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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ESTABLISHMENT OF
A JOINT VENTURE IN THE PRC**

On 31 May 2010, Zhejiang Changxing, a wholly-owned subsidiary of PMHL incorporated in the PRC entered into the Fujian Joint Venture Agreement with Xiamen Yangguang pursuant to which Zhejiang Changxing and Xiamen Yangguang agreed to establish the Fujian JV Company as a 50-50 joint venture for the purpose of carrying out the Fujian Project in Changtai County, Zhangzhou, Fujian Province, the PRC.

The Fujian Project is a comprehensive resort and residential development project, with a focus on hot spring resort facilities together with ancillary residential, commercial and recreational facilities.

Upon completion of the equity transfer, each of Zhejiang Changxing (or the Designated Party) and Xiamen Yangguang will own 50% equity interests in the Fujian JV Company and the Fujian JV Company will be accounted for as a jointly controlled entity of the Company.

PMHL is a direct 53.89%-owned subsidiary of the Company and hence Zhejiang Changxing is an indirect 53.89%-owned subsidiary of the Company. As the applicable Percentage Ratios in respect of the maximum commitment payable by the Group under the Fujian Joint Venture Agreement of RMB480 million (approximately HK\$547.2 million) are more than 5% but less than 25%, the Transactions constitute a discloseable transaction for the Company under Chapter 14 of 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 a consideration of HK\$3,800 million, today announces that on 31 May 2010, Zhejiang Changxing, a wholly-owned subsidiary of PMHL incorporated in the PRC entered into the Fujian Joint Venture Agreement with Xiamen Yangguang pursuant to which Zhejiang Changxing and Xiamen Yangguang agreed to establish the Fujian JV Company as a 50-50 joint venture for the purpose of carrying out the Fujian Project in Changtai County, Zhangzhou, Fujian Province, the PRC.

Xiamen Yangguang's obligations under the Fujian Joint Venture Agreement are guaranteed by Xiamen Dangdai which is owned by two PRC individuals.

The Fujian Project comprises the Fujian Hot Spring and Resort Project and the Fujian Residential Project. The Fujian Hot Spring and Resort Project is primarily a hot spring and resort development project to be undertaken in the Fujian Hot Spring and Resort Project Site and the Fujian Residential Project is primarily a residential and ancillary facilities development project to be undertaken in the Fujian Project Site which is adjacent to the Fujian Hot Spring and Resort Project Site. Further information in relation to the Fujian Project is set out in the section headed "Information on the Fujian JV Company and the Fujian Project" below.

The major terms of the Fujian Joint Venture Agreement are as follows:

THE FUJIAN JOINT VENTURE AGREEMENT

Date : 31 May 2010

Parties : (1) Zhejiang Changxing — as one of the Fujian Joint Venture Parties
(2) Xiamen Yangguang — as one of the Fujian Joint Venture Parties
(3) Xiamen Dangdai (as guarantor of Xiamen Yangguang's obligations under the Fujian Joint Venture Agreement)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Xiamen Yangguang, Xiamen Dangdai and their ultimate beneficial owners are third parties who are independent of and not connected with the Company or any of its connected person.

Formation of joint venture : In order to form the Fujian Joint Venture:

- (a) Zhejiang Changxing (or the Designated Party) agreed to acquire from Xiamen Yangguang 50% of the equity interests in the Fujian JV Company for a consideration of RMB160 million (approximately HK\$182.4 million), of which (i) RMB100 million (approximately HK\$114 million) would be paid in cash to Xiamen Yangguang; and (ii) RMB60 million (approximately HK\$68.4 million) would be invested into the Fujian JV Company as shareholder's loan.

As at the date of this announcement, the entire amount due to Xiamen Yangguang in respect of the Fujian Hot Spring and Resort Project and one-third of the amount due to the Fujian JV Company has been paid in advance of completion. The balance of RMB40 million (approximately HK\$45.6 million) will be paid in cash within 20 business days after the date on which the transfer of 50% of the equity interest in the Fujian JV Company to Zhejiang Changxing (or the Designated Party) is completed.

- (b) Zhejiang Changxing agreed to acquire from Xiamen Yangguang 50% of the interest in the Fujian Residential Project for a consideration of RMB35 million (approximately HK\$39.9 million).

Under the Fujian Joint Venture Agreement, it is contemplated that the Fujian Residential Project will be injected into the Fujian JV Company.

The entire amount due to Xiamen Yangguang in respect of the Fujian Residential Project will be paid by 10 June 2010.

Shareholdings in the Fujian JV Company : Upon completion of the equity transfer, Zhejiang Changxing (or the Designated Party) and Xiamen Yangguang shall each own 50% equity interests in the Fujian JV Company.

Scope of business of Fujian JV Company : Real estate development and sales; eco-tourism development; sale of tourist handicrafts.

Funding : Under the Fujian Joint Venture Agreement, Zhejiang Changxing's (and/or the Designated Party's) maximum commitment to the Fujian Project is RMB480 million (approximately HK\$547.2 million) of which:

- (a) RMB 135 million (approximately HK\$153.9 million) represents that amount paid by Zhejiang Changxing to Xiamen Yangguang for the 50% equity interests in the Fujian JV Company (including the Fujian Residential Project); and
- (b) RMB 345 million (approximately HK\$393.3 million) represents the maximum financial commitment (including capital contributions, shareholder's loan and provision of security) of Zhejiang Changxing (and/or the Designated Party) to the Fujian JV Company.

Apart from the initial payments due from Zhejiang Changxing (or the Designated Party) to Xiamen Yangguang and the Fujian JV Company:-

- (a) any further capital contribution or financial assistance to the Fujian JV Company shall be made on a pro rata basis based on the Fujian JV Parties' respective equity interests in the Fujian JV Company; and
- (b) no Fujian Joint Venture Party shall be required to provide loans or financial assistance to the Fujian JV Company unless both parties agree.

The Fujian JV Company may raise future funding from any lawful means at such interest rates and on such terms as the board of directors of the Fujian JV Company determines.

Board composition : The board of directors of the Fujian JV Company shall consist of six directors, of which Zhejiang Changxing (or the Designated Party) and Xiamen Yangguang shall each be entitled to nominate 3 directors.

The chairman shall be elected amongst the directors and shall not be entitled to a casting vote.

- Conditions precedent : The Fujian Joint Venture Agreement is unconditional and has taken effect on the date of signing.
- Termination of the Fujian Joint Venture : Zhejiang Changxing (or the Designated Party, as the case may be) shall be entitled to terminate the Fujian Joint Venture Agreement and request for full refund of all payments and/or contributions it made, together with interests thereon, if any of the following events happens:
- (a) there is a material breach of the representations and warranties given by Xiamen Yangguang and/or Xiamen Dangdai under the Fujian Joint Venture Agreement and such breaches are not rectified within the time period prescribed by Zhejiang Changxing (or the Designated Party);
 - (b) the Fujian JV Company fails to acquire the land use rights in respect of certain portion of the Fujian Hot Spring and Resort Project Site within a specific time period as set out in the Fujian Joint Venture Agreement; or
 - (c) Xiamen Yangguang fails to refund all of Zhejiang Changxing's (and/or the Designated Party's) payments and/or contributions it made, together with interests thereon, as requested by Zhejiang Changxing (or the Designated Party) in accordance with the terms of the Fujian Joint Venture Agreement.

The Fujian Joint Venture Agreement will terminate automatically if the Fujian Joint Venture Parties become unable to perform their respective obligations under the Fujian Joint Venture Agreement because of the PRC government policy or relevant PRC laws and regulations affecting the performance of the Fujian Joint Venture Agreement, or failure in obtaining the necessary government approvals. In which case, Zhejiang Changxing (and/or the Designated Party, as the case may be) shall be entitled to the full refund of all payments and/or contributions it made, together with interests thereon.

INFORMATION ON THE FUJIAN JV COMPANY AND THE FUJIAN PROJECT

The Fujian JV Company

The Fujian JV Company is a limited liability company incorporated under the laws of the PRC in 2005. Prior to the entering into of the Fujian Joint Venture Agreement, Xiamen Yangguang owned the entire equity interests in the Fujian JV Company.

As at the date of the Fujian Joint Venture Agreement:

- (a) Xiamen Yangguang has already made initial investment of an aggregate amount of RMB120 million (approximately HK\$136.8 million) for the payment of, *inter alia*, (i) the requisition fees and the relocation expenses for 2,668 mu of the Fujian Hot Spring and Resort Project Site, (ii) the construction costs, and (iii) the rents for 2,603 mu of the Fujian Hot Spring and Resort Project Site, and (iv) the land grant premium for the acquisition of the land use rights of 65 mu of the Fujian Hot Spring and Resort Project Site.

Pursuant to the Fujian Joint Venture Agreement, Zhejiang Changxing is responsible for 50% of Xiamen Yangguang's initial investment by paying the Fujian JV Company RMB60 million (approximately HK\$68.4 million) as shareholders' loan which the Fujian JV Company will use to repay Xiamen Yangguang.

- (b) Xiamen Yangguang has already invested an aggregate amount of RMB70 million (approximately HK\$79.8 million) in the Fujian Residential Project for the payment of, *inter alia*, (i) the requisition fees, the relocation expenses and the rents for 300 mu of the Fujian Residential Project Site, and (ii) the construction costs.

Pursuant to the terms of the Fujian Joint Venture Agreement, Xiamen Yangguang will transfer all the assets in respect of the Fujian Residential Project to the Fujian JV Company. Zhejiang Changxing is responsible for 50% of Xiamen Yangguang's initial investment by paying Xiamen Yangguang RMB35 million (approximately HK\$39.9 million).

The sums referred to in (a) and (b) above have been included in the consideration payable by Zhejiang Changxing to Xiamen Yangguang. All future contributions for land acquisitions and related costs and taxes in respect of the Fujian Project will be borne by the Fujian Joint Venture Parties in equal share.

The following table sets out the financial information of the Fujian JV Company for the two years ended 31 December 2008 and 2009 based on the audited financial statements of the Fujian JV Company for the year ended 31 December 2008 and the unaudited financial statements of the Fujian JV Company for the year ended 31 December 2009 prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC:

	Year ended 31 December			
	2009		2008	
	<i>RMB'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Revenue	—	—	—	—
Loss before tax	(3,840)	(4,378)	—	—
Income tax	—	—	—	—
Loss for the year	(3,840)	(4,378)	—	—
	As at 31 December			
	2009		2008	
	<i>RMB'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Net assets	1,160	1,322	5,000	5,700

The Fujian Project

The Fujian Project (長泰天銅山綜合性度假區項目) is a comprehensive resort development project, with a focus on hot spring resort facilities together with ancilliary residential, commercial and recreational facilities. The project comprises the Fujian Hot Spring and Resort Project and the Fujian Residential Project.

(a) The Fujian Hot Spring and Resort Project

The Fujian Hot Spring and Resort Project is primarily a hot spring and resort development project situated in Changtai County (長泰縣), Zhangzhou, Fujian Province, the PRC and bound by Chuanzhuang (村莊) to the north, Jiaotai Road (角泰路) to the north-east, Tiantongshan (天銅山) to the south and Dakanshan (大砍山) to the west. The Fujian Hot Spring and Resort Project Site consist of a planning area of not less than 4,653 mu, of which 2,668 mu have been requisitioned

and leased. 1,500 mu of the Fujian Hot Spring and Resort Project Site are currently intended for commercial and residential use.

As at the date of the Fujian Joint Venture Agreement, the Fujian JV Company has paid (i) the land grant premium for the acquisition of the land use rights of 65 mu of the Fujian Hot Spring and Resort Project Site; and (ii) the rents for 2,603 mu of the Fujian Hot Spring and Resort Project Site.

The Fujian Hot Spring and Resort Project will consist of three phases, which upon completion will comprise commercial area, hot spring resort area, high-end residential units and clubhouses.

(b) The Fujian Residential Project

The Fujian Residential Project is a primarily a residential and ancillary facilities development project which is also situated at Changtai County, Zhangzhou, Fujian Province, the PRC. The Fujian Site (which is adjacent to the Fujian Hot Spring and Resort Project Site) currently has an area of approximately 300 mu, which has already been requisitioned and leased by Xiamen Yangguang. In respect of the area of 300 mu, Xiamen Yangguang will procure the transfer of the lease of 200 mu to the Fujian JV Company within one month from the date of the Fujian Joint Venture Agreement.

The Fujian JV Company will acquire the land use rights of the remaining 100 mu of the Fujian Residential Project Site and the land grant premium shall be funded by the Fujian Joint Venture Parties equally by way of shareholder's loan or any other means as agreed by the Fujian Joint Venture Parties to the Fujian JV Company. The 100 mu of the Fujian Residential Project Site to be acquired by the Fujian JV Company are currently intended for residential use.

Xiamen Yangguang is responsible for negotiating the land acquisition of the remaining 100 mu. In the event that the actual land grant premium for the acquisition of the remaining 100 mu of the Fujian Residential Project Site is less than RMB30 million (approximately HK\$34.2 million), Zhejiang Changxing (or the Designated Party) shall pay to Xiamen Yangguang the difference between (a) RMB15 million (approximately HK\$17.1 million) and (b) 50% of the actual land premium for the acquisition of 100 mu of the Fujian Residential Project Site. In the event that the actual land grant premium is more than RMB 30 million (approximately HK\$34.2 million), the Fujian Joint Venture Parties shall pay the difference on a pro rata basis.

INFORMATION ON ZHEJIANG CHANGXING, XIAMEN YANGGUANG, XIAMEN DANGDAI AND THE GROUP

Zhejiang Changxing is a wholly foreign-owned enterprise incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company. Zhejiang Changxing is an investment holding company.

Xiamen Yangguang is a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of Xiamen Dangdai. The principal business of Xiamen Yangguang is real estate investment.

Xiamen Dangdai is a limited liability company incorporated under the laws of the PRC, wholly owned by two PRC individuals.

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

FINANCIAL EFFECTS OF THE FUJIAN JOINT VENTURE AGREEMENT

The aggregate consideration of RMB195 million (approximately HK\$222.3 million) for 50% of the Fujian JV Company (including the Fujian Residential Project) represents a premium of RMB100 million (approximately HK\$114 million) for Xiamen Yangguang's 50% of the Fujian JV Company (including the Fujian Residential Project). The consideration has been arrived at after arm's length negotiation by reference to the development potentials of the Fujian JV Project.

The Fujian JV Company will be accounted for as a jointly controlled entity of the Company.

Pursuant to the Fujian Joint Venture Agreement, the maximum contributions payable by Zhejiang Changxing (and/or the Designated Party) is RMB480 million (approximately HK\$547.2 million) consisting of (i) RMB 100 million (approximately HK\$114 million) paid to Xiamen Yangguang, (ii) RMB60 million (approximately HK\$68.4 million) payable to Fujian JV Company as Zhejiang Changxing's (or the Designated Party's) 50% share of the initial investment in the Fujian Hot Spring and Resort Project, (iii) RMB35 million (approximately HK\$39.9 million) payable to Xiamen Yangguang as Zhejiang Changxing's 50% share of the initial investment in the Fujian Residential Project, and (iv) RMB285 million (approximately HK\$324.9 million) as additional contributions to the Fujian Project. It is currently expected that the funding required by the Group to meet its obligations under the Fujian Joint Venture Agreement will be sourced by the Group from its internal resources although the Group may, in due course, refinance such obligations.

REASONS FOR AND BENEFITS OF THE FUJIAN JOINT VENTURE

As previously announced, PMHL intends to reinvest some of the proceeds of the disposal of the cement business in other attractive businesses in the PRC, including real estate. In line with this strategy, PMHL has recently expanded its property development and investment division and entered into a number of agreements designed to build up a portfolio of PRC property and development assets.

The PRC economy has been one of the best performing in terms of GDP growth over the last decade. Increased household income is creating a desire amongst ordinary Chinese citizens to improve their quality of life. The long term urbanisation plan of the PRC government is also bringing about an increased demand for high quality housing in cities. The Directors believe it is an opportune time for the Group to enter the PRC real estate market which has recently entered its down cycle. There is also strong underlying demand in the PRC and excellent prospectus in the medium to longer term.

Real estate development is an area in which Mr. Wong Ben Koon, the Chairman of both the Company and PMHL, has considerable experience. Soon after the signing of the agreement to dispose of the cement business, PMHL established a property development and investment division and appointed a general manager with relevant PRC real estate experience and expertise. The property division has identified the Fujian Project as one of the initial acquisition targets with good capital and income potential.

The Fujian Project is an early stage project in its initial planning stage which, if completed, will give the Group a large scale development project to add to its portfolio.

The Board considers that the establishment of the Fujian Joint Venture would be in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF THE TRANSACTIONS UNDER THE HK LISTING RULES

Zhejiang Changxing is an indirect wholly-owned subsidiary of PMHL and PMHL is a direct 53.89%-owned subsidiary of the Company. Zhejiang Changxing is hence an indirect 53.89%-owned subsidiary of the Company.

As the applicable Percentage Ratios in respect of the maximum amount payable by the Group under the Fujian Joint Venture Agreement (including the total investment amount of the Group in the Fujian JV Company of RMB345 million (approximately HK\$393.3 million) and the consideration of RMB135 million (approximately HK\$153.9 million)) of RMB480 million (approximately HK\$547.2 million) are more than 5% but less than 25%, the Transactions constitute a discloseable transaction for the Company under Chapter 14 of the HK Listing Rules.

DEFINITIONS

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

“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
“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
“Designated Party”	a subsidiary of PMHL designated by Zhejiang Changxing
“Directors”	directors of the Company, and “Director” means any one of them
“Fujian Hot Spring and Resort Project”	the proposed hot spring and resort development project to be undertaken by the Fujian JV Company on the Fujian Hot Spring and Resort Project Site
“Fujian Hot Spring and Resort Project Site”	certain land parcels situated in Changtai County, Zhangzhou, Fujian Province, the PRC, as more particularly set out in the paragraph headed “Information on the Fujian JV Company and the Fujian Project”
“Fujian Joint Venture”	the joint venture to be established between Zhejiang Changxing and Xiamen Yangguang on the terms of the Fujian Joint Venture Agreement for the purpose of carrying out the Fujian Project

“Fujian Joint Venture Agreement”	the joint venture agreement dated 31 May 2010 and entered into by Zhejiang Changxing, Xiamen Yangguang and Xiamen Dangdai pursuant to which Zhejiang Changxing and Xiamen Yangguang agreed to establish the Fujian JV Company to carry out the Fujian Project in Changtai County, Zhangzhou, Fujian Province, the PRC
“Fujian Joint Venture Parties”	collectively, Zhejiang Changxing (or the Designated Party, as the case may be) and Xiamen Yangguang, and a “Joint Venture Party” shall mean any of them
“Fujian JV Company”	長泰金鴻邦房地產開發有限公司 (Changtai Jinhongbang Property Development Company Limited*), a company incorporated under the laws of the PRC with limited liability
“Fujian Project”	collectively, the Fujian Hot Spring and Resort Project and the Fujian Residential Project
“Fujian Residential Project”	the proposed residential and ancillary facilities development project to be undertaken by the Fujian JV Company on the Fujian Residential Project Site
“Fujian Residential Project Site”	certain land parcels situated in Changtai County, Zhangzhou, Fujian Province, the PRC, as more particularly set out in the paragraph headed “Information on the Fujian JV Company and the Fujian Project”
“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
“mu”	a measurement for the area of land commonly used in the PRC which is equivalent to approximately 666.7 square metres
“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

“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
“Xiamen Dangdai”	廈門當代置業集團有限公司 (Xiamen Dangdai Property Group Company Limited*), a company incorporated under the laws of the PRC
“Xiamen Yangguang”	廈門陽光世紀房地產開發有限公司 (Xiamen Yangguang Shiji Property Development Company Limited*), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of Xiamen Dangdai
“Zhejiang Changxing”	浙江昌興投資有限公司 (Zhejiang Changxing Investment Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of PMHL
“%”	per cent.

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

Hong Kong, 31 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 RMB into 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.