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Prosper One International Holdings Company Limited

富一國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1470)

CONTINUING CONNECTED TRANSACTIONS

THE AGREEMENTS

On 23 September 2019, the Company entered into the Ruixing Purchase Agreement and the Ruixing Supply Agreement with Ruixing, pursuant to which the Group will purchase and sell fertilisers and other products from/to members of the Ruixing Group. On the same date, the Company also entered into the Nongyuan Purchase Agreement with Shandong Nongyuan, pursuant to which the Group will purchase fertilisers from members of the Nongyuan Group.

LISTING RULES IMPLICATIONS

As Ruixing is controlled by Mr. Meng Guangyin who is the controlling shareholder of the Company, Ruixing is a connected person of the Company and the Ruixing Purchases and the Ruixing Sales constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Shandong Nongyuan is a company owned as to 51% by Mr. Meng Xiao who is a cousin of Mr. Meng Guangyin (the controlling shareholder of the Company), Shandong Nongyuan is deemed to be a connected person of the Company and the Nongyuan Purchases constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Annual Caps for the Ruixing Purchases and the Nongyuan Purchases exceed 5%, the entering into of the Ruixing Purchase Agreement and the Nongyuan Purchase Agreement (including the respective Annual Caps) is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Annual Caps for the Ruixing Sales is more than 0.1% but less than 5%, the entering into of the Ruixing Supply Agreement (including the respective Annual Caps) is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and does not require the approval of the Independent Shareholders.

By virtue of Mr. Meng Guangyin being the controlling shareholder of Ruixing and the cousin of Mr. Meng Xiao who is the controlling shareholder of Shandong Nongyuan, Mr. Meng Guangyin has a material interest in the Agreements and has abstained from voting on the Board resolutions approving the Agreements and the transactions contemplated thereunder. Save for the above, none of the Directors had a material interest in the Agreements who would otherwise be required to abstain from voting on the relevant Board resolutions approving the Agreements.

The EGM will be convened and held to seek approval of the Independent Shareholders for the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the respective Annual Caps). As at the date of this announcement, Prosper One Enterprises Limited (a company wholly-owned by Mr. Meng Guangyin) holds 600,000,000 Shares (representing 75% of the total number of issued Shares) and shall abstain from voting on the relevant resolution(s) at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tian Zhiyuan, Mr. Lee Chun Keung, Michael and Mr. Wang Luping, has been established to advise the Independent Shareholders on the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the respective Annual Caps). Gram Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) further details of the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee in respect of the Ruixing Purchase Agreement, and the Nongyuan Purchase Agreement; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Ruixing Purchase Agreement, and the Nongyuan Purchase Agreement; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 16 October 2019.

The Board announces that on 23 September 2019, the Company entered into the Ruixing Purchase Agreement and the Ruixing Supply Agreement with Ruixing, pursuant to which the Group will purchase and sell fertilisers and other products from/to Ruixing Group. On the same date, the Company also entered into the Nongyuan Purchase Agreement with Shandong Nongyuan, pursuant to which the Group will purchase fertilisers from Nongyuan Group.

Details of the terms of the Agreements are set out below.

THE RUIXING PURCHASE AGREEMENT

Date

23 September 2019

Parties

- (i) The Company as purchaser; and
- (ii) Ruixing as supplier.

Ruixing is a company owned as to 45.84% by Mr. Meng Guangyin, an executive Director and the ultimate controlling shareholder of the Company interested in 600,000,000 Shares (representing 75% of the issued share capital of the Company). Accordingly, Ruixing is a connected person of the Company under Chapter 14A of the Listing Rules. The Ruixing Group is a large-scale agriculture enterprise in the PRC and its members are principally engaged in the manufacture and sale of fertilisers, grain storage and processing, land transfers, financial services, technology research and development, and international trading.

Subject matter

Pursuant to the Ruixing Purchase Agreement, members of the Ruixing Group shall supply fertilisers such as urea and compound fertilisers to the Group based on the specifications, quantity, price and delivery date as agreed between the parties.

Pricing and other terms

The parties agree that the prices of fertilisers shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms for the Ruixing Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

Effective date

The Ruixing Purchase Agreement shall become effective on the date on which all conditions precedent set out below are fulfilled until 30 April 2022.

Conditions precedent

The Ruixing Purchase Agreement shall become effective upon the fulfilment of all of the following conditions:

- (i) the Shareholders (other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations) having passed the ordinary resolution approving the Ruixing Purchase Agreement and the transactions contemplated thereunder (including the relevant annual caps), if applicable;
- (ii) Ruixing having obtained all approvals for the execution of the Ruixing Purchase Agreement and the transactions contemplated thereunder; and
- (iii) the Company having obtained all approvals for the execution of the Ruixing Purchase Agreement and the transactions contemplated thereunder.

None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before on 31 December 2019 (or such other date as agreed between the parties in writing), the Ruixing Purchase Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

Annual caps

Pursuant to the Ruixing Purchase Agreement, the transaction value of the products (tax exclusive) to be purchased by the Group from the Ruixing Group must not exceed HK\$215 million, HK\$248 million and HK\$285 million for each of the three years ending 30 April 2020, 2021 and 2022, respectively.

The annual caps were determined after taking into account (i) the historical transaction values for the Ruixing Purchases; (ii) the orders on hand; (iii) the potential exchange rate fluctuation between RMB and HK\$; and (iv) the potential growth in demand of fertilisers. The historical transaction values for the Ruixing Purchases were nil, approximately HK\$49.0 million, HK\$186.9 million and HK\$0.1 million for each of the years ended 30 April 2017, 2018 and 2019, and the three months ended 31 July 2019 respectively. The transactions conducted during the three months ended 31 July 2019 were related to purchases for which prepayments have been made by the Group before 30 April 2018.

THE RUIXING SUPPLY AGREEMENT

Date

23 September 2019

Parties

(iii) Ruixing as purchaser; and

(iv) the Company as supplier.

As mentioned above, Ruixing is a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Ruixing Supply Agreement, the Group shall supply crude glycerine to the Ruixing Group based on the specifications, quantity, price and delivery date as agreed between the parties.

Pricing and other terms

The parties agree that the prices of crude glycerine shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms for the Ruixing Sales shall be on normal commercial terms and no less favourable to the Group than those offered by the Group to independent third parties.

Effective date

The Ruixing Supply Agreement shall become effective on the date on which all conditions precedent set out below are fulfilled until 30 April 2022.

Conditions precedent

The Ruixing Supply Agreement shall become effective upon the fulfilment of all of the following conditions:

- (i) the Shareholders (other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations) having passed the ordinary resolution approving the Ruixing Supply Agreement and the transactions contemplated thereunder (including the relevant annual caps), if applicable;
- (ii) Ruixing having obtained all approvals for the execution of the Ruixing Supply Agreement and the transactions contemplated thereunder; and

(iii) the Company having obtained all approvals for the execution of the Ruixing Supply Agreement and the transactions contemplated thereunder.

None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before on 31 December 2019 (or such other date as agreed between the parties in writing), the Ruixing Supply Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

Annual caps

Pursuant to the Ruixing Supply Agreement, the transaction value of the products (tax exclusive) to be supplied by the Group to the Ruixing Group must not exceed HK\$9 million, HK\$10 million and HK\$11 million for each of the three years ending 30 April 2020, 2021 and 2022, respectively.

The annual caps were determined after taking into account (i) the historical transaction values for the Ruixing Sales; (ii) the orders on hand; (iii) the potential exchange rate fluctuation between RMB and HK\$; and (iv) the potential growth in demand of crude glycerine. The historical transaction values for the Ruixing Sales were nil, nil, approximately HK\$7 million and HK\$1.8 million for each of the three years ended 30 April 2017, 2018 and 2019, and the three months ended 31 July 2019 respectively. The transactions conducted during the three months ended 31 July 2019 were related to purchases for which prepayments have been made by the Ruixing Group before 30 April 2019.

THE NONGYUAN PURCHASE AGREEMENT

Date

23 September 2019

Parties

(v) The Company as purchaser; and

(vi) Shandong Nongyuan as supplier.

Shandong Nongyuan is a company owned as to 51% by Mr. Meng Xiao who is a cousin of Mr. Meng Guangyin (the controlling shareholder of the Company) and as to 49% by a third party independent of the Company and its connected persons. Accordingly, Shandong Nongyuan is deemed to be a connected person of the Company under Chapter 14A of the Listing Rules. The Nongyuan Group is principally engaged in the wholesale and retail sale of pesticides, fertilisers, grains and seeds, and sale of agricultural equipment and accessories.

Subject matter

Pursuant to the Nongyuan Purchase Agreement, members of the Nongyuan Group shall supply fertilisers such as urea and compound fertilisers to the Group based on the specifications, quantity, price and delivery date as agreed between the parties.

Pricing and other terms

The parties agree that the prices of fertilisers shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms for the Nongyuan Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

Effective date

The Nongyuan Purchase Agreement shall become effective on the date on which all conditions precedent set out below are fulfilled until 30 April 2022.

Conditions precedent

The Nongyuan Purchase Agreement shall become effective upon the fulfilment of all of the following conditions:

- (i) the Shareholders (other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations) having passed the ordinary resolution approving the Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the relevant annual caps), if applicable;
- (ii) Shandong Nongyuan having obtained all approvals for the execution of the Nongyuan Purchase Agreement and the transactions contemplated thereunder; and
- (iii) the Company having obtained all approvals for the execution of the Nongyuan Purchase Agreement and the transactions contemplated thereunder.

None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before on 31 December 2019 (or such other date as agreed between the parties in writing), the Nongyuan Purchase Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

Annual caps

Pursuant to the Nongyuan Purchase Agreement, the transaction value of the products (tax exclusive) to be purchased by the Group from Nongyuan Group must not exceed HK\$365 million, HK\$419 million and HK\$482 million for each of the three years ending 30 April 2020, 2021 and 2022, respectively.

The annual caps were determined after taking into account (i) the historical transaction values for the Nongyuan Purchases; (ii) the orders on hand; (iii) the potential exchange rate fluctuation between RMB and HK\$; and (iv) the potential growth in demand of fertilisers. The historical transaction values for the Nongyuan Purchases were nil, nil, approximately HK\$316.6 million and HK\$172.8 million for the years ended 30 April 2017, 2018 and 2019, and the three months ended 31 July 2019 respectively. The transactions conducted during the three months ended 31 July 2019 were related to purchases for which prepayments have been made by the Group before 30 April 2019, respectively.

INTERNAL CONTROLS

In addition to the requirements of annual review by external auditors and independent non-executive Directors for the Group's continuing connected transactions under the Listing Rules, the Company also adopts certain control measures over the conduct of the continuing connected transactions, as summarised below.

Specific controls relating to the Ruixing Purchases and the Nongyuan Purchases

- (i) The responsible purchase department staff is required to obtain at least three quotations for the same product in the same quantity from the Group's approved independent suppliers;
- (ii) The responsible purchase department staff will then keep the quotations in record and submit the same to the general manager of the Company for review; and
- (iii) The general manager of the Company is responsible for reviewing the quotations to ensure the purchase price and other terms offered by the selected supplier are no less favourable to the Group than those available from other independent suppliers, and if so, he will approve the related purchase order.

Specific controls relating to the Ruixing Sales

- (i) When providing quotations to the Ruixing Group, the responsible sales department staff is required to make reference to the sale prices offered to other independent customers for the same product (if available), or obtain the latest market price from reputable websites;

- (ii) The responsible sales department staff will then keep the comparison results in record and submit the same to the general manager of the Company for review; and
- (iii) The general manager of the Company is responsible for reviewing the comparison results to ensure the sale price and other terms offered by the Group to the Ruixing Group are no more favourable than those offered to independent customers, and if so, he will approve the related sales order.

Monitoring Annual Caps

The financial controller of the Group is responsible for monitoring the utilisation of the Annual Caps. On a monthly basis, the financial controller of the Group prepares monthly annual caps utilisation report, which will be sent to the Board for review and consideration to ensure the compliance with the relevant Listing Rules.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the retail and wholesale of watches in Hong Kong, and sales and trading of fertilisers raw materials, fertilisers products and public consumption products.

It is the Group's ordinary and usual course of business to provide procurement services for different raw materials and products based on customer's specifications. The Ruixing Group has been one of the Group's major suppliers of fertilisers given its reputable brand with more than 50 years of history and high product quality. Shandong Nongyuan is also a major supplier of the Group for fertilisers. The Ruixing Purchases and the Nongyuan Purchases were made to satisfy independent customers' orders and had generated trading profits of approximately HK\$2.6 million and HK\$15.2 million (which were recorded as commission income in the financial statements of the Group) for each of the two years ended 30 April 2018 and 2019 respectively.

The crude glycerine was procured by the Group for the Ruixing Group as the Ruixing Group does not have the relevant import licence for the raw materials. The Ruixing Sales had generated trading profit of approximately HK\$0.6 million (which was recorded as commission income in the financial statements of the Group) to the Group for the year ended 30 April 2019.

Have considered the above, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice of Gram Capital) consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group, the Agreements are on normal commercial terms, and the terms of the Agreements (including and the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Ruixing is controlled by Mr. Meng Guangyin who is the controlling shareholder of the Company, Ruixing is a connected person of the Company and the Ruixing Purchases and the Ruixing Sales constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Shandong Nongyuan is a company owned as to 51% by Mr. Meng Xiao who is a cousin of Mr. Meng Guangyin (the controlling shareholder of the Company), Shandong Nongyuan is deemed to be a connected person of the Company and the Nongyuan Purchases constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Annual Caps for the Ruixing Purchases and the Nongyuan Purchases exceed 5%, the entering into of the Ruixing Purchase Agreement and the Nongyuan Purchase Agreement (including the respective Annual Caps) is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Annual Caps for the Ruixing Sales is more than 0.1% but less than 5%, the entering into of the Ruixing Supply Agreement (including the respective Annual Caps) is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and does not require the approval of the Independent Shareholders.

By virtue of Mr. Meng Guangyin being the controlling shareholder of Ruixing and the cousin of Mr. Meng Xiao who is the controlling shareholder of Shandong Nongyuan, Mr. Meng Guangyin has a material interest in the Agreements and has abstained from voting on the Board resolutions approving the Agreements and the transactions contemplated thereunder. Save for the above, none of the Directors had a material interest in the Agreements who would otherwise be required to abstain from voting on the relevant Board resolutions approving the Agreements.

The EGM will be convened and held to seek approval of the Independent Shareholders for the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the respective Annual Caps). As at the date of this announcement, Prosper One Enterprises Limited (a company wholly-owned by Mr. Meng Guangyin) holds 600,000,000 Shares (representing 75% of the total number of issued Shares) and shall abstain from voting on the relevant resolution(s) at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tian Zhiyuan, Mr. Lee Chun Keung, Michael and Mr. Wang Luping has been established to advise the Independent Shareholders on the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the respective Annual Caps). Gram Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee in respect of the Ruixing Purchase Agreement and the Nongyuan Purchase Agreement; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Ruixing Purchase Agreement and the Nongyuan Purchase Agreement; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 16 October 2019.

DEFINITIONS

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

“Agreements”	the Nongyuan Purchase Agreement, the Ruixing Purchase Agreement and the Ruixing Supply Agreement
“Annual Caps”	the annual caps set out in the Agreements
“Board”	the board of Directors
“Company”	Prosper One International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1470)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the Nongyuan Purchases, the Ruixing Purchases and the Ruixing Sales
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholder
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the respective Annual Caps)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Tian Zhiyuan, Mr. Lee Chun Keung, Michael and Mr. Wang Luping, established for the purpose of advising the Independent Shareholders on the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the respective Annual Caps)
“Independent Shareholder(s)”	the shareholders of the Company other than those who are required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Ruixing Purchase Agreement, the Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the respective Annual Caps)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nongyuan Group”	Shandong Nongyuan and its subsidiaries

“Nongyuan Purchase Agreement”	the framework agreement dated 23 September 2019 entered into between the Company and Shangdong Nongyuan in relation to the Nongyuan Purchases
“Nongyuan Purchases”	the purchases of fertilisers by the Group from the Nongyuan Group
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Ruixing”	瑞星集團有限公司 (Ruixing Group Company Limited*), a company controlled by Mr. Meng Guangyin
“Ruixing Group”	Ruixing and its subsidiaries
“Ruixing Purchase Agreement”	the framework agreement dated 23 September 2019 entered into between the Company and Ruixing in relation to the Ruixing Purchases
“Ruixing Purchases”	the purchases of fertilisers by the Group from the Ruixing Group
“Ruixing Sales”	the supply of crude glycerine by the Group to the Ruixing Group
“Ruixing Supply Agreement”	the framework agreement dated 23 September 2019 entered into between the Company and Ruixing in relation to the Ruixing Sales
“Shandong Nongyuan”	山東農源農資有限公司 (Shandong Nongyuan Nongzi Co., Ltd.*), a company established in the PRC which is owned as to 51% by Mr. Meng Xiao and as to 49% by a third party independent of the Company and its connected persons
“Share(s)”	the ordinary share(s) of nominal or par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“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.

By order of the Board
Prosper One International Holdings Company Limited
Meng Guangyin
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 23 September 2019

As at the date of this announcement, the Board comprises Mr. Meng Guangyin (chairman and chief executive officer), Mr. Liu Guoqing (chief financial officer) and Mr. Liu Jiaqiang as the executive Directors; and Mr. Tian Zhiyuan, Mr. Lee Chun Keung, Michael and Mr. Wang Luping as the independent non-executive Directors.

* *The English transliteration of the Chinese name is for identification purpose only*