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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)

INSIDE INFORMATION ANNOUNCEMENT POSSIBLE DISPOSAL OF SUBSIDIARY

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong).

THE BID

Prosperity International Holdings (H.K.) Limited (the “**Company**”) announces that its indirect wholly-owned subsidiary Prosperity Real Estate Holdings Limited (the “**Prosperity Real Estate**”) is proposing to dispose of its entire equity interest in Greater Sino Investments Limited (the “**Target Subsidiary**”) to third party investor(s) (the “**Investor**”) through a private bid process. The Target Subsidiary is currently wholly-owned by Prosperity Real Estate. Prosperity Real Estate has appointed Roma Surveyors & Property Consultants Limited (“**Roma**”) to manage the bid process.

Assuming Prosperity Real Estate receives bids from eligible bidders, Prosperity Real Estate intends to select a preferred purchaser with whom, subject to contract, it intends to proceed to conclude the transaction. It is expected that the contract will then be signed by mid-December 2019 and completion will then take place by no later than 30 January 2020, subject to regulatory approval. However, Prosperity Real Estate has reserved the right in its absolute discretion not to proceed with the transaction with any person at any time, or to vary or discontinue the bid process at any time without notice.

Depending on the bid price, the transaction (if it were to proceed) may constitute a major transaction or a very substantial disposal for the Company and will therefore be subject to the approval of its shareholders at a special general meeting to be held and to such other conditions relating to notifiable transactions set out under the Listing Rules.

* *For identification purposes only*

The Target Subsidiary will be sold unencumbered on a cash free/debt free basis.

At the moment, no potential bidder has been identified and the Company has not received indicative offers from any person. The sale of the Target Subsidiary may or may not proceed. Shareholders and potential investors are urged to exercise caution in relation to dealings with the Company's securities.

THE PUT OPTION

On 8 November 2019, Prosperity Real Estate, Grand Link Finance Limited (the "**Grantor**") and Mr. Wong Ben Koon ("**Mr. Wong**") entered into a put option agreement (the "**Put Option Agreement**") whereby the Grantor has unconditionally granted to Prosperity Real Estate an option to require the Grantor to purchase the Target Subsidiary at a consideration equal to HKD263 million (the "**Put Option Consideration**") if no interested third party investors were to be identified pursuant to the bid process referred to above. Mr. Wong has guaranteed the performance by the Grantor of its obligations set out in the Put Option Agreement. The premium for the Put Option Agreement is a nominal USD10 (HKD78.0).

Mr. Wong is a director of the Grantor. Mr. Wong is a substantial shareholder of the Company. He and his associates currently holds approximately 23.05% of the issued share capital of the Company.

The Company and its subsidiaries (the "**Group**") is currently indebted to an associate of Mr. Wong in the amount of approximately HKD374 million of which approximately HKD26.8 million will be due and payable on 30 April 2020. If Prosperity Real Estate exercises the put option, the Put Option Consideration will be satisfied by the Company setting-off an equal amount (i.e. HKD263 million) currently due from the Group to such creditor. As a result, the amount due to such creditor will be reduced to approximately HKD111 million.

Based on the current market capitalisation of the Company, if Prosperity Real Estate exercises the put option, the transaction will constitute a very substantial disposal as well as a non-exempt connected transaction for the Company and will require the approval of the independent shareholders of the Company at a special general meeting to be held and to such other conditions relating to notifiable and connected transactions set out under the Listing Rules.

The directors of the Company (the "**Directors**") have not decided whether to exercise the option, even if no acceptable bid has been received. The Directors will review and decide whether to exercise the put option after considering the financial position of the Group at the relevant time. In particular, the Directors will need to consider if the probability of those debts due to such creditor be repaid or refinance by the Company's financial year ended 31 March 2020.

In addition, even if Prosperity Real Estate receives an offer lower than the Put Option Consideration, depending on the materiality of the difference, the Directors may accept the bid in favour of the Put Option Consideration particularly if the benefit of immediate cash flow outweighs the reduction in liabilities of the Group.

As the Directors may or may not exercise the put option, the sale of the Target Subsidiary may or may not proceed (even if no bidder has been identified). Shareholders and potential investors are urged to exercise caution in relation to dealings with the Company's securities.

BRIEF INFORMATION ABOUT THE TARGET SUBSIDIARY

Through its interests in various intermediate companies in Hong Kong and the PRC, the Target Subsidiary is indirectly the majority holder of the redevelopment right in respect of a parcel of land situated at the industrial town, north side of Longping Road, Guanjingtou Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮官井頭村龍平公路北側丹興工業城) with a total site area of approximately 30,453 sq.m. (before redevelopment) (the “**Land**”) and the factories, shops and residential buildings erected on the Land (the “**Property**”). The total gross floor area of the Land and the Property is 49,098.03 sq.m..

However, pursuant to a co-operation agreement (“**Co-operation Agreement**”) entered into in 2018 by the Target Subsidiary, Honwill Limited (“**HK Honwill**”) and Dongguan City Danxin Property Company Limited (“**Dongguan Danxin**”, together with HK Honwill, the “**Other Parties**”) with various subsidiaries of China Vanke Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited (Stock Code 2202)) (collectively “**Vanke**”), the Target Subsidiary has effectively agreed to sell its interests in the redevelopment right of the Land (the “**Redevelopment Project**”) at a total consideration of RMB830 million (the “**Consideration**”) payable in tranches; two of which (amounting to RMB415 million) have been paid.

Of the remaining Consideration, the Target Subsidiary and HK Honwill are entitled to a further sum of RMB266 million (before PRC tax) after the remaining balance of a loan repayment of RMB24.5 million by Dongguan Honwill Limited (“**Dongguan Honwill**”) to another subsidiary of the Company, and upon the satisfaction of various conditions including (a) the grant of certain approvals by the relevant government authorities in relation to the Redevelopment Project; (b) Vanke's affiliates having been selected as the developer of the Redevelopment Project; and (c) the Property on the Land having been demolished.

However, if the Target Subsidiary and the Other Parties fail to obtain approval from the relevant government authorities in relation to the plan for launching the Land to be listed on a public platform for bidding and to procure the Land to be listed on a public platform for bidding within thirty (30) days after Land planning approval having been obtained from relevant government authorities in the PRC, Vanke shall be entitled to terminate the Co-operation Agreement and to request for refund of the amount of consideration paid up till then, together with interest calculated at 10% per annum (the “**Refund Amount**”).

In addition, in the event that on or before 12 March 2020, the listing of the Land on a public platform has not been completed or if Vanke's affiliates failed to be selected as the developer of the Redevelopment Project, Vanke has the right to terminate the Co-operation Agreement and to seek a refund of the Refund Amount.

Upon receipt of the Refund Amount, the Target Subsidiary and the Other Parties could request Vanke to return 49% of the issued share capital in HK Honwill held by Vanke to the Target Subsidiary and 36% of the equity interests in Dongguan Honwill held by Vanke to HK Honwill. Effectively, the Target Subsidiary will then end up owning 70% of the Land and the Property.

In the event that the Refund Amount has not been paid by the Target Subsidiary and the Other Parties, Vanke may institute legal proceedings against the Target Subsidiary and the Other Parties to recover the unpaid Refund Amount owed to Vanke. If the outstanding Refund Amount remains unsettled upon an award made in favour of Vanke, Vanke has the right to apply for enforcement as against the assets of the Target Subsidiary and the Other Parties.

If Vanke does not exercise its right to terminate the Co-operation Agreement, each party will have to continue to perform its obligations under the Co-operation Agreement, provided that Vanke would have the right to request the Target Subsidiary and the Other Parties to compensate for any direct losses suffered by Vanke and any loss of reasonably foreseeable profits arising from the breach of the terms of the Co-operation Agreement by the Target Subsidiary and the Other Parties. Hence, upon the Target Subsidiary and the Other Parties performing their obligations under the Co-operation Agreement, Vanke will have to pay the remaining consideration subject to its claim for damages, as referred to above.

For further details of the Co-operation Agreement, please refer to the circular issued by the Company dated 25 May 2018.

REASONS FOR THE BID AND THE PUT OPTION

The Target Subsidiary entered into the Co-operation Agreement with Vanke, amongst others, in 2018. Due to the risks and uncertainties relating to, amongst others, the satisfaction of certain milestones by prescribed timeframes as set out in the Co-operation Agreement, the Company is uncertain as to whether and when the completion of the Redevelopment Project contemplated under the Co-operation Agreement will take place, and there is a risk that the Target Subsidiary and the Other Parties may not be able to receive a certain amount out of the remaining balance of the Consideration pursuant to the Co-operation Agreement.

In addition, if Prosperity Real Estate exercises the put option, the put option would allow the Group to reduce its debt and liabilities of the Group as the Put Option Consideration will be satisfied by the Company setting-off an equal amount currently due from the Group to an associate of Mr. Wong. Given the above factors, the Directors are of the view that the disposal of the entire equity interest in the Target Subsidiary by Prosperity Real Estate through the private bid process and the entering into of the Put Option Agreement is fair and reasonable and is in the interests of the Company and the shareholders of the Company as a whole.

WARNINGS

There is no assurance that the bid or the put option will be successfully implemented. Shareholders and potential investors of the Company should be aware that the disposal plan may or may not proceed. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional adviser(s).

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

Hong Kong, 8 November 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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.