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PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED

昌興國際控股(香港)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 803)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
DISPOSAL OF 30% EQUITY INTERESTS IN A JOINT VENTURE COMPANY**

THE DISPOSAL

The Board is pleased to announce that on 31 October 2019, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the SPA. Pursuant to the SPA, the Vendor agreed to sell to the Purchaser and the Purchaser agreed to purchase from the Vendor the Sale Interests, at the Consideration in the aggregate sum of RMB45,266,400 (equivalent to approximately HK\$49,793,000), subject to and upon the terms of the SPA.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal contemplated under the SPA exceed(s) 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

* For identification purposes only

INTRODUCTION

The Board is pleased to announce that on 31 October 2019, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the SPA. Pursuant to the SPA, the Vendor agreed to sell to the Purchaser and the Purchaser agreed to purchase from the Vendor the Sale Interests, at the Consideration in the aggregate sum of RMB45,266,400 (equivalent to approximately HK\$49,793,000), subject to and upon the terms of the SPA.

THE SPA

Date: 31 October 2019

The vendor: 浙江昌興投資有限公司 (Zhejiang Changxing Investment Co., Ltd.*), an indirect wholly-owned subsidiary of the Company and was beneficially interested as to 30% equity interests in Dali Gangxing prior to the Completion

The purchaser: an individual person

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Purchaser is an Independent Third Party.

Assets to be disposed of: Pursuant to the SPA, the Vendor agreed to sell to the Purchaser and the Purchaser agreed to purchase from the Vendor the Sale Interests.

Consideration and payment terms: The Consideration for the Disposal is RMB45,266,400 (equivalent to approximately HK\$49,793,000), comprising of (1) the amount of RMB37,834,500 (equivalent to approximately HK\$41,620,000) with reference to the capital contribution of the Vendor and (2) the shareholder loan from the Vendor to Dali Gangxing being RMB7,431,900 (equivalent to approximately HK\$8,173,000) as at 31 August 2019.

The Consideration shall be satisfied in the following manner:

- (i) a sum of RMB35,266,400 (equivalent to approximately HK\$38,793,000), being the aggregate amount of the Debts owed by the Vendor to the Purchaser as at 31 August 2019, shall be fully set off against the Consideration; and
- (ii) after the set off mentioned in (i), the remaining sum of RMB10,000,000 (equivalent to approximately HK\$11,000,000) shall be paid by the Purchaser to the Vendor within ninety (90) days upon the signing of the SPA.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser. The Directors consider that the Consideration is fair and reasonable after taking into account (i) the financial performance of Dali Gangxing, (ii) the business prospects of Dali Gangxing; and (iii) the unaudited net asset value of Dali Gangxing as at 30 September 2019 which amounted to approximately RMB117,300,000 (equivalent to approximately HK\$129,000,000).

Completion: The SPA will become effective upon execution and Completion will take place after completion of the registration with the relevant PRC government authority of the change of ownership of the Sale Interests.

INFORMATION ON DALI GANGXING

Dali Gangxing is a company incorporated in the PRC with limited liability on 24 January 2019. The principal business of Dali Gangxing is property development.

Set out below is a summary of the unaudited financial information of Dali Gangxing for the period from its incorporation to 30 September 2019 prepared in accordance with the PRC Accounting Standard for Business Enterprises:

	For the period from the date of incorporation to 30 September 2019	
	<i>RMB'000</i>	<i>HK\$'000</i>
Net loss		
— before taxation	2,682	2,950
— after taxation	2,682	2,950

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

For illustrative purpose, based on (i) the unaudited net asset value of Dali Gangxing as at 30 September 2019 of approximately RMB117,300,000 (equivalent to approximately HK\$129,000,000) and the shareholder loan from the Vendor to Dali Gangxing being RMB7,431,900 (equivalent to approximately HK\$8,173,000) as at 31 August 2019, and (ii) the Consideration of RMB45,266,400 (equivalent to approximately HK\$49,793,000), it is estimated that the Group will record a gain of approximately HK\$2,900,000 before tax from the Disposal. Shareholders should note that the actual amount of the gain before tax on the Disposal to be recognised in the consolidated financial statements of the Company depends on the net asset value of Dali Gangxing as at the date of the Completion, and subject to audit by auditors of the Company, and therefore may be different from the amount mentioned above.

Upon the Completion, Dali Gangxing will cease to be a joint venture company of the Group.

The net proceeds from the Disposal will be approximately RMB10,000,000 (equivalent to approximately HK\$11,000,000), which will be used for working capital purpose of the Group.

REASONS FOR THE DISPOSAL

The principal business of Dali Gangxing is property development.

In view of (i) the fact that a significant portion of the Group's debts will mature within the next twelve months; and (ii) the uncertain outlook of the Chinese economy, particularly the possible fallouts from the US-China trade war and the continuing structural weaknesses in the Chinese economy, there are risks that the Group may not be able to roll-over its debts or source new financing to refinance those maturing ones. Accordingly, the Board considers that it would be prudent for the Group to trim its assets and reduce its gearing as and when the opportunity arises; thus improving the Group's resilience to further downturns in the economy. The Board believes that it would be prudent to realise cash from the Disposal which allows the Group to repay its debts and therefore strengthen the liquidity and overall financial position of the Group. Furthermore, based on the valuation report of Dali Gangxing as at 31 March 2019 prepared by an independent valuer based on asset based approach in the amount of approximately RMB119,943,000, the Directors are of the view that the basis for determining the Consideration is fair and reasonable and in the interest of the Company and its shareholders as a whole.

For the reasons set out above, the Directors are of the view that the terms of the SPA have been negotiated on an arm's length basis, are on normal commercial terms and the Disposal is fair and reasonable and in the interest of the Company and its shareholders as a whole.

BOARD'S APPROVAL

The SPA was approved by the Board on 30 October 2019. Since no Directors have material interest in the Disposal contemplated under the SPA, none of the Directors has abstained from voting at the Board's meeting to approve the SPA.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal contemplated under the SPA exceed(s) 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

INFORMATION ABOUT THE GROUP, THE VENDOR AND THE PURCHASER

The Group

The Group is principally engaged in (i) real estate investment and development; (ii) mining and trading of iron ore and raw materials; and (iii) trading of clinker, cement and other building materials.

The Vendor

The Vendor is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Purchaser

To the best of the Directors' knowledge, information and belief, the Purchaser is an individual who is an Independent Third Party.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a business day, other than a Saturday, Sunday or official public holiday, on which commercial banks in Hong Kong are open for transaction of routine banking business
“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 the Stock Exchange (Stock code: 803)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the SPA
“connected person(s)”	has the meaning given to it under the Listing Rules
“Consideration”	RMB45,266,400 (equivalent to approximately HK\$49,793,000), being the consideration for the Disposal payable by the Purchaser to the Vendor pursuant to the SPA, comprising of (1) the amount of RMB37,834,500 (equivalent to approximately HK\$41,620,000) with reference to the capital contribution of the Vendor and (2) the shareholder loan from the Vendor to Dali Gangxing being RMB7,431,900 (equivalent to approximately HK\$8,173,000) as at 31 August 2019

“Dali Gangxing”	大理港興置業有限公司 (Dali Gangxing Property Company Limited*), a company incorporated in the PRC with limited liability and was beneficially owned as to 30% by the Vendor prior to the Completion
“Debts”	the outstanding debts owed by the Vendor to the Purchaser in an aggregate amount of RMB35,266,400 (equivalent to approximately HK\$38,793,000) as at 31 August 2019
“Disposal”	the disposal of the Sale Interests by the Vendor to the Purchaser pursuant to the SPA
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party who is not a connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the Company and its connected person (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning given to it under the Listing Rules
“PRC”	the People’s Republic of China
“Purchaser”	an individual person, who is an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	the 30% equity interests held by the Vendor in Dali Gangxing prior to the Completion and disposed of by the Vendor to the Purchaser in accordance with the terms of the SPA
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“SPA”	the sale and purchase agreement dated 31 October 2019 and entered into by the Vendor and the Purchaser in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor” 浙江昌興投資有限公司 (Zhejiang Changxing Investment Co., Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

“%” per cent.

For the purposes of this announcement, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1 to HK\$1.1 for the purposes of illustration only. No representation is made that any amount of HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

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

Hong Kong, 31 October 2019

As at the date of this announcement, the executive Directors are Mr. Wong Ben Koon (Chairman), Ms. Gloria Wong, Mr. Xie Qiangming (Chief Executive Officer), Mr. Nie Qiaoming and Mr. Ma Xin; and the independent non-executive Directors are Mr. Zhao Gen, Mr. Guan Guisen and Mr. Yan Xiaotian.

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