



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

Ready to **Grow!**



interim report 2009

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This report, 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 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 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.

INTERIM RESULTS FOR 2009

FINANCIAL HIGHLIGHTS

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

- The unaudited consolidated turnover for the Relevant Period was approximately HK\$440 million;
- The unaudited consolidated net profit attributable to equity holders of the Company for the Relevant Period was approximately HK\$11 million, representing a slight increase of approximately 3.9% as compared with the corresponding period last year;
- Basic earnings per share for the Relevant Period amounted to approximately HK0.55 cents;
- The directors of the Company (the "Directors") do not recommend the payment of any interim dividend for the Relevant Period.

The unaudited consolidated results of the Group for the six months ended 30 September 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 1,017,000 tonnes of clinker and cement, representing an increase of approximately 8.4% as compared with the corresponding period last year.

Clinker and cement exports from the People's Republic of China (the "PRC") came under pressure in this period, arising from the substantial increase in the cost of clinker and cement. This is as a result of a hike in fuel price and raw material cost, in particular coal, and the substantial appreciation of Renminbi ("RMB") which led the PRC producers to increase their export prices in order to protect their eroding profit margin. The high level of global sea-freight for dry bulk cargoes combined to push up the selling price. China clinker and cement export volume is also restricted by the widening disparity between local cement price and export price due to strong domestic demand for cement in the first half.

In response to these challenges, our management adopted an aggressive pricing strategy to maintain price affordability and maintain our market share. The bulk of our sales are mainly on contract basis which cover the whole of 2008 where prices have been locked in with the suppliers and customers early of the year. As such, our performance was not affected by the volatile business environment in the first half.

Leveraging on the Group's management expertise, extensive experience and strong sales network in trading of construction materials in the region, the management is confident that the Group can sustain the level of sales volume and profit of last financial year. During the reporting period, 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 market 21.2%, the Oceanian market 3.8% and the Asian market 66.5% of the turnover.

The Group provides a one-stop solution to its customers, which involves meeting with 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 business to the mineral resources mining production business, on 31 March 2008, the Group acquired 60% of the issued share capital 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”). 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 new shares of HK\$0.01 each of the Company. Details of the acquisition were disclosed in a circular dated 14 December 2007 issued by the Company (the “Circular”).

Guilin Star Brite, a wholly foreign owned enterprise established in the PRC, 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, is capable of producing high quality white-colour dimension stone and feldspar powder.

Prior to the acquisition by the Company, small scale exploitation work had been undertaken at the Granite Mining Site. After completion of the acquisition of WM Aalbrightt on 31 March 2008, the Company has undertaken necessary site development work to plan for the recommencement of a larger scale production at the Granite Mining Site on the renewal of the mining permit. Further stripping work has been carried out by the Company, as a result of which the granite rock is now widely exposed and easily visible. The quarry extraction plan has been drawn up with a view to maximizing the production of high value dimension stone. Other necessary site preparation and road improvement work are well underway. The total capital commitment required for the aforesaid preparation work amounted to approximately RMB2 million. Samples of products from the Granite Mining Site have also been provided to potential customers as part of the marketing plan.

On 24 October 2008, the Company announced that the mining permit of the Granite Mining Site, which expired in September 2008, was renewed by Guilin Star Brite on 8 October 2008. The renewed mining permit, issued by the Ministry of Land and Resources, PRC to Guilin Star Brite, allows Guilin Star Brite to produce up to 40,000 m³ of granite products per year for a period of ten years. The mining permit is effective as of 18 September 2008 and will expire on 18 September 2018.

With all the above preparatory work being undertaken and following the renewal of the mining permit, production at the Granite Mining Site is expected to recommence in December 2008, and high quality white-colour dimension stone from the site is expected to be sold to customers starting from early 2009. An independent technical consultancy firm which specialises in geological advice, resource evaluation, mining engineering and mine valuation services has verified and confirmed that the approximately 4 million m³ granite stone quantity described in the Circular based on a site area of approximately 0.8 km² inside the mining permit area of approximately 2 km² is now classified as probable reserves; and the reserves are adequate to at least serve the quarry production plan at the Granite Mining Site throughout the 10-year mining permit period. In addition to dimension stone, the Group also planned for a factory close to the Granite Mining Site to process the non-dimension stone material exploited from the site into high value-added feldspar powder, which is used in the ceramic and glass industries. Production equipment has been ordered and pre-construction site preparation work for the factory has commenced. This new facility is expected to require further capital commitment of RMB16 million to RMB18 million and would help to optimise the full reserve at the Granite Mining Site when completed.

Given that the PRC property market will continue to grow due to high urbanization and the increasing affluence of the home-owners, the local demand for granite-derived construction and building materials will be 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 and the total investment contributed by the Group amounted to RMB25 million.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

The board of directors of the Company (the "Board") is pleased to announce the condensed consolidated results of the Group for the six months ended 30 September 2008, together with the comparative figures for the corresponding period last year, as follows:

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	3	224,474	133,094	439,980	318,838
Cost of goods sold		(208,794)	(125,313)	(410,242)	(297,567)
Gross profit		15,680	7,781	29,738	21,271
Other income	4	1,476	1,668	3,987	3,679
Selling and distribution costs		(7,031)	(345)	(13,324)	(6,932)
Administrative expenses		(5,024)	(3,896)	(8,956)	(6,373)
Finance costs		(238)	(248)	(413)	(566)
Profit before tax		4,863	4,960	11,032	11,079
Income tax expense	7	(40)	(200)	(180)	(500)
Profit for the period		4,823	4,760	10,852	10,579
Attributable to:					
Equity holders of the Company		4,889	4,760	10,996	10,579
Minority interest		(66)	—	(144)	—
		4,823	4,760	10,852	10,579
Earnings per share					
– basic (2007: Restated)	8	HK0.24 cents	HK0.30 cents	HK0.55 cents	HK0.71 cents
– diluted (2007: Restated)	8	HK0.23 cents	HK0.28 cents	HK0.52 cents	HK0.68 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2008 (Unaudited) <i>HK\$'000</i>	As at 31 March 2008 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,159	1,128
Interests in an associate	11	28,074	28,074
Mining right	12	192,640	192,640
Deposit for acquisition of land use rights		2,072	—
		<hr/> 223,945	<hr/> 221,842
Current assets			
Trade and bills receivables	13	35,563	37,775
Prepayments, deposits and other receivables		12,923	5,240
Current tax assets		217	—
Pledged bank deposits	14	3,930	9,032
Bank and cash balances	14	64,176	42,164
		<hr/> 116,809	<hr/> 94,211
Total assets		<hr/> 340,754	<hr/> 316,053
EQUITY			
Capital and reserves			
Share capital	15	20,012	20,012
Reserves		107,231	96,083
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		127,243	116,095
Minority interests		57,569	57,713
		<hr/>	<hr/>
Total equity		<hr/> 184,812	<hr/> 173,808

		As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Bank borrowings	16	19,188	—
Obligations under finance leases		59	147
Deferred tax liabilities		48,160	48,160
		<hr/> 67,407 <hr/>	<hr/> 48,307 <hr/>
Current liabilities			
Trade and bills payables	17	11,344	18,607
Other payables	18	61,883	66,176
Due to a related company		—	90
Trade deposits received		—	203
Current tax liabilities		—	18
Bank borrowings	16	15,137	8,679
Current portion of obligations under finance leases		171	165
		<hr/> 88,535 <hr/>	<hr/> 93,938 <hr/>
Total liabilities		<hr/> 155,942 <hr/>	<hr/> 142,245 <hr/>
Total equity and liabilities		<hr/> 340,754 <hr/>	<hr/> 316,053 <hr/>
Net current assets		<hr/> 28,274 <hr/>	<hr/> 273 <hr/>
Total assets less current liabilities		<hr/> 252,219 <hr/>	<hr/> 222,115 <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in the shareholders' equity of the Group for the Relevant Period are as follows:

	Attributable to equity holders of the Company									
	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Foreign currency		Share-based Contributed surplus (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Accumulated		Minority interest (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
			translation reserve (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000			profits/ (losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000		
At 1 April 2007	13,902	3,908	—	14,878	1,179	—	(10,738)	23,129	—	23,129
Profit for the period	—	—	—	—	—	—	10,579	10,579	—	10,579
Issue of shares on placement	2,780	20,572	—	—	—	—	—	23,352	—	23,352
Share issue expenses	—	(734)	—	—	—	—	—	(734)	—	(734)
Recognition of share-based payments	—	—	—	—	235	—	—	235	—	235
At 30 September 2007	16,682	23,746	—	14,878	1,414	—	(159)	56,561	—	56,561
At 1 April 2008	20,012	48,837	2,640	14,878	1,933	50	27,745	116,095	57,713	173,808
Translation difference	—	—	152	—	—	—	—	152	—	152
Profit for the period	—	—	—	—	—	—	10,996	10,996	(144)	10,852
At 30 September 2008	20,012	48,837	2,792	14,878	1,933	50	38,741	127,243	57,569	184,812

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash used in operating activities	(6,034)	(3,392)
Net cash generated from / (used in) investing activities	2,895	(14,720)
Net cash generated from financing activities	25,151	25,287
	<hr/>	<hr/>
Net increase in cash and cash equivalents	22,012	7,175
Cash and cash equivalents at beginning of the period	42,164	18,612
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	64,176	25,787
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is Suites 1801-6, 18/F., Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Directors, Mr. Wong Ben Koon is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of the Hong Kong Limited.

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

3. 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.

4. OTHER INCOME

	For the six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commission received	839	513
Despatch income	1,690	2,511
Interest income	164	433
Net foreign exchange gains	80	—
Others	1,214	222
	<hr/>	<hr/>
	3,987	3,679
	<hr/> <hr/>	<hr/> <hr/>

5. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organized 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 – mining and processing of granite and selling of granite products.

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

Six months ended 30 September:

	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	439,980	318,838	—	—	—	—	439,980	318,838
Segment results	11,899	10,918	—	—	—	—	11,899	10,918
Unallocated expenses							(4,441)	(2,952)
Other income							3,987	3,679
Finance costs							(413)	(566)
Income tax expense							(180)	(500)
Profit for the period							10,852	10,579
ASSETS								
Segment assets	107,553	68,024	202,754	—	—	—	310,307	68,024
Interests in an associate							28,074	25,434
Unallocated assets							2,373	1,792
Total assets							340,754	95,250
LIABILITIES								
Segment liabilities	17,065	35,973	156	—	—	—	17,221	35,973
Unallocated liabilities							138,721	2,716
Total liabilities							155,942	38,689
OTHER INFORMATION								
Capital expenditure	22	980	113	—	—	—	135	980
Depreciation	38	23	—	—	66	65	104	88
Share-based payments	—	—	—	—	—	235	—	235

(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.

Six months ended 30 September 2008

	Europe	Asia except the PRC	The PRC	Others	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	92,753	293,205	—	54,022	—	439,980
ASSETS						
Segment assets	—	107,553	202,754	—	—	310,307
Interests in an associate	—	—	—	—	28,074	28,074
Unallocated assets	—	—	—	—	2,373	2,373
Total assets	—	107,553	202,754	—	30,447	340,754
OTHER INFORMATION						
Capital expenditure	—	22	113	—	—	135

Six months ended 30 September 2007

	Europe <i>HK\$'000</i>	Asia except the PRC <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	75,463	218,529	24,846	—	318,838
ASSETS					
Segment assets	—	68,024	—	—	68,024
Interests in an associate	—	—	—	25,434	25,434
Unallocated assets	—	—	—	1,792	1,792
Total assets	—	68,024	—	27,226	95,250
OTHER INFORMATION					
Capital expenditure	—	980	—	—	980

6. STAFF COSTS

	For the six months ended 30 September	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries, bonus, allowances and other costs	5,002	3,504
Share-based payments	—	235
Retirement benefits scheme contributions	232	159
	<u>5,234</u>	<u>3,898</u>

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong Profits Tax – current	180	500

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

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.

8. 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 and six months ended 30 September 2008 of approximately HK\$4,889,000 and HK\$10,996,000 respectively (three months and six months ended 30 September 2007: approximately HK\$4,760,000 and HK\$10,579,000 respectively) and the weighted average number of ordinary shares of 2,001,171,060 and 2,001,171,060 respectively (three months and six months ended 30 September 2007: 1,598,671,060 and 1,494,990,730 respectively as adjusted to reflect the share subdivision in January 2008) in issue during the three months and six months ended 30 September 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 and six months ended 30 September 2008 of approximately HK\$4,889,000 and HK\$10,996,000 respectively (three months and six months ended 30 September 2007: approximately HK\$4,760,000 and HK\$10,579,000 respectively) and the weighted average number of ordinary shares for the three months and six months ended 30 September 2008 of 2,124,297,347 and 2,127,710,385 (three months and six months ended 30 September 2007: 1,678,225,110 and 1,565,365,640 respectively as adjusted to reflect the share subdivision in January 2008), being the weighted average number of ordinary shares of 2,001,171,060 and 2,001,171,060 in issue during the three months and six months ended 30 September 2008 (three months and six months ended 30 September 2007: 1,598,671,060 and 1,494,990,730 respectively 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 123,126,287 and 126,539,325 respectively (three months and six months ended 30 September 2007: 79,554,050 and 70,374,910 respectively 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 and six months ended 30 September 2008.

9. DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to fixed assets amounted to approximately HK\$135,000 and there was no disposal of fixed assets.

11. INTERESTS IN AN ASSOCIATE

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
Share of net assets other than goodwill	27,733	27,733
Goodwill	341	341
	<hr/>	<hr/>
Unlisted investment	28,074	28,074
	<hr/> <hr/>	<hr/> <hr/>

Details of the Group's associate at 30 September 2008 are as follows:

Name	Place of incorporation	Particulars of registered capital	Percentage of interest held	Principal activities
Jiangdu Haichang Port Industrial Company Limited	The PRC	RMB100 million	25%	Not yet commenced business

12. MINING RIGHT

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
Cost and carrying amount		
At 31 March 2008 and 30 September 2008	192,640	192,640
	<hr/> <hr/>	<hr/> <hr/>

The mining right represents the mining permit of the Granite Mining Site located in the PRC.

No amortisation has been provided for the year as the mining activity has not yet commenced.

13. 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:

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
0 to 90 days	35,563	37,775

14. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank deposits of approximately HK\$2,628,000 (31 March 2008: HK\$2,591,000) bear interest at fixed interest rate of 2.3% per annum (31 March 2008: 3.2% per annum) and therefore are subject to fair value interest rate risk. The remaining bank deposits of approximately HK\$65,319,000 (31 March 2008: HK\$48,429,000) bear interests at rate varies with the then prevailing market condition, which expose to cash flow interest rate risk.

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 19 to the condensed consolidated financial statements.

Included in bank and cash balances is an amount of approximately HK\$1,669,000 as at 30 September 2008 (31 March 2008: HK\$991,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 (31 March 2008: HK\$0.01) each		
At 31 March 2008 and 30 September 2008	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 (31 March 2008: HK\$0.01) each		
At 31 March 2008 and 30 September 2008	2,001,171,060	20,012

On 20 October 2008, the Company allotted 183,750,000 new shares of HK\$0.01 each as part of the consideration payable to acquire the 60% equity interest in WM Aalbrightt as defined and detailed under the section headed "BUSINESS REVIEW" in this report.

16. BANK BORROWINGS

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
Bank loans	34,325	8,679

The carrying amounts of the bank loans are denominated in the following currencies:

	HK\$ HK\$'000	US\$ HK\$'000	Total HK\$'000
As at 30 September 2008	2,345	31,980	34,325
As at 31 March 2008	2,669	6,010	8,679

The range of effective interest rate at 30 September 2008 were as follows:

	As at 30 September 2008	As at 31 March 2008
Bank loans	3.3% to 6.0%	3.3% to 5.0%

All bank loans are arranged at floating rate, thus exposing the Group to cash flow interest rate risk.

17. TRADE AND BILLS PAYABLES

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

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
0 to 90 days	11,344	18,607

18. OTHER PAYABLES

The Group's other payables mainly represented the balance of consideration payable to acquire the 60% equity interest in WM Aalbrightt.

19. BANKING FACILITIES

As at 30 September 2008, the Group's banking facilities were secured by:

- (a) equity interest in two subsidiaries;
- (b) a negative pledge by a subsidiary;
- (c) charge over certain bank deposits (note 14) of the Group;
- (d) corporate guarantee of the Company;
- (e) corporate guarantee of a subsidiary; and
- (f) personal guarantee executed by a Director, Mr. Wong Ben Koon, of the Company.

As at 31 March 2008, the Group's banking facilities were secured by:

- (a) the charge over certain bank deposits (note 14) of the Group;
- (b) corporate guarantee of the Company;
- (c) corporate guarantee of a subsidiary; and
- (d) personal guarantee executed by a Director, Mr. Wong Ben Koon, of the Company.

20. COMPARATIVE AMOUNTS

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

FINANCIAL PERFORMANCE

The Group recorded a turnover and net profit attributable to equity holders of the Company of approximately HK\$440 million and approximately HK\$11 million respectively during the Relevant Period. They were mainly contributed by the clinker and cement trading business during the period.

While sales turnover for the period has substantially increased by approximately 38% as a result of higher selling prices of our clinker and cement, our trading volume has actually increased by 8.4%. 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 substantial increase was mainly due to the increase in sales commission paid to sales agents to secure sales contracts and explore business opportunities with potential customers.

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 and legal and professional fee paid to professional parties 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 investment in an associated company.

Profit attributable to equity holders of the Company for the Relevant Period amounted to approximately HK\$11 million, representing a slight increase of approximately 3.9% as compared with the corresponding period last year.

FINANCIAL RESOURCES , LIQUIDITY AND GEARING RATIO

During the Relevant Period, 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 30 September 2008, the facilities offered by the banks to finance the business activities of the Group amounted to approximately HK\$245.5 million.

As at 30 September 2008, the cash and bank balances including pledged bank deposits of the Group amounted to approximately HK\$68.1 million. The increase in bank balance was resulted from the strong cash inflow generated by the sales of clinker and cement and the drawdown of a two-year term loan of US\$4,100,000 (equivalent to approximately HK\$31,980,000 based on the exchange rate of US\$1: HK\$7.8) granted by Hang Seng Bank Limited during the Relevant Period.

The Group's gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 10.1% as at 30 September 2008 (31 March 2008: 2.8%). The increase was mainly due to the drawdown of the above-mentioned bank loan during the Relevant Period.

FOREIGN EXCHANGE EXPOSURE

The sales and purchases of the clinker and cement business are conducted predominately in US dollars. The granite mining and production business are conducted in RMB. The Group does not currently engage in hedging activities against the foreign exchange exposure, as it believes that the 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.

HUMAN RESOURCES

As at 30 September 2008, the Group had a total of 35 staff members, 16 of them based in the PRC and 19 based in Hong Kong.

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.

CONTINGENT LIABILITIES

As at 30 September 2008, the Group did not have any significant contingent liabilities (31 March 2008: Nil).

CHARGE ON GROUP ASSETS

The following assets held by the Group were pledged to banks to secure banking facilities granted to the Group as set out in note 19 to the condensed consolidated financial statements:

- (a) Pledged bank deposits of approximately HK\$3.9 million (31 March 2008: approximately HK\$9.0 million);
- (b) 100% equity interest in Sharp Advance International Limited ("Sharp Advance"), an indirect wholly-owned subsidiary of the Company; and
- (c) 60% equity interest in WM Aalbrightt.

COMMITMENTS

As at 30 September 2008, the Group had the following commitments:

(a) Operating lease commitments – as lessee

As at 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
Within one year	92	37

Operating lease payments represent rentals payable by the Group for an office premises. 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

	As at 30 September 2008 HK\$'000	As at 31 March 2008 HK\$'000
Contracted but not provided for acquisition of property, plant and equipment	3,285	1,374
Capital contributions to a subsidiary	6,646	13,200

FUTURE GROWTH STRATEGIES

During the Relevant Period, the Group continued 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. Though we foresee the market to be volatile in the coming months especially due to the volatile sea freight, our risks and positions are largely covered as the main bulk of our business are on yearly contractual basis. We shall continue with our proven strategy of emphasising on long term contracts in all our strategic 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 December 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 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 the building material and mineral resources 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 six months ended 30 September 2008.

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

As at 30 September 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			Percentage of the Company's issued share capital	
	Directly beneficially owned	Through controlled corporation	Interest of director's spouse	Total	
Mr. Wong Ben Koon ("Mr. Wong")	513,851,060	319,176,000 (Note)	17,000,000	850,027,060	42.48%

Note:

Mr. Wong is interested in the shares of the Company through his 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 Ching Fong ("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 September 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 September 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 September 2008, the number of shares in respect of which options had been granted under the scheme was 168,000,000 (30 September 2007: 168,000,000 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 September 2008	Date of grant of share options	Vesting period	Exercise period	Closing price of share immediately before date of grant of options	
							Exercise price of share options HK\$	Exercise price of share 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>168,000,000</u>	<u>—</u>	<u>168,000,000</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 September 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
Guizhou Anshun Changxing Cement 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 report, 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 report, 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 September 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%
Madam Hon	(a) & (b)	Through Well Success and Advance Success	319,176,000	15.95%
Ms. Shing Shing Wai	(c)	Interest of substantial shareholder's spouse	833,027,060	
		Directly beneficially owned	17,000,000	
			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 in the shares of the Company is 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 September 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.

RESIGNATION OF EXECUTIVE DIRECTOR, APPOINTMENT OF EXECUTIVE DIRECTOR AND APPOINTMENT OF MEMBER OF REMUNERATION COMMITTEE

Madam Hon resigned as executive director of the Company with effect from 23 September 2008.

Mr. Sun Yong Sen (“Mr. Sun”), aged 62, has been appointed as executive director and deputy chairman of the Company with effect from 23 September 2008. Mr. Sun had served as a chairman of board of directors of Zhejiang Southeast Electric Power Company Limited, a company listed on the Shanghai Stock Exchange, from June 2003 to April 2006. He has in-depth and extensive experience in financial management, business development and project management in steel and energy industries.

Mr. Mo Kwok Choi, an independent non-executive director of the Company, has been appointed as a member of the remuneration committee of the Company with effect from 23 September 2008.

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 two meetings during the Relevant Period. The audit committee has reviewed the Group’s unaudited interim report for the six months ended 30 September 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, 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. The total amount of HK\$30,000,000 was drawn down on 24 October 2008.

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. The total amount of US\$4,100,000 was drawn down on 8 August 2008.

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 understaking 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:

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 20 August 2008 and was delegated to make himself available to answer questions if raised at the meeting. Mr. Yuen Kim Hung, Michael, a member of audit committee, was delegated to attend the same general meeting to answer questions if raised at the meeting. The absence of the chairman of the Company in annual general meeting and the absence of the chairman of audit committee in the annual general meeting 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 Relevant Period.

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 half 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, 12 November 2008

The Directors of the Company as at the date of this report are:

Executive Directors

Mr. Wong Ben Koon (*Chairman*)
Mr. Sun Yong Sen
Mr. Kong Siu Keung

Independent Non-Executive Directors

Mr. Mo Kwok Choi
Mr. Yuen Kim Hung, Michael
Mr. Yung Ho