



Prosperity International Holdings (H.K.) Limited

昌興國際控股(香港)有限公司

(Incorporated in Bermuda with limited liability)



First Quarterly Report **2001**

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This report, for which the directors of Prosperity International Holdings (H.K.) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Prosperity International Holdings (H.K.) Limited. The

directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: i. the information contained in this report 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 report misleading; and iii. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- **Turnover increased by approximately HK\$147,000 for the three months ended 30th June 2001 representing an approximately 0.5% increase to the corresponding period in 2000.**
- **Achieved a net profit of approximately HK\$3,304,000 for the three months ended 30th June 2001.**
- **The Board of Directors (the “Board”) of Prosperity International Holdings (H.K.) Limited (the “Company”) does not recommend the payment of an interim dividend for the three months ended 30th June 2001.**

QUARTERLY RESULTS

The Board of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the three months ended 30th June 2001 together with the comparative figures for the corresponding period ended 30th June 2000 as follows:

	<i>Notes</i>	For the three months ended 30th June	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	<u>31,839</u>	<u>31,692</u>
Cost of sales		<u>(22,420)</u>	<u>(23,441)</u>
Gross profit		9,419	8,251
Other revenue		173	12
Selling expenses		(751)	(537)
Administrative expenses		<u>(2,758)</u>	<u>(2,849)</u>
Profit from operating activities		6,083	4,877
Finance costs		<u>(1,077)</u>	<u>(536)</u>
Profit before tax		5,006	4,341
Tax	4	<u>(1,330)</u>	<u>(585)</u>
Net profit before minority interests		3,676	3,756
Minority interests		<u>(372)</u>	<u>(289)</u>
Net profit from ordinary activities attributable to shareholders		<u>3,304</u>	<u>3,467</u>
Dividends		<u>–</u>	<u>–</u>
Earnings per share	5		
– Basic (in cents)		<u>0.92 cent</u>	<u>0.96 cent</u>
– Diluted (in cents)		<u>N/A</u>	<u>N/A</u>

Notes:

1. Group Reorganization and Basis of Presentation

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 17th August 2000 under the Company Act 1981. Pursuant to a group reorganization (the "Reorganization") in preparation for the listing of the Company's shares on GEM, the Company acquired the entire issued share capital of Profit World Ventures Limited and became the holding company of the subsidiaries comprising the Group on 22nd March 2001. Details of the Reorganization are set out in the prospectus of the Company dated 24th July 2001 (the "Prospectus"). The shares of the Company ("Shares") were listed on GEM of the Stock Exchange on 2nd August 2001.

The unaudited consolidated results of the Group for the three months ended 30th June 2001 include the results of the Company and all of its subsidiaries for the three months ended 30th June 2001.

The comparative unaudited consolidated results have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their acquisition pursuant to the Reorganization on 22nd March 2001. Accordingly, the unaudited consolidated results of the Group for the three months ended 30th June 2000 included the results of the Company and its subsidiaries with effect from 1st April 2000 as if the current Group structure has been in existence throughout the three months ended 30th June 2000.

In the opinion of the Directors, the unaudited consolidated results prepared on the above basis present more fairly the results of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. Principal Accounting Policies

The principal accounting policies adopted in preparing the unaudited consolidated results conform with Hong Kong Statements of Standard Accounting Practice and accounting principles generally accepted in Hong Kong. The unaudited consolidated results have been prepared under the historical cost convention except for the remeasurement of leasehold land and buildings.

3. Turnover

Turnover represents the net invoiced value of goods sold, net of valued added tax ("VAT"), after allowances for returns and trade discounts where applicable. All significant inter-group transactions has been eliminated on consolidation.

4. Tax

No provision for Hong Kong Profits Tax has been made in the account as the Group has no assessable profits arising in Hong Kong for the three months ended 30th June 2001 and the corresponding period in 2000.

The subsidiary operates in the People's Republic of China (the "PRC"), Guangzhou Xingda Decorative Sheets Co., Ltd. ("GXDS"), is exempted from PRC income tax for two years from its first profit-making year of operations and thereafter is eligible for 50% relief from income tax for the following three years under the Income Tax Law of the PRC. The first profit-making year of GXDS was the year ended 31st December 1996. The current tax rate that is applicable to GXDS is 24% (2000: 12%).

No deferred tax had been provided for the Group because there were no significant timing differences as at 30th June 2001 (2000: Nil).

5. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of approximately HK\$3,304,000 (2000: HK\$3,467,000) and the 360,000,000 shares of the Company in issue (pro forma number of shares in issue for the three months ended 30th June 2000: 360,000,000 shares) during the three months ended 30th June 2001.

No diluted earnings per share has been presented because the Group did not have any dilutive potential ordinary shares during the three months ended 30th June 2001 and the corresponding period in 2000.

6. Movement of reserves

A revaluation surplus reserve of approximately HK\$4,291,000 arises from the Group's interests in its medium term leasehold land and buildings as at 31st May 2001. Save as the revaluation reserve and the net profit from ordinary activities, there has been no movement of reserves during the three months ended 30th June 2001 and the corresponding period in 2000.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30th June 2001 (three months ended 30th June 2000: Nil).

FINANCIAL PERFORMANCE

The unaudited consolidated turnover of the Group for the three months ended 30th June 2001 was approximately HK\$31,839,000, representing an increase of 0.5% as compared to the corresponding three months period in 2000. Unaudited consolidated gross profit and net profit from ordinary activities attributable to shareholders of the Group for the three months ended 30th June 2001 were approximately HK\$9,419,000 and HK\$3,304,000 respectively, representing an increase of 14.2% and a decrease of 4.7% respectively as compared to the three months ended 30th June 2000 which is mainly due to the loss of tax exemption benefit during the said period.

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and sales of decorative sheets, formally known as high pressure laminates of which divided into 3 categories namely: standard, metal-foil and postforming grade which are sold under its own brand names “Pearl” and “Waika” catered for low to middle-end and high-end markets respectively.

The Group has put much effort in promoting newly launched postforming grade decorative sheet under the new brand name of “Waika” which contributes high profit margin. Our customers were testing the reliability and performance through trial orders within the period of three months ended 30th June 2001 plus the fact that this period is traditionally low season in the industry, hence the total sales of our postforming grade decorative sheet represents a small percentage in the total turnover of the Group. However, a steady growth of sales in the postforming grade decorative sheet has been noted throughout the said period.

OUTLOOK

With the increasing demand and acquire greater prominence of our postforming grade decorative sheets in the PRC market, the Group has confidence to expand our sales and distributions in this market in the coming peak seasons from July to December. Moreover, our Group has committed to participate a national exhibition that will be held in Guangzhou on 18th August 2001. Through our participation in national and international exhibitions, enforcement in advertising and promotions and our sales team, we have faith to further explore new markets both in the PRC and other Asian markets. With the Olympic 2008 to be held in Beijing and the “Go West Project”, the Group will take up every opportunity in the decorative material market. We have absolute confidence to provide utmost return to our shareholders and to become the biggest manufacturer of decorative sheets in the PRC in coming years.

SUBSTANTIAL SHAREHOLDERS

Subsequent to the listing of the Shares on GEM on 2nd August 2001, the following entity had or deemed to have interest of 10% or more of the issued share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of voting power
Well Success Group Limited	319,680,000	66.60%

Well Success Group Limited is ultimately beneficially owned as to 20.8% by Mr. Wong Ben Koon ("Mr. Wong"), 20.8% by Mr. Ng Hon Fai and 58.4% by Advance Success Limited which is owned as to 50% by Mr. Wong and 50% by Madam Hon Ching Fong.

DIRECTOR'S INTERESTS IN SECURITIES

Subsequent to the listing of the Shares on GEM on 2nd August 2001, according to the register of interests required to be kept under Section 29 of the SDI Ordinance or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rule 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM, the interests of Directors in the share capital of the Company and its associates were as follows:

Directors	Types of interest	Number of issued shares held
<i>The Company</i>		
Mr. Wong (Note 1)	Corporate	319,680,000 Shares
Madam Hon Ching Fong (Note 2)	Corporate	319,680,000 Shares
<i>Xingda Decorative Sheets Company Limited</i>		
Mr. Wong (Note 3)	Personal	3,118,127 shares
Mr. Ng Hon Fai (Note 4)	Personal	3,118,125 shares

Notes:

1. Mr. Wong is interested in the Shares through its interests in Well Success Group Limited which is owned as to 20.8% by Mr. Wong and 58.4% by Advance Success Limited, which is in turn owned as to 50% by Mr. Wong.
2. Madam Hon Ching Fong is interested in the Shares through its interest in Well Success Group Limited which is owned as to 58.4% by Advance Success Limited, which is in turn owned as to 50% by Madam Hon Ching Fong.
3. Mr. Wong is (a) the registered and beneficial owner of 3,118,125 deferred shares of HK\$1.00 each in Xingda Decorative Sheets Company Limited and (b) the registered holder of 1 deferred share of HK\$1.00 each and 1 ordinary share of HK\$1.00 each in Xingda Decorative Sheets Company Limited.
4. Mr. Ng Hon Fai is the registered and beneficial owner of 3,118,125 deferred shares of HK\$1.00 each in Xingda Decorative Sheets Company Limited.

SHARE OPTION SCHEME

As at 13th August 2001 (the date of this report), no options had been granted or agreed to be granted to any Director of the Company under the share option scheme which was approved by a written resolution of all the Shareholders of the Company on 18th July 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than the share option scheme as described above, at no time during the three months ended 30th June 2001 was the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and none of the Directors or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

INTERESTS OF THE SPONSOR

On 23rd July 2001, Oriental Patron Asia Limited (“Oriental Patron”) had entered into a sponsorship agreement with the Company whereby, for a fee, Oriental Patron will act as the Company’s continuing sponsor for the purpose of Chapter 6 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the period from 2nd August 2001 to 31st March 2004.

None of Oriental Patron, its directors, employees nor associates had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities for the Company or any member of the Group as at 13th August 2001.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competes or might compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee which comprised of two members, namely Mr. Mo Kwok Choi and Mr. Chen Guowei, both being independent Non-Executive Directors of the Company in July 2001 with written terms of reference being in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial process and internal control systems of the Group and to provide advice and comments to the Board.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares up to 13th August 2001.

By order of the Board

Wong Ben Koon

Chairman

Hong Kong, 13th August 2001