognition of share-based payments	–	–	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	6,107	6,107	(78)	6,029
At 30 June 2008	<u>48,837</u>	<u>2,640</u>	<u>14,878</u>	<u>1,933</u>	<u>50</u>	<u>33,852</u>	<u>102,190</u>	<u>57,635</u>	<u>159,825</u>

9. Comparative amounts

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

FINANCIAL PERFORMANCE

The Group recorded a turnover and gross profit of approximately HK\$215.5 million and approximately HK\$14.1 million respectively during the Relevant Period. Contribution from the clinker and cement trading business accounted for over 99.8% and 99.6% of the total turnover and gross profit of the Group respectively for the Relevant Period.

While sales turnover for the period has increased by 16% as a result of higher selling prices of our clinker and cement, our trading volume has actually decreased by 6%. This is mainly due to higher selling prices as a result of sharp increase in cost and tight supply of clinker and cement for export caused by strong domestic demand during the period.

The selling and distribution costs for the Relevant Period 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 Relevant Period.

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 Relevant Period was mainly due to the increase in remuneration paid to management and administrative staff during the period.

The finance costs for the Relevant Period 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.

Profit for the Relevant Period attributable to equity holders of the Company amounted to approximately HK\$6.1 million, representing an increase of approximately 4.9% as compared with the corresponding period last year.

FUTURE GROWTH STRATEGIES

Entering into the financial year 2009, 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 secure the 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 parts 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Relevant Period.

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

As at 30 June 2008, 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 any of 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse			
Mr. Wong Ben Koon ("Mr. Wong")	513,851,060	319,176,000 (Note)	17,000,000		850,027,060	42.48%
Madam Hon Ching Fong ("Madam Hon")	–	319,176,000 (Note)	–		319,176,000	15.95%

Note:

Mr. Wong and Madam Hon are interested in the shares of the Company through their interests in Well Success Group Limited ("Well Success"), which is owned as to 31.47% by Mr. Wong, 10.13% by Mr. Ng Hon Fai (formerly a director of the Company) 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.

(b) Long positions in share options

Number of share options held by the Directors and chief executive of the Company as at 30 June 2008:

Name	Number of options held	Number of underlying shares
Mr. Wong	60,000,000	60,000,000
Dr. Jiang, Brent Zhiwei	30,000,000	30,000,000
Mr. Kong Siu Keung	24,000,000	24,000,000
	<u>114,000,000</u>	<u>114,000,000</u>

The details of share options held by the Directors and chief executive of the Company 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.

Save as disclosed above, as at 30 June 2008, 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 any of 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 share 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 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.

As at 30 June 2008, the number of shares in respect of which options had been granted under the scheme was 168,000,000 (30 June 2007: 138,000,000 as adjusted to reflect the share subdivision in January 2008).

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

Name or category of participant	Number of options outstanding as at 1 April 2008	Granted during the period	Number of options outstanding as at 30 June 2008	Date of grant of share options	Vesting period	Exercise period	Exercise price of share options HK\$	Closing price of share immediately before date of grant of options HK\$
Directors								
Mr. KONG Siu Keung	24,000,000	–	24,000,000	30 July 2004	28 June 2004 to 27 December 2005	28 December 2005 to 27 June 2014	0.023	0.023
Mr. WONG	60,000,000	–	60,000,000	14 August 2006	28 June 2006 to 27 June 2007	28 June 2007 to 27 June 2016	0.078	0.068
	<u>84,000,000</u>	<u>–</u>	<u>84,000,000</u>					
Other employees								
2004 options	24,000,000	–	24,000,000	30 July 2004	28 June 2004 to 27 December 2005	28 December 2005 to 27 June 2014	0.023	0.023
2005 options	30,000,000	–	30,000,000	28 July 2005	28 June 2005 to 27 December 2006	28 December 2006 to 27 June 2015	0.034	0.034
2007 options	30,000,000	–	30,000,000	20 August 2007	21 June 2007 to 20 June 2008	21 June 2008 to 20 June 2017	0.093	0.098
	<u>84,000,000</u>	<u>–</u>	<u>84,000,000</u>					
	<u><u>168,000,000</u></u>	<u><u>–</u></u>	<u><u>168,000,000</u></u>					

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 30 June 2008, the Relevant Companies indirectly hold interest in the following companies:

Yingde Dragon Mountain Cement Company Limited
Prosperity Conch Cement Company Limited
Anhui Chaodong Cement Company Limited
Guangzhou K. Wah Nanfang Cement Limited
Liaoning Prosperity Cement Company Limited
Chongqing Prosperity Cement Company Limited
Yunan Kungang & K. Wah Cement Construction Material Company Limited
Baoshan Kungang & K. Wah Cement Construction Material Company Limited

The above companies (the “Cement Companies”) are engaged in the manufacture, warehouse and sale of clinker and cement in the PRC. Mr. Wong is a director of Yingde Dragon Mountain Cement Company Limited, Prosperity Conch Cement Company Limited, Anhui Chaodong Cement Company Limited and Chongqing Prosperity Cement Company Limited. 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 2008 and the date of this announcement, the Group did not have any transactions with the Cement Companies.

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

So far as is known to any Director or chief executive of the Company, as at 30 June 2008, shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Well Success	(a)	Directly beneficially owned	319,176,000	15.95%
Advance Success	(a) & (b)	Through Well Success	319,176,000	15.95%
Ms. Shing Shing Wai	(c)	Interest of substantial shareholder's spouse	833,027,060	
		Directly beneficially owned	<u>17,000,000</u>	
			850,027,060	42.48%
Harmony Asset Ltd.		Directly beneficially owned	233,000,000	11.64%
Mr. Li Yiu Keung		Directly beneficially owned	288,600,000	14.42%

Notes:

- (a) The entire issued share capital of Well Success is beneficially owned as to 31.47% by Mr. Wong, as to 10.13% by Mr. Ng Hon Fai (formerly a director of the Company) and as to 58.4% by Advance Success. Advance Success is deemed to be interested in the same number of shares in which Well Success was interested under the SFO.
- (b) Advance Success is equally owned by Mr. Wong and Madam Hon. Mr. Wong is the sole director of Advance Success. Each of Mr. Wong and Madam Hon is deemed to be interested in the same number of shares in which Advance Success was interested under the SFO. The interests of Mr. Wong and Madam Hon in the shares of the Company are disclosed under the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above.
- (c) Ms. Shing Shing Wai is the spouse of Mr. Wong and the interests of each of Mr. Wong and Ms. Shing Shing Wai are deemed to be the interests of each other. The figures referred to the same shares.

Save as disclosed above, as at 30 June 2008, 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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 (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 one meeting during the Relevant Period. The Audit Committee has reviewed the Group's unaudited first quarterly report for the three months ended 30 June 2008.

DISCLOSURE UNDER RULE 17.23 OF THE GEM LISTING RULES

Loan Agreement with Fubon Bank (Hong Kong) Limited

On 1 August 2008, Sharp Advance International Limited ("Sharp Advance"), an indirect wholly-owned subsidiary of the Company, entered into a loan facility agreement (the "Loan Agreement") with Fubon Bank (Hong Kong) Limited ("Fubon Bank"), whereby subject to the terms of the Loan Agreement, Fubon Bank has agreed to make available to Sharp Advance a term loan facility in the aggregate amount of HK\$30,000,000 for a term of 3 years commencing from the date of first drawdown of the loan, repayable by nine quarterly instalments with the first repayment instalment due on the date falling 12 months after the first drawdown date.

As a condition precedent to Fubon Bank making the loan available to Sharp Advance, Mr. Wong, a director and the controlling shareholder of the Company, is required to provide a guarantee and indemnity in favour of Fubon Bank (the "Guarantee"). Pursuant to the terms of the Guarantee, specific performance obligations are imposed on Mr. Wong during the term of the loan, among other things, to (1) continue to act as a director and controlling shareholder of the Company; and (2) procure that the Company will continue to directly or indirectly hold the entire issued share capital of Sharp Advance and Prosperity Cement (Asia) Limited ("Prosperity Cement"), both indirect wholly owned subsidiaries of the Company.

Non-compliance with the aforesaid obligations by Mr. Wong will constitute an event of default under the Loan Agreement; upon the occurrence of which Fubon Bank shall have the right to declare the loan terminated whereupon the obligations of Fubon Bank to make further advances shall immediately cease and to declare the loan, accrued interest and all other sums owing under the Loan Agreement to

be immediately due and payable or Fubon Bank may take any action, exercise any right or pursue other remedies conferred on Fubon Bank or by any applicable law or regulation or otherwise as a consequence of such event of default. The obligations under the Guarantee have been complied with.

Facility Agreements with Hang Seng Bank Limited

On 4 August 2008, the Company entered into a term facility agreement (the “Term Facility Agreement”) with Hang Seng Bank Limited (“HS Bank”). Pursuant to the Term Facility Agreement, a term loan facility of US\$4,100,000 (equivalent to approximately HK\$31,980,000 based on the exchange rate of US\$1:HK\$7.8) is made available to the Company for a term of two years commencing from the date of first drawdown of the loan. The term loan is repayable by quarterly instalments with the first repayment instalment due on the date falling 9 months after the first drawdown date.

Also, on 4 August 2008, Prosperity Cement, an indirect wholly-owned subsidiary of the Company, entered into a trade facility agreement (the “Trade Facility Agreement”) with HS Bank. Pursuant to the Trade Facility Agreement, a trade facility of HK\$60,000,000 is made available to Prosperity Cement for the issuance of documentary credits, trust receipt facility and issuance of standby documentary credits.

Pursuant to the terms of the Term Facility Agreement and the Trade Facility Agreement, the Company and Prosperity Cement have undertaken, among other things, to procure Mr. Wong, a director and the controlling shareholder of the Company, to continue to be the director and the controlling shareholder of the Company. Default will be caused in respect of the term loan facility and/or the trade facility which are significant to the operations of the Company when such undertaking is breached. The obligation under the Term Facility Agreement and Trade Facility Agreement has been complied with.

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 of the Company who have different expertise in managing the business and other matters of the Group.

The primary responsibilities of the Chairman are to provide leadership to the Board in setting corporate goals and deriving long term strategic plans of the Company, overseeing the performance of the Board in achieving such corporate goals and strategic objective and taking a lead to ensure that the Board acts in the best interest of the company and shareholders as a whole.

The primary responsibilities of the chief executive officer of the Company are to provide leadership for the management of the Company, taking a lead to implement the Company's strategies and oversee the performance of the management in achieving corporate goals and strategic objectives.

Although the roles of the Chairman and the chief executive officer have been clearly established above, it has not yet been set out in writing until it has been written and confirmed by the Board at the meeting held on 13 August 2008.

(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 Board 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 annual general meeting and the absence of 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 second quarter of the financial year 2009, 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, 13 August 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 seven days from the date of its posting and on the Company’s website at <http://www.equitynet.com.hk/8139>.