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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)

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Stock Code: 803)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION — DISPOSAL OF THE TARGET SUBSIDIARY

THE DISPOSAL

Reference is made to the announcement of the Company dated 8 November 2019 in relation to the possible disposal of the Target Subsidiary, the bid process in relation to the Sale Shares and the entering into of the Put Option Agreement and the announcements of the Company dated 31 January 2020 and 12 March 2020 in relation to the entering into of the supplemental agreement dated 31 January 2020 and the 2nd supplemental agreement dated 12 March 2020 respectively regarding the extension of the put option period.

On 24 March 2020 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company has served an Option Notice on the Purchaser under the Put Option Agreement stating its intention to exercise the Put Option and required the Purchaser to purchase the Sale Shares at the Consideration of HK\$335 million.

Pursuant to the Put Option Agreement, upon receipt of the Option Notice, the Purchaser and the Vendor shall execute the Sale and Purchase Agreement within 3 business days thereafter. Accordingly, on 24 March 2020, the Vendor and the Purchaser has entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase the Sale Shares at the Consideration of HK\$335 million.

The Sale Shares represent the entire issued share capital of the Target Subsidiary. As at the date of this announcement, the Target Subsidiary holds 51% of the issued share capital of Honwill. Honwill holds 34% of the equity interest in Dongguan Honwill, which in turn holds 100% of the entire equity interests in Dongguan Danxing. As at the date of this announcement, the Dongguan Honwill Group carries out the Redevelopment Project and owns the redevelopment right of the Land and the Property.

* For identification purpose only

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal is more than 75%, the Disposal, if materialized, will constitute a very substantial disposal of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as the Guarantor under the Put Option Agreement is a Director and a substantial Shareholder of the Company, which together with his associates, holds approximately 23.05% of the issued share capital of the Company, the Guarantor is considered to be a connected person of the Company. Accordingly, the Disposal through the exercise of the Put Option constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors of the Company), except the Guarantor and Ms. Gloria Wong, the daughter of the Guarantor, who have abstained from voting at the relevant board meeting, have approved the Disposal and confirmed that the terms of the Disposal are fair and reasonable, and the Disposal are on normal commercial terms or better and in the interests of the Shareholders as a whole. The Disposal is subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A SGM will be convened at which the Independent Shareholders will consider and, where appropriate, approve the Disposal and the transactions contemplated thereunder. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Disposal shall abstain from voting to approve the Disposal at the SGM. As at the date of this announcement, the Guarantor, being a Director and a substantial Shareholder of the Company, which together with his associates, holds approximately 23.05% of the issued share capital of the Company, will be required to abstain from voting on the relevant resolutions at the SGM accordingly. Save for the Guarantor, as at the date of this announcement, no other Shareholder would be required to abstain from voting thereat.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Zhao Gen, Mr. Guan Guisen and Mr. Yan Xiaotian, has been established to consider the terms of the Disposal and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Disposal. The Independent Board Committee will form its view in respect of the terms of the Disposal after obtaining and considering the advice from the independent financial adviser.

DESPATCH OF CIRCULAR

Due to the recent outbreak of the novel coronavirus pneumonia in the PRC, the travel restrictions measures imposed by the PRC government and the temporary closure of the Company's auditors' office have impeded the Company's auditors from proceeding the audit work in schedule. The Company would require additional time for the preparation of the relevant information for inclusion in the circular. Accordingly, a circular containing, among other things, further information of the Disposal, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the notice convening the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 22 May 2020 to allow sufficient time for the preparation of the relevant information, including, among others, financial information on the Group and the Target Subsidiary and valuation report on the Property for inclusion in the circular.

Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed "The Disposal — The Sale and Purchase Agreement — Conditions precedent" in this announcement, including the approval of the Disposal and the transactions contemplated thereunder by the Independent Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

THE DISPOSAL

Results of the bid

Reference is made to the announcement of the Company dated 8 November 2019 in relation to the possible disposal of the Target Subsidiary, the bid process in relation to the Sale Shares and the entering into of the Put Option Agreement and the announcements of the Company dated 31 January 2020 and 12 March 2020 in relation to the entering into of the supplemental agreement dated 31 January 2020 and the 2nd supplemental agreement dated 12 March 2020 respectively regarding the extension of the put option period. The tender has closed on 26 November 2019 and the Company did not receive any bids from any eligible bidders. As such, the bid process has ended and the transaction did not proceed.

Exercise of the Put Option

On 24 March 2020 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company has served an Option Notice on the Purchaser under the Put Option Agreement stating its intention to exercise the Put Option and required the Purchaser to purchase the Sale Shares at the pre-agreed consideration of approximately HK\$335 million.

The final Put Option consideration of HK\$335 million represents a premium of approximately 27% above the HK\$263 million originally agreed in the Put Option. As the Consideration will be set-off against Debts already due to the Creditor (rather than from new cash) and there is a possibility that the Group might not be successfully restructured; in which case the Creditor might recover in liquidation less than the face value of the debts due, the Creditor has agreed to discount the value of the Debts due by approximately 27%

for the purposes of this transaction. This reduction was agreed based on arms-length negotiation between the party and does not represent any indication that the Group will seek the same (if any) reduction in the face value of the Group's remaining unsecured creditors.

Pursuant to the Put Option Agreement, the Purchaser has unconditionally granted to the Vendor the Put Option exercisable at any time during the Option Period by notice in writing to the Purchaser to require the Purchaser to purchase the Sale Shares from the Vendor at the Consideration.

The obligations of the Purchaser to complete the Put Option is guaranteed by the Guarantor. As at the date of this announcement, the Guarantor is a director of the Purchaser, and a Director and a substantial Shareholder of the Company, which together with his associates, holds approximately 23.05% of the issued share capital of the Company. The Guarantor is considered to be a connected person of the Company.

Pursuant to the Put Option Agreement, upon receipt of the Option Notice, the Purchaser and the Vendor shall execute the Sale and Purchase Agreement within 3 business days thereafter. The Vendor may only exercise the Put Option if the Vendor did not proceed with the public tender to dispose the Sale Shares or the public tender was unsuccessful. The Vendor has acknowledged that the Public Tender was unsuccessful. Accordingly, the Put Option was exercised by the Vendor on 24 March 2020. On 24 March 2020, the Vendor and the Purchaser has entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase the Sale Shares at the Consideration.

THE SALE AND PURCHASE AGREEMENT

Date

24 March 2020

Parties

- (i) the Purchaser; and
- (ii) the Vendor.

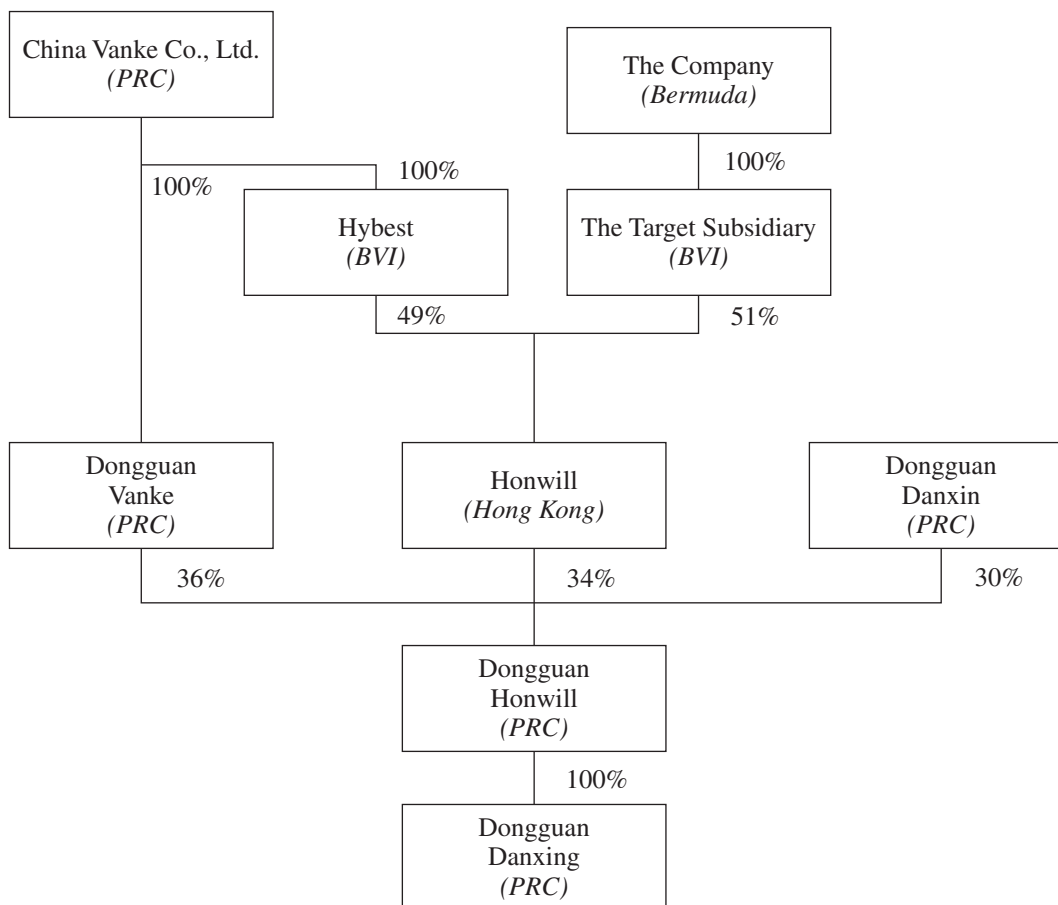
As at the date of this announcement, Mr. Wong Ben Koon, a Director and a substantial Shareholder of the Company, which together with his associates, holds approximately 23.05% of the issued share capital of the Company, is a director of the Purchaser. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Sale Shares consist of the entire issued share capital of the Target Subsidiary.

As at the date of this announcement, the Target Subsidiary is a direct wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the Target Subsidiary holds 51% of the issued share capital of Honwill. Honwill holds 34% of the equity interest in Dongguan Honwill, which in turn holds 100% of the entire equity interests in Dongguan Danxing.

The corporate structure in relation to the Target Subsidiary prior to the Disposal is as follows:



As at the date of this announcement, the Dongguan Honwill Group carries out the Redevelopment Project and owns the redevelopment right of the Land and the Property.

Upon Completion, given that the Target Subsidiary will cease to be a subsidiary of the Company, the assets and liabilities of the Target Subsidiary will no longer be consolidated into the Group's consolidated financial statements.

Brief information about the Target Subsidiary

Through its interests in the Honwill and Dongguan Honwill Group, the Target Subsidiary is indirectly the majority holder of the redevelopment right in respect of the Land and the Property. The total gross floor area of the Land and the Property is 49,098.03 sq.m..

Pursuant to the Co-operation Agreement entered into between the Target Subsidiary, the Other Parties, and Vanke, the Target Subsidiary has effectively agreed to sell its interests in the Redevelopment Project at the Co-operation Agreement Consideration payable in tranches; two of which (amounting to RMB415 million) have been paid.

Of the remaining balance of the Co-operation Agreement Consideration, a sum of RMB40.2 million (which includes the Loan) shall be deducted from the amount of RMB290.5 million, which is the balance of the Co-operation Agreement Consideration which Honwill and the

Target Subsidiary are entitled to receive under the Co-operation Agreement. As the Target Subsidiary and Honwill is responsible for the repayment of Loan borrowed by Dongguan Honwill upon Completion, therefore, upon satisfaction of various conditions in the Co-operation Agreement 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, Honwill and the Target Subsidiary are entitled to a sum of RMB250.3 million (before PRC tax).

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 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 Completion, the Refund Amount shall remain payable by the Target Subsidiary, Honwill and Dongguan Danxin pursuant to the Co-operation Agreement. As at the date of this announcement, the Target Subsidiary and Honwill have received RMB290.5 million out of the Co-operation Agreement Consideration from Vanke, while Dongguan Danxin has received RMB124.5 million from Vanke. If the Co-operation Agreement is being terminated by Vanke, the Target Subsidiary and Honwill shall refund the aggregate amount of RMB290.5 million with interest calculated at 10% per annum to Vanke, while Dongguan Danxin shall refund the amount of RMB124.5 million with interest calculated at 10% per annum to Vanke.

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 Honwill held by Vanke to the Target Subsidiary and 36% of the equity interests in Dongguan Honwill held by Vanke to 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.

Consideration

The Consideration is HK\$335 million, which represents a premium of approximately 27% above the HK\$263 million originally agreed Put Option pursuant to the Put Option Agreement and was arrived at after arm's length negotiations between the parties to the Put Option Agreement and the Sale and Purchase Agreement after taking into account, among other things, (i) the net asset value of the Target Subsidiary based on the unaudited consolidated management accounts of the Target Subsidiary ended 31 March 2019 of approximately HK\$136 million and the net liabilities value of the Target Subsidiary excluding the Redevelopment Project based on the unaudited consolidated management accounts of the Target Subsidiary ended 31 March 2019 of approximately HK\$358 million; (ii) the total assets and liabilities of the Target Subsidiary; and (iii) the net liabilities value of the Target Subsidiary including the Redevelopment Project based on the latest valuation conducted by the independent valuer of the Company; and (iv) the reasons for and benefits of the Disposal as stated under the section headed "Reasons for and Benefits of the Disposal" in this announcement. The major items included in the total assets of the Target Subsidiary and the major item included in the total liabilities of the Target Subsidiary are set out in the table below:

Major items included in the total assets of the Target Subsidiary	<i>HK\$ (Million)</i>
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(1) Properties under development for sale	494
(2) Advances to a non-controlling shareholder of a subsidiary.	136

Major item included in the total liabilities of the Target Subsidiary	<i>HK\$ (Million)</i>
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(1) Performance guarantee received from Vanke	497
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In addition, the directors of the Company have also proceeded for a bid process managed by a professional party to seek interests from other third parties in the market prior to the entering into of the Sale and Purchase Agreement. Prior to the bid process, the Company was unable to receive any offers from third party for the disposal of the Target Subsidiary despite proactive marketing efforts made by the Company for the disposal of the Target Subsidiary from May 2019 to October 2019.

The Company has arranged the bid process in Hong Kong having considered the following factors, including that the Hong Kong market would be the most suitable location to locate investors from the region and from the world due to amongst others, Hong Kong's fundraising and financial ability and its accessible pool of diverse and quality investors.

During the bid process, the Company had published an auction advertisement in an English and Chinese newspaper in Hong Kong. Interested bidders were invited to express interest to bid and to obtain a bid. Bidders who were interested in pursuing the transaction further would be invited to submit an indicative non-binding offer. After the due diligence period, shortlisted bidders would be requested to submit a final offer. Following receipt of such final offers, the Vendor intended to enter into a sale and purchase agreement with a preferred purchaser. However, the Company did not receive any bids from any eligible bidders despite the marketing efforts made by the professional party before the tender was closed.

Due to the reasons above, the Directors are of the view that the bid process is fair, orderly and open and reasonable process for the disposal of the Target Subsidiary.

The Consideration is notably higher than the net asset value of the Target Subsidiary as Mr. Wong would like to give financial assistance to the Group in view of the Group's recent financial difficulties by allowing the Group to set-off certain liabilities due to Mr. Wong's associate at a premium over the net asset value of the Target Subsidiary. As at the date of this announcement, the Group is indebted to the Creditor (an associate of the Guarantor which the Guarantor is a director and a controlling shareholder of the Creditor), in the amount of approximately HK\$414 million. The ultimate beneficial owners of the Creditor are the Guarantor and Madam Hon Ching Fong. Details of the Debts owed by the Group to the Creditor are set out below:

Date of the borrowing	Nature of the debt	Principal amount due as at the date of this announcement	Interest Rate	Repayment due date
10 October 2014	The Creditor has made advances to Billion Win, for project financing for Billion Win's mining operation	Approximately HK\$25 million	4% per annum	9 October 2020
10 October 2014	The Creditor has made advances to Grace Wise Pte. Ltd., an indirect wholly owned subsidiary of the Company for working capital financing	Approximately HK\$60 million	4% per annum	9 October 2020
10 October 2014	The Creditor has made advances to Phoenix Lake for project financing for Phoenix Lake's mining operation	Approximately HK\$202 million	4% per annum	9 October 2020
21 August 2017 and 6 October 2017	The Company has issued convertible bonds with a principal amount of HK\$100 million on 14 July 2017 to the Creditor as set out in the announcement of the Company dated 14 July 2017. The Company has redeemed the convertible bonds with a principal amount of HK\$50 million each from the Creditor on 21 August 2017 and 6 October 2017, respectively, but the amount of HK\$100 million remains payable from the Company to the Creditor.	HK\$100 million	Interest-free	Repayable on demand
From 2011 to 2013	The Creditor has made advances to Phoenix Lake, an indirect wholly owned subsidiary of the Company for project financing for Phoenix Lake's mining operation	Approximately HK\$27 million	Interest-free	30 April 2020
	Total:	<u>Approximately HK\$414 million</u>		

The Consideration will be settled in the below manner:

- (i) Prior to Completion, the Purchaser and the Vendor shall procure that the benefits of the Relevant Debts be assigned to the Purchaser;
- (ii) At Completion, the Consideration payable by the Purchaser to the Vendor for the Sale Shares shall be set-off against the Relevant Debts such that the total amount due under the Debts will be reduced by HK\$335 million after such set-off; and
- (iii) Upon Completion, the Purchaser shall procure a certificate be given by the Creditor stating the balance of amount due under the Debts from any member of the Group.

Upon Completion, the Group will not receive any net proceeds as the Consideration of HK\$335 million payable by the Purchaser to the Vendor for the Sale Shares shall be set-off against the Relevant Debts.

Completion

Completion will take place upon the fulfillment of all the conditions set out in the conditions precedent below.

Conditions precedent

Completion is conditional upon fulfilment or, as the case may be, waiver or modification of the following conditions:

- (i) The approval of the Independent Shareholders at the SGM in accordance with the Listing Rules being obtained;
- (ii) Sanction by the Bermuda Court having been obtained, if requested by the joint and several provisional liquidators of the Company; and
- (iii) All other necessary government and regulatory authorizations, consents and approvals (including the Stock Exchange in accordance with the Listing Rules) being obtained.

Termination

This Sale and Purchase Agreement may be terminated at any time prior to the Completion Date by the Purchaser, if there is any claims, actions or demands made by Vanke against the Target Subsidiary and/or Honwill pursuant to the Co-operation Agreement from the effective date of the Sale and Purchase Agreement to the date of Completion.

ADDITIONAL APPROVALS AND PROCEDURES

- (1) As advised by the Bermuda Legal Advisers, the Bermuda Court ordered on 29 November 2019 (the “**Appointment Order**”) that the JPLs be appointed over the Company on a light touch basis with a view to effecting a restructuring under section 99 of the Bermuda Companies Act.

Where a winding up order is made, by section 167(2) of the Bermuda Companies Act, the commencement of a winding up is deemed (for these purposes) to commence at the time of the presentation of the petition.

By section 166 of the Bermuda Companies Act, any disposition of the property of a company, include things in action, made after the commencement of the winding-up shall, unless the Bermuda Court otherwise orders, be void.

Paragraph 3 of the Appointment Order provides that no payment or disposition of the Company's property shall be made or effected without the direct or indirect approval of the JPLs but no such payment or other disposition made or effected by or with the authority or approval of the JPLs in carrying out his duties and functions and in the exercise of his powers under this Appointment Order shall be avoided by virtue of the provisions of section 166 of the Bermuda Companies Act.

In the event that the JPLs requested for the Bermuda Court's sanction of the Disposal, on the basis that the sale by the Vendor of the Sale Shares may be caught by section 166 of the Bermuda Companies Act and/or otherwise challenged in the event that the Company is eventually wound up, the Company and the JPLs may proceed to make an Application.

In the event that the Bermuda Court's sanction of the Disposal is required, on the basis the Application is not contested and subject to the Bermuda Court's availability, it is expected that the Application would be heard by the Bermuda Court within 2 to 3 weeks following the SGM. The Bermuda Legal Advisers will ask for the Application to be expedited. However, if the Application is contested or if the Bermuda Court raises substantial queries, it would be difficult to estimate the precise timing required to obtain the sanction and there is an inherent risk that it may not be sanctioned by the Bermuda Court.

INFORMATION OF THE GROUP, THE PURCHASER, THE VENDOR AND THE TARGET SUBSIDIARY

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

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, it is principally engaged in investment holding.

The Vendor is a company incorporated in Bermuda with limited liability. As at the date of this announcement, it is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of the Company.

The Creditor is a company incorporated in Hong Kong. As at the date of this announcement, it is principally engaged in trading of metals, energy products and investment holdings. The ultimate beneficial owners of the Creditor are the Guarantor and Madam Hon Ching Fong. As the Guarantor is a director and a controlling shareholder of the Creditor, the Creditor is an associate of the Guarantor and a connected person of the Company.

The Target Subsidiary is a company incorporated in the British Virgin Islands with limited liability. The Target Subsidiary is a direct wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the Target Subsidiary is principally engaged in investment holding. The Target Subsidiary holds 51% of the issued share capital of Honwill, which in turn holds 34% of the equity interest in Dongguan Honwill.

Dongguan Honwill is a sino-foreign equity joint venture enterprise incorporated in the PRC. Dongguan Honwill holds 100% of the entire equity interests in Dongguan Danxing. Dongguan Danxing is a company incorporated in the PRC with limited liability. As at the date of this announcement, the Dongguan Honwill Group carries out the Redevelopment Project and owns the redevelopment right of the Land and the Property.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Group and its connected person.

FINANCIAL INFORMATION OF THE TARGET SUBSIDIARY

Set out below is the unaudited consolidated financial information of the Target Subsidiary for the two years ended 31 March 2018 and 31 March 2019 respectively prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 March	
	2018	2019
	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>
Revenue	—	—
Net loss for the year before taxation	21.6	15
Net loss for the year after taxation	21.7	15.1
Total assets	535	700
Total liabilities	360	564
Net assets	175	136

FINANCIAL EFFECT OF THE DISPOSAL

Immediately after Completion, the Target Subsidiary will cease to be a subsidiary of the Company. The assets and liabilities of the Target Subsidiary will no longer be consolidated into the Group's consolidated financial statements.

As at the date of this announcement, the Group is indebted to the Creditor in the amount of approximately HK\$414 million. Upon Completion, the total amount due under the Debts will be reduced by HK\$335 million after the Set-off. There will be no net proceeds as the Consideration will be set-off against the Relevant Debts.

The estimated gain on the Disposal of the Target Subsidiary amounting to approximately HK\$354 million, which is calculated based on the (i) Consideration for disposing the Target Subsidiary (ii) the unaudited consolidated net asset value of the Target Subsidiary of approximately HK\$127 million as at 31 March 2019 minus certain balances due from/to group companies, corresponding foreign exchange reserve and non-controlling interests; and (iii) the estimated transaction costs and expenses of approximately HK\$3 million attributable to the Disposal. Shareholders should note that the financial effect is shown for reference only and the actual amount of gain or loss as a result of the Disposal is subject to audit, which will be assessed based on financial position of the Target Subsidiary as at Completion and eventually recognised in the consolidated financial statements of the Company upon Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 Co-operation Agreement Consideration pursuant to the Co-operation Agreement. As it is required by the relevant government authorities in the PRC that the construction planning of the Land has to be re-done, it is estimated that it will take at least 3 to 5 years' time for launching the Land to be listed on a public platform for bidding. The Directors are of the view that it is highly unlikely for all the outstanding conditions under the Co-operation Agreement to be satisfied on or before 12 March 2020 as set out in the Co-operation Agreement for the remaining balance of the Co-operation Agreement Consideration to be received by the Target Subsidiary and the Other Parties.

As at the date of this announcement, the details of the remaining property development projects held by the Company are set out in the table below and the Company plans to finance their development through the pre-sales of such properties that are under development/properties for sale:

Nos.	Location	Intended use	Status and expected completion date	Gross floor area (square metre)
1	One City, No. 231 Chang Xing Road, Binhai county, Yancheng City, Jiangsu Province, the PRC	Residential, shops and car parking spaces	Under phase 2 development/2019 to 2021	443,677

Nos.	Location	Intended use	Status and expected completion date	Gross floor area (square metre)
2	FuYuan, Jin Ting Road North, JinTing Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	Residential	Completed	100,000
3	Longping Road North, Guanjingtou Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC	Residential and commercial	The Company sold its equity interest in this project in 2018, but as at the date of this announcement, the transaction has not been completed	64,000
4	At the junction of Jalan Kembangan and Jalan PuriIndah, West Jakarta, the Indonesia	Residential	Under development/2021	20,600
5	Imperial Land, at Suyu District near Jiang Shan Avenue and Heng Shan Road, Suqian City, Jiangsu Province, the PRC	Residential, shops and car parking spaces	Under development/2020	140,000
6	At Xuyi Development Zone near Meihua Road and Kuihua Road, Xuyi County, Huaian City, Jiangsu Province, the PRC	Residential and commercial	Under development/2020	237,742

In addition, the Disposal through the exercise of the Put Option and the entering into of the Sale and Purchase Agreement would allow the Group to reduce its debt and liabilities of the Group as the Consideration will be satisfied by the Company setting-off an equal amount currently due from the Group to an associate of Mr. Wong. Furthermore, as the value of Relevant Debts to be set-off is substantially higher than the net asset value of the Target Subsidiary, there is a considerable gain on the Disposal of the Target Subsidiary. Given the above factors, the Directors (excluding independent non-executive Directors whose opinion on the matter would be set forth in a circular to be despatched to the Shareholders after having been advised by the independent financial adviser to be appointed in this regard) are of the view that the Disposal through the exercise of the Put Option and the entering into of the Sale and Purchase Agreement is fair and reasonable, and are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. The Board is of the view that the Disposal does not affect the Group's ability to continue fulfilling Rule 13.24 of the Listing Rules (both in terms of sufficient level of operations and sufficient level of assets).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal is more than 75%, the Disposal, if materialized, will constitute a very substantial disposal of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as the Guarantor under the Put Option Agreement is a Director and a substantial Shareholder of the Company, which together with his associates, holds approximately 23.05% of the issued share capital of the Company, the Guarantor is considered to be a connected person of the Company. Accordingly, the Disposal through the exercise of the Put Option constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors of the Company), except the Guarantor and Ms. Gloria Wong, the daughter of the Guarantor, who have abstained from voting at the relevant board meeting, have approved the Disposal and confirmed that the terms of the Disposal are fair and reasonable, and the Disposal are on normal commercial terms or better and in the interests of the Shareholders as a whole. The Disposal is subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A SGM will be convened at which the Independent Shareholders will consider and, where appropriate, approve the Disposal and the transactions contemplated thereunder. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Disposal shall abstain from voting to approve the Disposal at the SGM. As at the date of this announcement, the Guarantor, being a Director and a substantial Shareholder of the Company, which together with his associates, holds approximately 23.05% of the issued share capital of the Company, will be required to abstain from voting on the relevant resolutions at the SGM accordingly. Save for the Guarantor, as at the date of this announcement, no other Shareholder would be required to abstain from voting thereat.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Zhao Gen, Mr. Guan Guisen and Mr. Yan Xiaotian, has been established to consider the terms of the Disposal and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Disposal. The Independent Board Committee will form its view in respect of the terms of the Disposal after obtaining and considering the advice from the independent financial adviser.

DESPATCH OF CIRCULAR

Due to the recent outbreak of the novel coronavirus pneumonia in the PRC, the travel restrictions measures imposed by the PRC government and the temporary closure of the Company's auditors' office have impeded the Company's auditors from proceeding the audit work in schedule. The Company would require additional time for the preparation of the relevant information for inclusion in the circular. Accordingly, a circular containing, among

other things, further information of the Disposal, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the notice convening the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 22 May 2020 to allow sufficient time for the preparation of the relevant information, including, among others, financial information on the Group and the Target Subsidiary and valuation report on the Property for inclusion in the circular.

Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed “The Disposal — The Sale and Purchase Agreement — Conditions precedent” in this announcement, including the approval of the Disposal and the transactions contemplated thereunder by the Independent Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Application”	an application to the Bermuda Court for a validation order in respect of the Disposal;
“associate(s)”	having the meaning ascribed to it under the Listing Rules;
“Bermuda Companies Act”	the Companies Act 1981, as amended from time to time;
“Bermuda Court”	the Supreme Court of Bermuda;
“Bermuda Legal Advisers”	the Company’s legal advisers as to Bermuda laws;
“Billion Win”	Billion Win Capital Limited, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company;
“Board”	the board of Directors;
“business day(s)”	a day (other than a Saturday or Sunday or public holiday in Hong Kong) on which banks are open in Hong Kong;
“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 pursuant to the Sale and Purchase Agreement;

“Consideration”	the purchase price of the Sale Shares payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement, being HK\$335 million;
“controlling shareholder(s)”	having the meaning ascribed to it under the Listing Rules;
“Co-operation Agreement”	the co-operation agreement entered into on 13 March 2018 by the Target Subsidiary, Honwill, Dongguan Danxin, Dongguan Vanke and Hybest in respect of the disposal of the entire interests in the Redevelopment Project (as amended by the supplemental agreement entered into on 3 October 2018 by the Target Subsidiary, Honwill, Dongguan Danxin, Dongguan Vanke and Hybest);
“Co-operation Agreement Consideration”	the amount of consideration of RMB830 million payable by Vanke to the Other Parties and the Target Subsidiary in relation to the sale of the Target Subsidiary’s interests in the Redevelopment Project pursuant to the Co-operation Agreement;
“Creditor”	Prosperity Materials (International) Limited, a company incorporated in Hong Kong with limited liability and an associate of the Guarantor;
“connected person(s)”	having the meaning ascribed to it under the Listing Rules;
“Debts”	the various debts due from members of the Group to the Creditor as set out in the Put Option Agreement as at the date of this announcement;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Sales and Purchase Agreement through the exercise of the Put Option;
“Dongguan Danxin”	Dongguan City Danxin Property Company Limited* (東莞市丹新置業有限公司), a company incorporated in the PRC;
“Dongguan Danxing”	Dongguan City Danxing Industrial Company Limited* (東莞市丹興實業有限公司), a company incorporated in the PRC;
“Dongguan Honwill”	Dongguan Honwill Limited* (東莞市敬培實業有限公司), a sino-foreign equity joint venture enterprise held by Dongguan Danxin as to 30% and Honwill as to 34% and Dongguan Vanke as to 36% as at the date of this announcement;
“Dongguan Honwill Group”	Dongguan Honwill and Dongguan Danxing;

“Dongguan Vanke”	Dongguan Vanke Real Estate Company Limited* (東莞市萬科房地產有限公司), a company incorporated in the PRC and is an indirect wholly owned subsidiary of China Vanke Co., Ltd.* (萬科企業股份有限公司) (a company listed on the Stock Exchange (Stock Code 2202));
“Group”	the Company and its subsidiaries;
“Guarantor” or “Mr. Wong”	Mr. Wong Ben Koon;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Honwill”	Honwill Limited (敬培有限公司), a company incorporated in Hong Kong and an indirect non wholly-owned subsidiary of the Company;
“Hybest”	Hybest (BVI) Company Limited, a company incorporated in the British Virgin Islands, and is an indirect wholly-owned subsidiary of China Vanke Co., Ltd.* (萬科企業股份有限公司) (a company listed on the Stock Exchange (Stock Code 2202));
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising the Independent Shareholders, on the terms of the Disposal and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than the Guarantor and his associates;
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules);
“JPLs”	the joint and several provisional liquidators appointed over the Company;
“Land”	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);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Loan”	the remaining balance of a loan principal repayment of RMB24.5 million and interest repayment of RMB15.7 million of a loan due from Dongguan Honwill to another subsidiary of the Company pursuant to the Co-operation Agreement;
“Option Notice”	the notice for the exercise of the Put Option pursuant to the Put Option Agreement;
“Option Period”	the period between the date of the Put Option Agreement and 14 April 2020;
“Other Parties”	Dongguan Danxin and Honwill;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong SAR, the Macau SAR and Taiwan;
“Property”	the factories, shops and residential buildings erected on the Land;
“Purchaser”	Grand Link Finance Limited, a company incorporated in the British Virgin Islands with limited liability;
“Put Option”	the put option granted under the Put Option Agreement;
“Put Option Agreement”	the put option agreement entered into between the Vendor, the Purchaser and the Guarantor on 8 November 2019 (as amended by the supplemental agreement entered into between the Vendor, the Purchaser and the Guarantor on 31 January 2020 and the 2nd supplemental agreement entered into between the Vendor, the Purchaser and the Guarantor on 12 March 2020);
“Redevelopment Project”	the property development project on the Land;
“Refund Amount”	The amount of consideration paid up by Vanke till the date of termination of the Co-operation Agreement, together with interest calculated at 10% per annum pursuant to the Co-operation Agreement;
“Relevant Debts”	the part of the Debts in the amount of HK\$335 million;
“Phoenix Lake”	Phoenix Lake Sdn. Bhd., a company incorporated in Malaysia and an indirect wholly owned subsidiary of the Company;
“Sale and Purchase Agreement”	the agreement relating to the Disposal entered into between the Vendor and the Purchaser on 24 March 2020;

“Sale Shares”	10,000 ordinary shares of USD\$1 each in the issued share capital of the Target Subsidiary, being all the issued shares of the Target Subsidiary;
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve, among other things, the Disposal and the other transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company;
“Shareholders”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“sq.m.”	square metre
“Target Subsidiary”	Greater Sino Investments Limited, a private company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor;
“Vanke”	various subsidiaries of China Vanke Co., Ltd., a joint stock company incorporated in the PRC with limited liability and listed on The Stock Exchange of Hong Kong Limited (Stock Code: 2202);
“Vendor”	Prosperity Real Estate Holdings Limited, a private company incorporated in Bermuda with limited liability and an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

By order of the Board
Prosperity International Holdings (H.K.) Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Wong Ben Koon
Chairman

Hong Kong, 24 March 2020

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.

* *For identification purpose only*