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If you have sold or transferred all your shares in Prosperity International Holdings (H.K.) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



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)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE
IRON ORE MASTER OFF-TAKE AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

Independent Financial Adviser



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A notice of the SGM to be held at Suites 1801-06, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 12 July 2010, at 3:00 p.m. is set out on pages 26 and 27 of this circular. Whether or not you are able to attend the SGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

** For identification purposes only*

24 June 2010

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DEFINITIONS

In this circular, the following expressions shall, unless the context otherwise requires, have the following meanings:

“AIM”	AIM market of the London Stock Exchange plc.
“AIM Rules”	AIM Rules for Companies, as amended from time to time
“Access Capital”	Access Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Off-take Agreement and the Annual Caps
“All Wealthy”	All Wealthy Capital Limited, a limited liability company incorporated under the laws of BVI and which is presently wholly-owned by Mr. Wong
“Announcement”	the announcement of the Company dated 31 May 2010 in relation to, among other, the Master Off-take Agreement
“Annual Caps”	the maximum aggregate annual values of the transactions between Prosperity Macao and Grace Wise under the Master Off-take Agreement for the financial years of the Company ended 31 March 2011, 2012 and 2013
“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
“BVI”	the British Virgin Islands
“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
“connected transaction”	has the meaning given to it under the HK Listing Rules
“continuing connected transaction”	has the meaning given to it under the HK Listing Rules

DEFINITIONS

“controlling shareholder”	has the meaning given to it under the HK Listing Rules
“Controlling Shareholders”	Well Success Group Limited, Prosperity Minerals Group Limited, Max Start Holdings Limited, Max Will Profits 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 circular). Well Success Group Limited, Prosperity Minerals Group Limited, Max Start Holdings Limited, Max Will Profits Limited and the spouse of Mr. Wong are all associates of Mr. Wong
“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 TCC International Limited, as more particularly set out in the circular of the Company dated 1 February 2010
“Grace Wise”	Grace Wise Pte Limited, a company incorporated under the laws of Singapore with limited liability
“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 on the Master Off-take Agreement and the Annual Caps and how to vote in respect of the Master Off-take Agreement and the Annual Caps at the SGM
“Independent Shareholders”	Shareholders other than Mr. Wong and his associates
“Kingsley”	Kingsley Mining Inc, a limited liability company incorporated under the laws of BVI
“Latest Practicable Date”	23 June 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Lower Limit”	the maximum aggregate amount of the transactions between Prosperity Macao and Grace Wise under the Master Off-take Agreement prior to the approval of the Master Off-take Agreement and the Annual Caps by the Independent Shareholders
“Malaysian Iron Ore Joint Venture”	the joint venture arrangements between Mr. Wong and Mr. Tan as constituted by a framework agreement dated 7 May 2010 pursuant to which the parties established a group of companies in BVI, Malaysia and Singapore for the purposes of mining and processing of iron ore in Malaysia and the sale of such iron ore to customers within and outside Malaysia
“Master Off-take Agreement”	the iron ore master off-take agreement entered into on 31 May 2010 between Grace Wise and Prosperity Macao
“Million Sea”	Million Sea Group Limited, a limited liability company incorporated under the laws of BVI and which is presently wholly-owned by Mr. Tan and his associates
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the HK Listing Rules
“Mr. Tan”	Dato’ Hoe Beng Tan, a Singaporean individual
“Mr. Wong”	Mr. Wong Ben Koon, Chairman of the Board and an executive Director, and the Chairman and Chief Executive Officer of PMHL
“Notice of SGM”	the notice convening the SGM, as set out on pages 26 and 27 of this circular
“Off-take Period”	the effective period of the Master Off-take Agreement being from 1 May 2010 to 31 March 2013
“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 Directors”	the directors of PMHL
“PMHL Group”	PMHL and its subsidiaries

DEFINITIONS

“PMHL Share(s)”	ordinary share(s) in the share capital of PMHL
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Prosperity Macao”	Prosperity Materials Macao Commercial Offshore Limited, a limited liability company incorporated in Macau wholly-owned by PMHL
“Revised Lower Limit”	the revised maximum aggregate amount of the transactions between Prosperity Macao and Grace Wise under the Master Off-take Agreement prior to the approval of the Master Off-take Agreement and the Annual Caps by the Independent Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held at Suites 1801-06, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 12 July 2010 at 3:00 p.m. to approve, <i>inter alia</i> , the Master Off-take Agreement, the Annual Caps and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Transactions”	the purchases of iron ore by Prosperity Macao from Grace Wise on the terms of the Master Off-take Agreement
“US\$”	US dollars, the lawful currency of the United States of America
“ZCM Entities”	collectively, Zhong Cheng Mining (M) Sdn. Bhd, ZCM Minerals Sdn. Bhd and ZCM Resources Sdn. Bhd. All three companies are companies incorporated under the laws of Malaysia with limited liability
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wong Ben Koon (*Chairman*)
Mr. Sun Yong Sen (*Deputy Chairman*)
Mr. Mao Shuzhong (*Chief Executive Officer*)
Mr. Kong Siu Keung
Mr. Johannes Petrus Mulder
Ms. Wong Gloria

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

Independent non-executive Directors:

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

Suites 1801-6
Tower 2
The Gateway
25 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

24 June 2010

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE
IRON ORE MASTER OFF-TAKE AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement pursuant to which PMHL (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, announced that on 31 May 2010, Prosperity Macao, a wholly-owned subsidiary of PMHL, has entered into an iron ore master off-take agreement with a connected person of the Company for the purpose of purchasing iron ore from Malaysia.

LETTER FROM THE BOARD

The purpose of this circular is to provide Shareholders with, among other things, further details of the Master Off-take Agreement and the transactions contemplated thereunder; other information required under the HK Listing Rules, and the Notice of SGM and the form of proxy.

2. THE MASTER OFF-TAKE AGREEMENT

On 31 May 2010, Prosperity Macao, an indirect wholly-owned subsidiary of PMHL, entered into the Master Off-take Agreement with Grace Wise pursuant to which Grace Wise agreed to sell to Prosperity Macao, for loading at a Malaysian sea port, iron ore at a price per tonne following the prevailing market price in similar locations.

The iron ore will be delivered between 1 May 2010 and 31 March 2013.

The Master Off-take Agreement prescribes the maximum value of US\$1,555 million (approximately HK\$12,129 million) of the transactions between Prosperity Macao and Grace Wise during the Off-take Period.

Under the Master Off-take Agreement:

- (a) Grace Wise has no obligation to sell iron ore to Prosperity Macao nor is Prosperity Macao required to purchase iron ore from Grace Wise.
- (b) However, whenever Grace Wise has iron ore to sell, it must first offer the same to Prosperity Macao. Grace Wise will inform Prosperity Macao periodically of the amount of iron ore available for sale and Prosperity Macao will decide on the amount it wishes to purchase provided that each shipment shall be no less than approximately 10,000 metric tonnes.
- (c) In the event that Prosperity Macao decides not to purchase all of the iron ore offered by Grace Wise within five Business Days of being so offered, Grace Wise may then sell the remaining iron ore to third parties.

Each consignment of iron ore shall be purchased from Grace Wise by Prosperity Macao:

- (a) on normal commercial terms and upon terms which are not less favourable to Prosperity Macao than terms available to Prosperity Macao from independent third parties exporting similar quantity of iron ore of the specifications set out in the purchaser order in Malaysia to the destination specified by Prosperity Macao; and
- (b) at a competitive pricing determined on arm's length basis by reference to the prevailing market price per metric tonne of iron ore for shipment from similar locations in the region.

Prosperity Macao will pay the consideration for the purchase of iron ore from Grace Wise in cash.

LETTER FROM THE BOARD

Information relating to Grace Wise, Mr. Tan, All Wealthy, ZCM Entities and the Malaysian Iron Ore Joint Venture

Mr. Tan and his associates have been operating small-scale iron ore mines in Malaysia since 2007 through ZCM Entities. Prosperity Macao has, for a number of years, purchased iron ore from Kingsley which sourced its iron ore from ZCM Entities.

Recently, Mr. Tan wished to expand the iron ore production in Malaysia and approached Mr. Wong with a view to forming a joint venture to exploit this opportunity. On 7 May 2010, Mr. Wong and Dato' Hoe Beng Tan entered into a framework agreement for the establishment of the Malaysian Iron Ore Joint Venture pursuant to which Mr. Wong, Mr. Tan (and their respective associates) would, through their respective holding companies, hold 70% and 30% of the Malaysian Iron Ore Joint Venture.

Pursuant to the framework agreement, Mount Megakey Sdn. Bhd and Phoenix Lake Sdn. Bhd (both Malaysian companies) were incorporated to acquire the mining and processing assets of ZCM Entities and Grace Wise was incorporated in Singapore to sell the iron ore mined in Malaysia.

Mr. Wong and his associates hold their interests in the Malaysian Iron Ore Joint Venture through All Wealthy while Mr. Tan and his associates hold their interests in the Malaysian Iron Ore Joint Venture through Million Sea. Both All Wealthy and Million Sea are limited liability companies incorporated in the BVI.

Reasons for and benefits of the Master Off-take Agreement

The PMHL Group's iron ore trading volumes for the years ended 31 March 2008 and 31 March 2009 were 3.6 million metric tonnes and 4.4 million metric tonnes respectively. In the six months ended 30 September 2009, the PMHL Group shipped 5.2 million metric tonnes.

In order to trade iron ore, it is essential that the PMHL Group has access to a reliable supply of iron ore at a competitive price. The PMHL Group believes that the trading volume could be significantly increased if it is able to expand its sources of iron ore.

Prosperity Macao has, for a number of years, purchased iron ore from Kingsley which sourced its iron ore from ZCM Entities. As the Malaysian Iron Ore Joint Venture has now acquired the mining and processing assets of ZCM Entities, the PMHL Board considers it to be beneficial for the PMHL Group to continue to source its supply of iron ore from Malaysia through Grace Wise.

Given the long standing relationship between the PMHL Group and Mr. Tan and Mr. Wong's position as a PMHL Director, the PMHL Board believes that the Master Off-take Agreement would allow the PMHL Group to continue obtaining a reliable supply of iron ore from Malaysia at a competitive price.

LETTER FROM THE BOARD

The Malaysian Iron Ore Joint Venture has a projected iron ore production of 1.5 million metric tonnes, 2.5 million metric tonnes and 4 million metric tonnes for the financial years ended 31 March 2011, 31 March 2012 and 31 March 2013, respectively. Given that Prosperity Macao will receive a first right of refusal for all iron ore produced by the Malaysian Iron Ore Joint Venture for export, in the event that the Malaysian Iron Ore Joint Venture succeeded in expanding the iron ore production beyond the volume supplied by ZCM Entities, Prosperity Macao would benefit from a larger supply of iron ore from Malaysia. Prosperity Macao has no obligation to purchase the iron ore offered by Grace Wise if it is able to source iron ore at a cheaper price elsewhere.

The Master Off-take Agreement is of revenue nature and has been entered into in the usual and ordinary course of business of the Group.

Implications of the Master Off-take Agreement under the HK Listing Rules

Grace Wise is indirectly 70%-owned by Mr. Wong and is therefore a connected person of the Company.

Based on the applicable Percentage Ratios, the Transactions constitute non-exempt continuing connected transactions for the Company.

The Master Off-take Agreement provides that prior to obtaining the approval of the Independent Shareholders, the aggregate value of the transactions between Prosperity Macao and Grace Wise will not exceed US\$2.5 million (equivalent to under 2.5% of the applicable Percentage Ratios) (the “**Lower Limit**”).

On 23 June 2010, Prosperity Macao and Grace Wise entered into a supplemental agreement to amend the Master Off-take Agreement, whereby Prosperity Macao and Grace Wise agreed to revise the Lower Limit from US\$2.5 million to US\$5 million (equivalent to under 5% of the applicable Percentage Ratios (the “**Revised Lower Limit**”).

In the event that the Independent Shareholders vote against the entering into of the Master Off-take Agreement, the Company would be obliged to take such steps as necessary for Prosperity Macao to terminate the Master Off-take Agreement. In the meantime, Prosperity Macao’s transactions with Grace Wise under the Master Off-take Agreement will not exceed the Revised Lower Limit. Based on the applicable Percentage Ratios, transactions up to the Revised Lower Limit will be subject to reporting and announcement requirements but do not require the approval of the Independent Shareholders.

Annual Caps

In addition, Rule 14A.35(2) of the HK Listing Rules requires the Group to cap the value of its annual transactions with Grace Wise. As the actual value of the transactions between Prosperity Macao and Grace Wise varies depending on the prevailing market price of iron ore in similar locations at the relevant delivery time, it is not possible to determine at this stage the maximum annual cap for each

LETTER FROM THE BOARD

of the years between 2010 and 2013. Nonetheless, in order to comply with the relevant requirements of the HK Listing Rules, the Company has agreed with PMHL and Grace Wise to cap the annual value of their transactions at the volumes set out below (the “Annual Caps”). For as long as the HK Listing Rules apply to Prosperity Macao’s transactions with Grace Wise, Prosperity Macao will not exceed the Annual Caps without first consulting the Company and complying with the relevant provisions of the HK Listing Rules.

	Annual Cap (US\$ m)		
	1 May 2010 — 31 March 2011	1 April 2011 — 31 March 2012	1 April 2012 — 31 March 2013
Master Off-take Agreement	225	450	880
Notes:	(a) and (d)	(b)	(c)

Assumptions:

- (a) 1.5 million metric tonnes of iron ore at US\$150 per metric tonne.
- (b) 2.5 million metric tonnes of iron ore at US\$180 per metric tonne.
- (c) 4.0 million metric tonnes of iron ore at US\$220 per metric tonne.
- (d) Until Independent Shareholders’ approval is obtained, the cap is US\$5 million.

The Annual Caps were arrived at after taking into account (a) the prevailing market price of iron ore in Malaysia and in the region; (b) the Prosperity Macao’s expected average market price of iron ore in Malaysia and in the region during the years between 2010 and 2013; and (c) the estimated volume of iron ore that Prosperity Macao may order from Grace Wise during the years between 2010 and 2013.

The Directors consider that the terms of the Master Off-take Agreement are on normal commercial terms and are fair and reasonable.

The Directors (including the independent non-executive Directors but excluding Mr. Wong who is considered having a material interest in the Transactions and has abstained from voting on the resolution of the Board to approve the Transactions) also consider that it would be in the interest of the Company and its Shareholders as a whole to enter into the Master Off-take Agreement up to the Revised Lower Limit pending the approval of Independent Shareholders being sought as it will allow Prosperity Macao to continue obtaining its uninterrupted supply of iron ore.

The independent non-executive Directors also take the view that, in the longer term, the execution of the Master Off-take Agreement (including the length of the Master Off-take Agreement and the Annual Caps) is in the interests of the Company and the Shareholders as a whole after having reviewed the advice from Access Capital, the independent financial adviser of the Company.

3. SGM

The SGM will be held at Suites 1801-06, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 12 July 2010 at 3:00 p.m. to consider and, if thought fit, approve, among other things, the Master Off-take Agreement and the Annual Caps. Pursuant to the

LETTER FROM THE BOARD

requirements under the HK Listing Rules, the Controlling Shareholders (who together hold an aggregate of 4,093,753,540 Shares, representing approximately 74.19% of the total issued share capital of the Company as at the Latest Practicable Date) shall abstain from voting at the SGM to approve the Master Off-take Agreement and the Annual Caps.

The Notice of SGM is set out on pages 26 to 27 of this circular. Whether or not you are able to attend the SGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

4. RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 12 of this circular; and
- (b) the letter from Access Capital, the independent financial adviser appointed by the Company to advise the Independent Shareholders and the Independent Board Committee with respect to the terms of the Master Off-take Agreement and the Annual Caps, the text of which is set out on page 13 of this circular.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the SGM.

The Independent Board Committee, having taken into account the advice of Access Capital, considers that the terms of the Master Off-take Agreement and the Annual Caps are on normal commercial terms and are fair and reasonable, and that the entering into of the Master Off-take Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Master Off-take Agreement and the Annual Caps.

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors (including the non-executive Directors but excluding Mr. Wong who is considered having a material interest in the Transactions and has abstained from voting on the resolution of the Board to approve the Transactions) are of the view that the entering into of the Master Off-take Agreement and the transactions contemplated thereunder are in the ordinary course of business of the Group, the terms of the Master Off-take Agreement and the Annual Caps are on normal commercial terms and are fair and reasonable, and that the entering into of the Master Off-take Agreement is in the interests of the Company and the Shareholders as a whole. As such, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Master Off-take Agreement and the Annual Caps.

LETTER FROM THE BOARD

5. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular.

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

** For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

24 June 2010

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE
IRON ORE MASTER OFF-TAKE AGREEMENT**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Master Off-take Agreement and the Annual Caps, details of which are set out in the “Letter from the Board” in the circular of the Company dated 24 June 2010 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Your attention is drawn to the letter of advice from Access Capital, as set out on page 13 of the Circular, which contains its advice and recommendations to us and the Independent Shareholders in respect of the Master Off-take Agreement and the Annual Caps respectively, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinions of, Access Capital as stated in the aforementioned letter of advice, we are of the opinion that the entering into of the Master Off-take Agreement and the transactions contemplated thereunder are in the ordinary course of business of the Group, the terms of the Master Off-take Agreement and the Annual Caps are on normal commercial terms and are fair and reasonable, and that the entering into of the Master Off-take Agreement is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Master Off-take Agreement and the Annual Caps.

Yours faithfully,

INDEPENDENT BOARD COMMITTEE

PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED

Mr. Mo Kwok Choi
*Independent non-executive
Director*

Mr. Yuen Kim Hung, Michael
*Independent non-executive
Director*

Mr. Yung Ho
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of the letter of advice from Access Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this Circular



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

24 June 2010

*To: the Independent Board Committee and the Independent Shareholders
of Prosperity International Holdings (H.K.) Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE IRON ORE MASTER OFF-TAKE AGREEMENT

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Master Off-take Agreement, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 24 June 2010 issued by the Company to the Shareholders (the “Circular”) of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning in this letter.

On 31 May 2010, the Company announced, amongst other things, that Prosperity Macao, an indirect wholly-owned subsidiary of PMHL, entered into the Master Off-take Agreement with Grace Wise, pursuant to which Grace Wise agreed to sell to Prosperity Macao, for loading at a Malaysian sea port, iron ore at a price per tonne following the prevailing market price in similar locations.

Since Grace Wise is indirectly 70%-owned by Mr. Wong, who is the Chairman of both the Company and PMHL and an executive Director, Grace Wise is a connected person of the Company. Based on the applicable Percentage Ratios, the transactions contemplated under the Master Off-take Agreement constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the HK Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the execution of the Master Off-take Agreement are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Master Off-take Agreement are on normal commercial terms and are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Master Off-take Agreement and the Annual Caps at the SGM.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our opinion, we have relied solely upon the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

The Group was principally engaged in the manufacture and sales of clinker and cement, selling of granite products, trading of clinker, cement and building materials and trading of iron ore. Following the disposal of its cement manufacturing business in April 2010, the principal businesses of the Group remain to be trading of clinker, cement and building materials, selling of granite products and trading of iron ore. Set out below is a summary of the published audited financial results of the Group for each of the three years ended 31 March 2009 and the six months ended 30 September 2009 which are extracted from the Company's circular of 1 February 2010.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consolidated income statement

(Amount in HK\$'000)

	For the year ended 31 March			For the six months ended
	2007	2008	2009	30 September 2009
Turnover				
Trading of clinker, cement and other building materials	550,597	648,611	783,895	274,622
Trading of iron ore	—	—	—	101,612
Mining and processing of granite and selling of granite products	—	—	2,597	9,294
Manufacturing and sales of clinker and cement	—	—	—	24,063
	<u>550,597</u>	<u>648,611</u>	<u>786,492</u>	<u>409,591</u>
Cost of goods sold	<u>(500,775)</u>	<u>(596,679)</u>	<u>(703,062)</u>	<u>(361,962)</u>
Gross profit	49,822	51,932	83,430	47,629
Other income	8,439	6,281	7,145	2,934
Selling and distribution costs	(28,296)	(16,694)	(36,323)	(10,709)
Administrative expenses	(8,603)	(14,530)	(28,388)	(15,910)
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	—	14,222	—	—
Finance costs	(451)	(1,187)	(1,927)	(4,360)
Share of profits less losses of assoicates	—	—	—	1,384
	<u>20,911</u>	<u>40,024</u>	<u>23,937</u>	<u>20,968</u>
Income tax expense	<u>(1,565)</u>	<u>(1,491)</u>	<u>(878)</u>	<u>(365)</u>
Profit for the year/period	<u><u>19,346</u></u>	<u><u>38,533</u></u>	<u><u>23,059</u></u>	<u><u>20,603</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consolidated statement of financial position

(Amount in HK\$'000)

		As at 31 March		As at 30 September
	2007	2008	2009	2009
Non-current assets	12,828	221,842	228,488	4,888,520
Current assets	73,472	94,211	147,046	1,624,718
Current liabilities	(63,171)	(93,938)	(80,612)	(2,544,469)
Non-current liabilities	—	(48,307)	(77,781)	(833,211)
Net current assets/(liabilities)	10,301	273	66,434	(919,751)
Net assets	23,129	173,808	217,141	3,135,558

For the year ended 31 March 2009, the Group recorded a turnover of approximately HK\$786.5 million. As shown in the above table, the Group's turnover for the year ended 31 March 2009 mainly represented trading of clinker, cement and other building materials. As explained in the Company's annual report for 2009 (the "Annual Report"), while the turnover for the year increased by approximately 21% as a result of higher selling prices of the clinker and cement, the trading volume decreased slightly by 0.3%.

As explained in the Annual Report, despite the exceptional volatility in both the financial markets and the underlying economies in light of the financial turmoil, the Group had been able to maintain steady growth in clinker and cement trading business. The outbreak of the global financial crisis in the second half of the financial year had a huge impact in the economies around the world and affected the demand for clinker and cement exports. However, the adjustments in coal and global sea-freight costs helped the clinker and cement trading business avert an otherwise abrupt downturn. The higher selling prices were a result of huge increases in the costs of clinker and cement for export due to (i) spurring fuel, global sea-freight transportation and raw material costs (coal in particular); (ii) the appreciation of Renminbi; and (iii) strong domestic demand in target markets during the year. The substantial increase in the selling and distribution costs for the year ended 31 March 2009 was mainly due to the increase in commission paid to sales agents to secure sales contracts and explore business opportunities with potential customers.

The net profit attributable to equity holders of the Company for the year ended 31 March 2009 amounted to approximately HK\$24.6 million, representing a slight growth of approximately 1% as compared with HK\$24.3 million (which was a profit excluding the amount of approximately HK\$14.2 million arising from the excess of fair value of net assets acquired over the cost of acquisition of subsidiaries) for the year ended 31 March 2008. Excluding the loss of approximately HK\$3.3 million incurred by the initial operation of granite material production during the year, net profit derived mainly from the clinker and cement business for the year was approximately HK\$26.3 million, representing an increase of approximately 8.2% as compared with the comparable figure of HK\$24.3 million (which was the profit excluding the amount of approximately HK\$14.2 million arising from the excess of fair value of net assets acquired over the cost of acquisition of subsidiaries) for the year ended 31 March 2008.

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For the six months ended 30 September 2009, the turnover of the Group amounted to approximately HK\$409.6 million, which was mainly attributable to the trading of clinker and cement. After the acquisition of PMHL on 24 September 2009, the trading of iron ore contributed approximately HK\$101.6 million to the turnover of the Group for the six-month period. As set out in the Company's interim report for the six months ended 30 September 2009 (the "Interim Report"), the exports of clinker and cement from the PRC were severely affected by the weak international market demand brought by the global financial turmoil and the global demand for clinker and cement declined substantially, especially in Europe and the United States of America. However, leveraging on the extensive experience and expertise of the management, the strong sales network in the region and adopting the flexible pricing strategies, the Group was able to maintain its market position with a steady growth in the profit margin. During the six months ended 30 September 2009, while the Group purchased and sold approximately 706,000 tonnes of clinker and cement (representing a decrease of approximately 30% as compared with the corresponding period last year), the Group recorded a favorable segment result from approximately HK\$11.9 million to HK\$23.3 million with the improving profit margin.

For the six months ended 30 September 2009, the Group recorded a net profit of approximately HK\$20.6 million, representing a substantial increase of over 88% from the unaudited net profit of approximately HK\$10.9 million for the corresponding period in 2008. As explained in the Interim Report, such increase in net profit was due to an increase in the gross profit from the trading of clinker and cement during the period.

As at 30 September 2009, the Group had audited total current assets of approximately HK\$1,624.7 million and audited total current liabilities of approximately HK\$2,544.5 million, representing net current liabilities of approximately HK\$919.8 million. As at 30 September 2009, the Group's total cash balance was approximately HK\$362.9 million and total borrowings were approximately HK\$2,111.7 million. As at 30 September 2009, the Group's gearing ratio, which was calculated on the basis of total interest bearing debts divided by shareholder's equity, was approximately 67%. As at 30 September 2009, equity attributable to owners of the Company amounted to approximately HK\$1,805.3 million.

2. Principal terms of the Master Off-take Agreement

Pursuant to the Master Off-take Agreement, Grace Wise agreed to sell to Prosperity Macao (which is an indirect wholly-owned subsidiary of PMHL), for loading at a Malaysian sea port, iron ore at a price per tonne following the prevailing market price in similar locations. The iron ore will be delivered between 1 May 2010 and 31 March 2013. The Master Off-take Agreement prescribes the maximum value of US\$1,555 million (approximately HK\$12,129 million) of the transactions between Prosperity Macao and Grace Wise during the Off-take Period.

Under the Master Off-take Agreement:

- (i) Grace Wise has no obligation to sell iron ore to Prosperity Macao nor is Prosperity Macao required to purchase iron ore from Grace Wise.

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- (ii) However, whenever Grace Wise has iron ore to sell, it must first offer the same to Prosperity Macao. Grace Wise will inform Prosperity Macao periodically of the amount of iron ore available for sale and Prosperity Macao will decide on the amount it wishes to purchase provided that each shipment shall be no less than approximately 10,000 metric tonnes.
- (iii) In the event that Prosperity Macao decides not to purchase all of the iron ore offered by Grace Wise within five Business Days of being so offered, Grace Wise may then sell the remaining iron ore to third parties.

Each consignment of iron ore shall be purchased from Grace Wise by Prosperity Macao:

- (i) on normal commercial terms and upon terms which are not less favourable to Prosperity Macao than terms available to Prosperity Macao from independent third parties exporting similar quantity of iron ore of the specifications set out in the purchaser order in Malaysia to the destination specified by Prosperity Macao; and
- (ii) at a competitive pricing determined on arm's length basis by reference to the prevailing market price per metric tonne of iron ore for shipment from similar locations in the region.

Prosperity Macao will pay the consideration for the purchase of iron ore from Grace Wise in cash.

3. Reasons for entering the Master Off-take Agreement

As advised by the management of the Company, the PMHL Group has over 18 years of experience in iron ore trading. As set out in the Letter from the Board, the PMHL Group's iron ore trading volumes for each of the years ended 31 March 2008 and 2009 were approximately 3.6 million tonnes and 4.4 million tonnes, respectively. For the six months ended 30 September 2009, the PMHL Group shipped approximately 5.2 million tonnes. In order to trade iron ore, it is essential that the PMHL Group has access to a reliable supply of iron ore at a competitive price. The PMHL Group believes that the trading volume could be significantly increased if it is able to expand its sources of iron ore.

As set out in the Letter from the Board, Prosperity Macao has, for a number of years, purchased iron ore from Kingsley which sourced its iron ore from ZCM Entities. As the Malaysian Iron Ore Joint Venture has now acquired the mining and processing assets of ZCM Entities, the PMHL Board considers it to be beneficial for the PMHL Group to continue to source its supply of iron ore from Malaysia through Grace Wise. Given the long standing relationship between the PMHL Group and Mr. Tan and Mr. Wong's position as a PMHL Director, the PMHL Board believes that the Master Off-take Agreement would allow the PMHL Group to continue obtaining a reliable supply of iron ore from Malaysia at a competitive price. The Malaysian Iron Ore Joint Venture has a projected iron ore production of 1.5 million metric tonnes, 2.5 million metric tonnes and 4 million metric tonnes for the financial years ended 31 March 2011, 31 March 2012 and 31 March 2013, respectively.

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In addition, since Prosperity Macao will have the first right of refusal for all iron ore produced by the Malaysian Iron Ore Joint Venture for export, Prosperity Macao would benefit from a larger supply of iron ore from Malaysia if the Malaysian Iron Ore Joint Venture succeeds in expanding the iron ore production beyond the volume supplied by ZCM Entities. Prosperity Macao has no obligation to purchase the iron ore offered by Grace Wise if it is able to source iron ore at a cheaper price elsewhere.

In light of the fact that one of the principal businesses of the Group is trading of iron ore and that Prosperity Macao has been purchasing iron ore from Kingsley which sourced its iron ore from ZCM Entities, we consider it commercially reasonable and sensible for Prosperity Macao to continue the purchasing transactions for the same source but with difference parties. Given (i) the relevant transactions will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and upon terms which are not less favourable than terms available to/from independent third parties; (ii) the purchase price will be based on a competitive pricing determined on arm's length basis by reference to the prevailing market price; and (iii) the non-exclusive arrangement under the Master Off-take Agreement provides the Group with the flexibility without any commitment on the purchase quantity, we are of the view that the entering into of the Master Off-take Agreement is in the interests of the Company and the Shareholders as a whole and that the terms of the Master Off-take Agreement are on normal commercial terms and fair and reasonable.

4. Rationale for determining the maximum value of the transactions contemplated under the Master Off-take Agreement

Pursuant to Rule 14A.35(2) of the HK Listing Rules, the transactions contemplated under the Master Off-take Agreement will be subject to an annual cap for each of the financial years within the Off-take Period (i.e. year ended 31 March 2011, 2012 and 2013) (the "Annual Cap(s)"). As set out in the Letter from the Board, given that the actual value of the transactions between Prosperity Macao and Grace Wise varies depending on the prevailing market price of iron ore in similar locations at the relevant delivery time, it is not possible to determine at this stage the maximum annual cap for each of the years between 2010 and 2013. Nonetheless, in order to comply with the relevant requirements of the HK Listing Rules, the Company has agreed with PMHL and Grace Wise to cap the annual value of their transactions at the volumes set out below.

	Annual Cap <i>(US\$ million)</i>	Increase as compared to the previous financial year <i>(%)</i>
For the financial year:		
31 March 2011	225 (based on 1.5 million metric tonnes @ US\$150)	N/A
31 March 2012	450 (based on 2.5 million metric tonnes @ US\$180)	100
31 March 2013	880 (based on 4.0 million metric tonnes @ US\$220)	96

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For each of the three financial years ending 31 March 2011, 2012 and 2013, the maximum aggregate value for the purchase of iron ore by Prosperity Marco from Grace Wise is expected to be US\$225 million, US\$450 million and US\$880 million, respectively.

As mentioned above, due to the unavailability of the then prevailing market price of iron ore at the relevant delivery time, it is not possible to determine at this stage the maximum annual cap for each of the years between 2011 and 2013 regarding the transactions to be contemplated under the Master Off-take Agreement. Nevertheless, as discussed with the management of the Company, we understand that, for the purpose of compliance with the HK Listing Rules, the relevant parties have determined the Annual Caps on the basis of (i) the expected maximum trading volumes which are essentially the projected iron ore production volumes of the Malaysian Iron Ore Joint Venture (i.e. 1.5 million metric tonnes, 2.5 million metric tonnes and 4 million metric tonnes for each of the financial years ending 31 March 2011, 2012 and 2013, respectively; and (ii) the estimated market price of iron ore in Malaysia during the Off-take Period with an assumed growth rate of about 20% per annum.

Regarding the maximum trading volume for the purchase of iron ore by Prosperity Marco from Grace Wise which is based on the projected production volume of the Malaysian Iron Ore Joint Venture during the relevant period, we consider such basis to be appropriate and relevant as such iron ore is essentially the source of iron ore to be supplied to Grace Wise for export trading. In addition, we have noted that the PMHL Group's iron ore trading volumes for each of the two years ended 31 March 2008 and 2009 were approximately 3.6 million tonnes and 4.4 million tonnes, respectively, and for the six months ended 30 September 2009, the PMHL Group shipped approximately 5.2 million tonnes. In light of the historical trading volume of iron ore of the PMHL Group for the past two financial years and its growing trend, we are of the view that the maximum trading volume of 1.5 million metric tonnes, 2.5 million metric tonnes and 4 million metric tonnes for each of the financial years ending 31 March 2011, 2012 and 2013, respectively, under the Annual Caps are not excessive.

Regarding the estimated market price of iron ore for the three financial years ending 31 March 2011, 2012 and 2013, we have reviewed the recent price trend of iron ore and noted that the market price of iron ore has been increasing substantially since the beginning of 2010. As mentioned above, the Annual Caps have been arrived at on the basis of, among other things, the assumption that the market price of iron ore in Malaysia would increase at a growth rate of about 20% per annum during the Off-take Period. As discussed with the management of the Company, we understand that such growth rate of 20% is simply the percentage assumed by the Company having taken into account the fact that the market price of iron ore rose substantially since 2004 albeit an abrupt drop in late 2008 as a result of the financial tsunami. A buffer has also been considered by the Company in the formulation of such growth rate.

In general, we are of the view that like market price of other commodity goods, the market price of iron ore can fluctuate and there are many factors, whether temporary or permanent, that may affect the future prices of iron ore in the market in either direction. Nevertheless, while there is no assurance that the market price of iron ore will continue to move upward in the future, we consider it prudent and reasonable for the relevant parties to incorporate a buffer into the Annual Caps so as to mitigate the effects of a continuing rise in the market price of iron ore. In this connection, we are also of the view that such assumed growth rate of about 20% per annum as a buffer for the market price of the iron ore in the three financial years ending 31 March 2013 is fair and reasonable. As mentioned above,

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the terms of the Master Off-take Agreement have stipulated that the purchase price under the relevant transactions will be based on a competitive pricing determined on arm's length basis by reference to the prevailing market price of iron ore, and in any event, due to the non-exclusive arrangement under the Master Off-take Agreement, Prosperity Macao has no obligation to purchase the iron ore offered by Grace Wise if it is able to source iron ore at a cheaper price elsewhere.

Based on the aforesaid, we consider that the terms of the Master Off-take Agreement and the Annual Caps of US\$225 million, US\$450 million and US\$880 million for each of the three financial years ending 31 March 2011, 2012 and 2013, respectively, are fair and reasonable.

5. Conditions of the Annual Caps

There are certain conditions of the annual cap pursuant to the HK Listing Rules, in particular, the restriction of the value of the transactions by way of the annual cap for each of the three financial years ending 31 March 2013 (i.e. the Annual Caps) and the annual review by the independent non-executive Directors of the terms of the relevant transactions and the Annual Caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. In addition, pursuant to the HK Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the relevant transactions are conducted in accordance with the Master Off-take Agreement and that the Annual Caps not being exceeded. Pursuant to the HK Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of the Master Off-take Agreement or the Annual Caps not being exceeded. As such, we are of the view that there are appropriate measures in place to govern the conduct of the transactions to be contemplated under the Master Off-take Agreement and safeguard the interests of the Independent Shareholders.

IV. RECOMMENDATION

Having considered the factors above, we are of the opinion that the execution of the Master Off-take Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Master Off-take Agreement and the Annual Caps are on normal commercial terms and are fair and reasonable. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to approve the Master Off-take Agreement and the Annual Caps at the SGM.

Yours faithfully,
For and on behalf of
Access Capital Limited

Alexander Tai
Principal Director

Jimmy Chung
Principal Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the HK Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations which were required (a) to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); (b) to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) to otherwise be notified to the Company and HKSE pursuant to the Model Code, were as follows:

Long position in the Shares and underlying Shares

Name of Director/ chief executive	Number of Shares and underlying Shares held, capacity and nature of interest			Number of underlying Shares held under equity derivatives	Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Interest of Director's spouse			
Mr. Wong	1,357,123,699	2,719,629,841	17,000,000	60,000,000	4,153,753,540	75.28
		(Note)				

Note: Mr. Wong is interested in 319,176,000 Shares 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) and 58.4% by Advance Success Limited (“**Advance Success**”). Advance Success is equally owned by Mr. Wong and Madam Hon Ching Fong. Mr. Wong is the sole director of Advance Success. In addition, Mr. Wong is interested in 2,155,933,029 Shares, 122,260,406 Shares and 122,260,406 Shares through his interest in Prosperity Minerals Group Limited, Max Start Holdings Limited, Max Will Profits Limited, respectively, and each of which is owned as to 65% by Mr. Wong.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations which was required (a) to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the

SFO (including interests and short positions in which he/she was taken or deemed to have under such provisions of the SFO); (b) which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which was required, pursuant to the Model Code, to be notified to the Company and HKSE.

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which have been, since 31 March 2009, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group. No Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

(b) Substantial shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group:

Long position in the Shares and underlying Shares

Name	Notes	Capacity/nature of interest	Number of Shares	Percentage of the Company's issued share capital
Well Success	(a)	Directly beneficially owned	319,176,000	5.78
Advance Success	(a) & (b)	Interest of controlled corporation	319,176,000	5.78
Madam Hon Ching Fong	(a), (b) & (c)	Interest of controlled corporation	2,719,629,841	49.30
Ms. Shing Shing Wai	(d)	Interest of spouse Directly beneficially owned	4,136,753,540 <u>17,000,000</u>	
			4,153,753,540	75.28
Prosperity Minerals Group Limited	(c)	Directly beneficially owned	2,155,933,029	39.07

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) 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 is 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 is interested under the SFO. The interests of Mr. Wong in the Shares are disclosed under the section headed “(a) Directors” above.
- (c) The entire issued share capital of Prosperity Mineral Group Limited, Max Will Profits Limited and Max Start Holdings Limited are beneficially owned as to 65% by Mr. Wong and as to 35% by Madam Hon.
- (d) 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 refer to the same number of Shares.

Long position in the shares/registered capital of the member of the Group

Name of the member of the Group	Name of shareholder(s)	Capacity/nature of interest	Number of shares	Percentage of the issued share capital
WM Aalbrightt Investment Holdings (Hong Kong) Limited	WM Aalbrightt Investment Holdings Limited	Beneficial owner	40,000	40.0%

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, no other person (who is not a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares 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 kept by the Company under section 336 of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practical Date, none of the Directors had any existing or proposed service contracts with the Company or any other member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practical Date, the Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the expert who has been named in this circular and whose advice or opinion is contained in this circular:

Name	Qualification
Access Capital	A licensed corporation to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Access Capital did not have any shareholding in any member of the Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Access Capital did not have direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters and reference to its name, in the form and context in which they appear.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely, either directly or indirectly, with the businesses of the Group.

7. DOCUMENTS FOR INSPECTION

A copy of the Master Off-take Agreement will be available for inspection at Suites 1801-6, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 8 July 2010.

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**Meeting**”) of Prosperity International Holdings (H.K.) Limited (the “**Company**”) will be held at Suites 1801-06, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 12 July 2010 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the iron ore master off-take agreement (the “**Master Off-take Agreement**”) dated 31 May 2010 entered into between Prosperity Macao Commercial Offshore Limited (“**Prosperity Macao**”), an indirect 53.89%-owned subsidiary of the Company, and Grace Wise Pte Limited (“**Grace Wise**”) in respect of the purchases of iron ore from Grace Wise by Prosperity Macao (a copy of which is produced to this meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder or incidental thereto subject to the proposed annual caps for the period from 1 May 2010 to 31 March 2011 and the two financial years of the Company ended 31 March 2012 and 31 March 2013 set out therein be and are hereby approved, confirmed and ratified, and the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection or to implement and/or to give effect to the Master Off-take Agreement and the transactions contemplated thereunder.

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

Hong Kong, 24 June 2010

** For identification purposes only*

NOTICE OF SGM

Notes:

- (a) A member entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote on his behalf and such proxy need not be a member of the Company. A form of proxy for use at the Meeting is enclosed.
- (b) In order to be valid, the form of proxy, together with any power of attorney or authority under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- (c) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.
- (d) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (e) As at the date of this notice, Mr. Wong Ben Koon (Chairman), Mr. Sun Yong Sen (Deputy Chairman), Mr. Mao Shuzhong (Chief Executive Officer), Mr. Kong Siu Keung, Mr. Johannes Petrus Mulder and Ms. Gloria Wong are executive Directors of the Company; Mr. Mo Kwok Choi, Mr. Yuen Kim Hung, Michael and Mr. Yung Ho are independent non-executive Directors of the Company.