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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: 803)

**CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
25% EQUITY INTERESTS IN
LIAONING CHANGQING CEMENT CO. LTD**

On 22 May 2010, Sintex and the Vendor entered into the Equity Transfer Agreement pursuant to which Sintex had conditionally agreed to purchase 25% equity interests in Liaoning Changqing from the Vendor for the Consideration of RMB 100 million (approximately HK\$114 million).

Sintex is an indirect 53.89%-owned subsidiary of the Company. The Vendor is beneficially owned by two directors of Liaoning Changqing and Liaoning Changqing was an indirect 75%-owned subsidiary of PMHL immediately before the completion of the Disposal. Therefore, the Vendor is an associate of a past director of a subsidiary of the Company and hence a connected person of the Company under the HK Listing Rules. The Acquisition thus constitutes a connected transaction for the Company. As the applicable Percentage Ratios for the Acquisition exceed 2.5%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

As none of the Shareholders has a material interest in the transactions contemplated under the Equity Transfer Agreement, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the terms of, and the transactions contemplated under, the Equity Transfer Agreement. Pursuant to Rule 14A.43 of the HK Listing Rules, on 24 May 2010, the Company has obtained a written approval from the Controlling Shareholders to approve the terms of, and the transactions contemplated under, the Equity Transfer Agreement.

An application will be made by the Company to HKSE for a waiver from strict compliance with the requirement to convene a general meeting of the Company to approve the terms of, and the transactions contemplated under, the Equity Transfer Agreement, on the basis that the terms of, and the transactions contemplated under, the Equity Transfer Agreement have been approved by a written approval of the Controlling Shareholders.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and whether the Acquisition is on normal commercial term and in the interests of the Company and the Shareholders as a whole. The Company will also appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and whether the Acquisition is in the interests of the Company and the Shareholders as a whole.

GENERAL

The Company will despatch a circular to the Shareholders in accordance with the requirements under the HK Listing Rules containing, among other things, (a) further information on the Acquisition; (b) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Acquisition; (c) a letter from an independent financial adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; and (d) further information as required under the HK Listing Rules.

INTRODUCTION

Prosperity Minerals Holdings Limited (AIM: PMHL.L), a direct 53.89%-owned subsidiary of the Company which recently disposed of most of its cement manufacturing business in the PRC for HK\$3,800 million, today announced that on 22 May 2010, Sintex, an indirect wholly-owned subsidiary of PMHL, has entered into the Equity Transfer Agreement with the Vendor pursuant to which Sintex has conditionally agreed to purchase 25% equity interests in Liaoning Changqing from the Vendor for a consideration of RMB 100 million (approximately HK\$114 million).

THE EQUITY TRANSFER AGREEMENT

Date : 22 May 2010

Parties : (1) 遼寧燕州築興水泥有限公司 (Liaoning Yan Zhou Zhu Xing Cement Co., Limited*) - as vendor
(2) Sintex International Limited - as purchaser

Assets to be acquired

25% equity interests in Liaoning Changqing.

Conditions precedent

Completion of the Equity Transfer Agreement is conditional upon the fulfilment of, *inter alia*, the following conditions:

- (a) the Equity Transfer Agreement having been approved by the PRC government or regulatory authorities; and
- (b) the Company having complied with the relevant requirements under the HK Listing Rules, including having obtained approval from the Independent Shareholders, with regard to the execution and performance of the Equity Transfer Agreement.

Consideration

The Consideration for the Acquisition is RMB 100 million (approximately HK\$114 million), which shall be paid by Sintex in cash in the following manner:

- (a) Sintex shall pay a sum of RMB90 million (approximately HK\$102.6 million) within 7 Business Days after all the conditions have been satisfied and the Vendor has established a foreign currency account for the receipt of the Consideration; and
- (b) the remaining balance of the Consideration of RMB10 million (approximately HK\$11.4 million) shall be paid in full within 7 Business Days after the relevant PRC government authorities have completed the registration for the transfer of the 25% equity interests in Liaoning Changqing and issued a new business licence for Liaoning Changqing.

The Consideration was arrived at after arm's length negotiation between the Vendor and Sintex with reference to the net asset value of approximately RMB218.5 million (approximately HK\$249.1 million) of Liaoning Changqing as at 30 April 2010 as shown in its unaudited management accounts prepared in accordance with the International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The Group will satisfy the Consideration in cash from its internal resources.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Liaoning Changqing was established as an equity joint venture between the PMHL Group and the Vendor in 2007. Immediately before completion of the Disposal, the PMHL Group and the Vendor held 75% and 25% equity interests, respectively. Following completion of the Disposal on 30 April 2010, Liaoning Changqing has become an indirect 75%-owned subsidiary of TCCI.

The Vendor recently approached PMHL indicating that it wished to sell its 25% interest in Liaoning Changqing because it did not wish to be locked-in a joint venture with an unfamiliar party (TCCI). The Vendor requested PMHL to help find a buyer for its interests in Liaoning Changqing.

Given that PMHL has a long established relationship with both the Vendor and TCCI, and the PMHL Directors believe that the price sought by the Vendor was reasonably attractive, the PMHL Board took the view that it would be in the interests of PMHL and its shareholders if PMHL were to purchase the 25% equity interest in Liaoning Changqing from the Vendor. The PMHL Board believed that PMHL would have the opportunity to sell the 25% interests in Liaoning Changqing at a higher valuation after the plant has started production.

The Board has also been advised by the PMHL Board that the PMHL Group will treat the 25% equity interests in Liaoning Changqing as investment and will not participate in the management and operation of Liaoning Changqing.

In view of the above, the Board concurred with the views of the PMHL Board and considers that the Acquisition would be in the interests of the Company and the Shareholders as a whole.

INFORMATION ON LIAONING CHANGQING

Liaoning Changqing is an equity joint venture enterprise established in the PRC in which Kiton Limited, an indirect wholly-owned subsidiary of TCCI, and the Vendor hold 75% and 25% equity interests, respectively.

Liaoning Changqing recently completed construction of a cement and clinker production line in Liaoning, PRC with a production capacity of 2 million tonnes per annum. Trial production commenced on 3 March 2010, the start of normal production is expected in September 2010.

Upon completion of the Acquisition, Liaoning Changqing will become an associated company of the Company in which the Company has an approximately 13.47% effective interest and will be so treated in the consolidated financial statements of the Company.

FINANCIAL INFORMATION OF LIAONING CHANGQING

The following table sets out the financial information of Liaoning Changqing for the two years ended 31 December 2009 and 2008 based on the unaudited financial statements of Liaoning Changqing for the two years ended 31 December 2009 and 31 December 2008 respective prepared in accordance with the International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board:

	Year ended 31 December			
	2009		2008	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	0	0	0	0
Loss for the year	9,064,000	10,332,960	0	0
	As at 31 December			
	2009		2008	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net assets	223,659,000	254,971,260	125,205,000	142,733,700

INFORMATION ON SINTEX, THE GROUP AND THE VENDOR

Sintex is an investment holding company incorporated in Hong Kong and an indirect wholly-owned subsidiary of PMHL. PMHL is a direct 53.89%-owned subsidiary of the Company incorporated in Jersey and whose shares are admitted to trading on the AIM.

The Group is principally engaged in (i) trading of cement and clinker; (ii) investment in granite material production; (iii) trading of iron ore; and (iv) the operation of public port and other related facilities businesses in the PRC.

The Vendor is a limited liability company incorporated under the laws of the PRC and is principally engaged in the manufacturing and sale of cement and steel products. The Vendor is beneficially owned by two PRC individuals who have been the directors of Liaoning Changqing since its establishment in 2007.

IMPLICATIONS UNDER THE HK LISTING RULES

Sintex is an indirect 53.89%-owned subsidiary of the Company. The Vendor is beneficially owned by two directors of Liaoning Changqing and Liaoning Changqing was an indirect 75%-owned subsidiary of the Company immediately before the completion of the Disposal. Therefore, the Vendor is an associate of a past director of a subsidiary of the Company and hence a connected person of the Company under the HK Listing Rules. The Acquisition constitutes a connected transaction for the Company.

As the applicable Percentage Ratios for the Acquisition exceed 2.5%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

As none of the Shareholders has a material interest in the transactions contemplated under the Equity Transfer Agreement, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the terms of, and the transactions contemplated under, the Equity Transfer Agreement. Pursuant to Rule 14A.43 of the HK Listing Rules, on 24 May 2010, the Company has obtained a written approval from the Controlling Shareholders who together are interested in 4,093,753,540 Shares (representing approximately 74.19% of the issued share capital of the Company as at the date of this announcement), to approve the terms of, and the transactions contemplated under, the Equity Transfer Agreement.

An application will be made by the Company to HKSE for a waiver from strict compliance with the requirement to convene a general meeting of the Company to approve the terms of, and the transactions contemplated under, the Equity Transfer Agreement, on the basis that the terms of, and the transactions contemplated under, the Equity Transfer Agreement have been approved by a written approval of the Controlling Shareholders.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and whether the Acquisition is in the interests of the Company and the Shareholders as a whole. The Company will also appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and whether the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors whose opinions can only be formed after having reviewed the advice from the independent financial adviser) consider that the terms of the Equity Transfer Agreement (including the amount of the Consideration) are on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The Company will despatch a circular to the Shareholders in accordance with the requirements under the HK Listing Rules containing, among other things, (a) further information on the Acquisition; (b) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Acquisition; (c) a letter from an independent financial adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; and (d) further information as required under the HK Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 25% equity interests in Liaoning Changqing by Sintex from the Vendor on the terms of the Equity Transfer Agreement
“AIM”	AIM market of the London Stock Exchange plc
“associate(s)”	has the meaning ascribed to it under the HK Listing Rules
“Board”	the board of Directors

“Business Day”	a day (other than Saturdays, Sundays and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Prosperity International Holdings (H.K.) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of HKSE
“connected person(s)”	has the meaning given to it under the HK Listing Rules
“Consideration”	RMB 100 million (approximately HK\$114 million), being the consideration for the Acquisition
“Controlling Shareholders”	Well Success Group Limited, Prosperity Minerals Group Limited, Max Start Holdings Limited, Max Will Holdings Limited, Mr. Wong and his spouse, which are collectively interested in 4,093,753,540 Shares (representing approximately 74.19% of the issued share capital of the Company as at the date of this announcement). Well Success Group Limited, Prosperity Minerals Group Limited, Max Start Holdings Limited, Max Will Holdings Limited and the spouse of Mr. Wong are all associates of Mr. Wong
“controlling shareholder”	has the meaning given to it under the HK Listing Rules
“Directors”	directors of the Company, and “Director” means any one of them
“Disposal”	the disposal of the entire issued share capital of Upper Value Investments Limited and the related shareholder loan by an indirect wholly-owned subsidiary of PMHL to TCCI, as more particularly set out in the circular of the Company dated 1 February 2010
“Equity Transfer Agreement”	the equity transfer agreement dated 22 May 2010 and entered into between the Vendor as vendor and Sintex as purchaser in respect of the sale and purchase of 25% equity interests in Lioaning Changqing

“Group”	the Company and its subsidiaries from time to time
“HK Listing Rules”	the Rules Governing the Listing of Securities on HKSE
“HKSE”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Board comprising all independent non-executive Directors established by the Board to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and whether the Acquisition is in the interests of the Company and the Shareholders as a whole
“Independent Shareholders”	Shareholders who do not have a material interest in the transactions contemplated under the Equity Transfer Agreement
“Liaoning Changqing”	遼寧昌慶水泥有限公司 (Liaoning Changqing Cement Co. Ltd*), an equity joint venture enterprise established in the PRC in which Kiton Limited, an indirectly wholly-owned subsidiary of TCCI, and the Vendor hold 75% and 25% equity interests, respectively
“Mr. Wong”	Mr. Wong Ben Koon, the Chairman of the Board and an executive Director, and the Chairman and Chief Executive Officer of PMHL
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the HK Listing Rules
“PMHL”	Prosperity Minerals Holdings Limited, a company incorporated in Jersey and whose shares are admitted to trading on AIM and a direct 53.89%-owned subsidiary of the Company
“PMHL Board”	the board of directors of PMHL
“PMHL Group”	PMHL and its subsidiaries

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sintex”	Sintex International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PMHL
“TCCI”	TCC International Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on the Main Board of HKSE
“Vendor”	遼寧燕州築興水泥有限公司 (Liaoning Yan Zhou Zhu Xing Cement Co., Limited*), a limited liability company incorporated under the laws of the PRC
“%”	per cent.

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

Hong Kong, 24 May 2010

** For identification purpose only*

As at the date of this announcement, the executive Directors are Mr. Wong Ben Koon (Chairman), Mr. Sun Yong Sen (Deputy Chairman), Mr. Mao Shuzhong (Chief Executive Officer) and Mr. Kong Siu Keung, and the independent non-executive Directors are Mr. Mo Kwok Choi, Mr. Yuen Kim Hung, Michael and Mr. Yung Ho.

For the purposes of this announcement, unless otherwise specified, conversions of HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.14, for the purposes of illustration only. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no facts, the omission of which would make any statement in this announcement misleading.