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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: 8139)

MAJOR TRANSACTION FORMATION OF A JOINT VENTURE COMPANY AND RESUMPTION OF TRADING

On 11th October, 2006, Prosperity Trading entered into the Joint Venture Agreement with the JV Partner for the establishment of the Joint Venture Company. Pursuant to the Joint Venture Agreement, the Joint Venture Company will be principally engaged in the operation of public port and other related facilities; provision of warehousing services; and production and sales of slag powder in Jiangdou City, Jiangsu Province, the PRC.

The Joint Venture Company will be owned as to 25% by Prosperity Trading and as to 75% by the JV Partner upon establishment. The registered capital of the Joint Venture Company will be RMB100 million (equivalent to approximately HK\$96.2 million) and contributed as to RMB25 million (equivalent to approximately HK\$24.0 million) by Prosperity Trading and as to RMB75 million (equivalent to approximately HK\$72.1 million) by the JV Partner in proportion to their respective equity interests in the Joint Venture Company. Both Prosperity Trading and the JV Partner will contribute their respective share of the registered capital in cash.

The Joint Venture Agreement constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders. Since no Shareholders or their respective associates (as defined in the GEM Listing Rules) have any interest in the Joint Venture Agreement different from any other Shareholders, no Shareholders will be required to abstain from voting if the Company were to convene a general meeting. Pursuant to Rule 19.44 of the GEM Listing Rules, Mr. Wong, the Chairman and the executive Director, and Well Success Group Limited, collectively interested in approximately 61.36% of the issued share capital of the Company as at the date of this announcement, have given their written approval to the Company to execute the Joint Venture Agreement. In accordance with Rule 19.44 of the GEM Listing Rules, the written shareholders' approvals have been accepted in lieu of holding a general meeting. A circular containing, among other things, further details of the Joint Venture Agreement and financial information of the Group will be despatched to the Shareholders as soon as practicable.

* For identification purpose only.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 12th October, 2006, pending the publication of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 13th October, 2006.

THE JOINT VENTURE AGREEMENT

Date: 11th October, 2006

Parties:

- i) Prosperity Trading, a wholly owned subsidiary of the Company; and
- ii) 安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Company Limited), the JV Partner, an investment holding company. To the best of the Directors' knowledge, information and belief and after making all reasonable enquiry, the JV Partner and its ultimate beneficial owner are not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Principal terms:

Purpose of the Joint Venture Company

Pursuant to the terms and conditions of the Joint Venture Agreement, the Company and the JV Partner have agreed to set up the Joint Venture Company in the PRC. The Joint Venture Company will be principally engaged in the operation of public port and other related facilities; provision of warehousing services; and production and sales of slag powder in Jiangdou City, Jiangsu Province, the PRC.

The JV Partner and its associates (as defined in the GEM Listing Rules) (the "JV Partner Group") is principally engaged in the production and sales of building materials in the PRC; import and export of building materials in the international market and provision of the related logistics services. In view of the experience possessed by the management of the JV Partner Group, the JV Partner will be responsible for the daily operation and management of the Joint Venture Company.

Registered capital and capital contribution

The Joint Venture Company will be owned as to 25% by Prosperity Trading and as to 75% by the JV Partner upon establishment. The registered capital of the Joint Venture Company will be RMB100 million (equivalent to approximately HK\$96.2 million) and contributed as to RMB25 million (equivalent to approximately HK\$24.0 million) by Prosperity Trading and as to RMB75 million (equivalent to approximately HK\$72.1 million) by the JV Partner in proportion to their respective equity interests in the Joint Venture Company. The Joint Venture Company will become an associated company of the Group after its establishment. According to the accounting policies of the Group, the Group's interest in the Joint Venture Company will be accounted for in the consolidated financial statements of the Group under the equity method of accounting.

Both Prosperity Trading and the JV Partner will contribute their respective share of the registered capital in cash. Pursuant to the Joint Venture Agreement, Prosperity Trading and the JV Partner are required to contribute 50% of their respective share of the registered capital, being RMB12.5 million (equivalent to approximately HK\$12.1 million) and RMB37.5 million (equivalent to approximately HK\$36.1 million) respectively, to the Joint Venture Company within 3 months from the date of issue of the business license of the Joint Venture Company by the relevant PRC authority, with the balance being contributed within 6 months from the date of issue of the business license.

The Directors currently anticipate that Prosperity Trading's share of RMB25 million registered capital contribution will be funded by internal resources of the Group.

Total investment amount

Pursuant to the terms of the Joint Venture Agreement, the total investment amount of the Joint Venture Company will be RMB200 million (equivalent to approximately HK\$192.3 million). The balance of the investment amount of RMB100 million over and on top of the registered capital of the Joint Venture Company will be funded by bank borrowings and/or other third party loans with no-recourse to its shareholders. In the event that the Joint Venture Company is not able to obtain bank borrowings and/or other loans on the aforesaid basis, the JV Partner shall arrange for other financing facilities.

The registered capital and the total investment amount of the Joint Venture Company is determined principally based on the expected amount of investment required for the establishment of the facilities required for the business of the Joint Venture Company.

Term of the Joint Venture Company

The Joint Venture Company has a term of 20 years from the date of issue of its business licence. Upon expiry of the original term and by further agreement between Prosperity Trading and the JV Partner, the Joint Venture Company may apply to the relevant governmental authority to extend its business licence.

Board composition

The board of directors of the Joint Venture Company will comprise 5 directors, 2 of whom will be appointed by Prosperity Trading and 3 of whom will be appointed by the JV Partner.

Profit and loss sharing

Prosperity Trading and the JV Partner will be entitled to share the profit or bear the loss of the Joint Venture Company in proportion to their respective interests in the paid-up registered capital of the Joint Venture Company.

Transfer of interests in the Joint Venture Company

Under the Joint Venture Agreement, each shareholder of the Joint Venture Company has granted the right of first refusal in the event that any shareholder wishes to sell its shareholding in the Joint Venture

Company. In the event that the other joint venture partner does not accept the offer within the period as prescribed in the Joint Venture Agreement, the other joint venture partner will be deemed to agree to the sale of such interests to any third parties.

Conditions precedent

The obligations of the shareholders of the Joint Venture Company in respect of payment for their respective share of the registered capital is subject to the following conditions having been fulfilled:

- (a) the Shareholders approving the Joint Venture Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules;
- (b) all necessary approval for the implementation of the transactions contemplated under the Joint Venture Agreement having been obtained by Prosperity Trading and the JV Partner; and
- (c) the obtaining of the business license of the Joint Venture Company from the relevant PRC authority in accordance with the terms of the Joint Venture Agreement.

Pursuant to the terms of the Joint Venture Agreement, the above conditions precedent have to be fulfilled on or before 30 days after the date of the Joint Venture Agreement or such other dates as each party to the Joint Venture Agreement may agree in writing.

The terms of the Joint Venture Agreement have been agreed after arm's length negotiations between Prosperity Trading and the JV Partner. The Directors consider that the Joint Venture Agreement is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE JOINT VENTURE AGREEMENT

The Group is principally engaged in the trading of cement clinker and other building materials in Asia. As set out in the first quarterly results of the Group for the year ending 31st March, 2007 (the "2007 First Quarter Results"), the Group has successfully extended its trading business to the United States, Africa and Middle East.

The Directors believe that there will be continuous strong demand in the export of building materials in the PRC to the international market. The growth in this export business in the PRC will increase demand for the associated logistics services. As a result, the Directors expect the potential investment returns from ports operation and the associated logistics service will be optimistic as well. In addition, as set out in the 2007 First Quarter Results, the strong demand of cement clinker in the international markets has contributed to the leading position of the PRC in exporting cement clinker. The Directors believe the export of other related building materials in the PRC such as slag powder will also benefit from this. The Directors are of the view that the Joint Venture Agreement will provide an opportunity for the Group to make a foray into the port and related logistics operations and production and sales of slag powder.

GENERAL

The formation of the Joint Venture Company pursuant to the Joint Venture Agreement constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders. Since no Shareholders or their respective associates (as defined in the GEM Listing Rules) have any interest in the Joint Venture Agreement different from any other Shareholders, no Shareholders will be required to abstain from voting if the Company were to convene a general meeting. Pursuant to Rule 19.44 of the GEM Listing Rules, Mr. Wong, the Chairman and executive Director, and Well Success Group Limited, collectively interested in approximately 61.36% of the issued share capital of the Company as at the date of this announcement, have given their written approval to the Company to execute the Joint Venture Agreement. In accordance with Rule 19.44 of the GEM Listing Rules, the written shareholders' approvals have been accepted in lieu of holding a general meeting.

A circular containing, among other things, further details of the Joint Venture Agreement and financial information of the Group will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	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 Growth Enterprise Market of the Stock Exchange
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the joint venture agreement dated 11th October, 2006 entered into between Prosperity Trading and the JV Partner for the establishment of the Joint Venture Company

“Joint Venture Company”	the joint venture company to be established in the PRC pursuant to the Joint Venture Agreement with a tentative name of 江都海昌港務實業有限公司 (Jiangdou Haichang Port Industrial Company Limited)
“JV Partner”	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Company Limited)
“Mr. Wong”	Mr. Wong Ben Koon, the Chairman and an executive Director of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prosperity Trading”	Prosperity Trading Limited, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of illustration in this announcement, figures in Renminbi are translated into Hong Kong dollars at the approximate exchange rate of RMB1.04 to HK\$1.00.

The English translation of Chinese names is included for information purpose only and should not be regarded as their official English translation.

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

Hong Kong, 12th October, 2006

The directors of the Company as at the date of this announcement are:

Executive directors

Mr. Wong Ben Koon (*Chairman*)

Mdm. Hon Ching Fong

Mr. Kong Siu Keung

Independent non-executive directors

Mr. Mo Kwok Choi

Mr. Yuen Kim Hung, Michael

Mr. Yung Ho

This announcement, for which the directors of the Prosperity International Holdings (H.K.) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.