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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF SHAREHOLDINGS IN THE HONWILL GROUP

THE DISPOSAL

The Board announces that on 13 March 2018, Greater Sino, Honwill, both subsidiaries of the Company, and Dongguan Danxin, the joint venture partner of the Company, entered into the Co-operation Agreement as Sellers with Dongguan Vanke and Hybest as Purchasers, pursuant to which the Sellers agreed to sell to the Purchasers the entire interests of the Redevelopment Project at a Consideration of RMB830 million (equivalent to approximately HK\$1,029 million) (subject to adjustments) pursuant to the terms of the Co-operation Agreement. Assuming that the payment conditions mentioned in this announcement are satisfied and there is no adjustment to the Consideration, Greater Sino, Honwill and its associates will receive a maximum amount of RMB581 million (equivalent to approximately HK\$720 million) from the Disposal. Upon Completion, a gain of approximately HK\$452 million (before any deduction of relevant taxes payable) is expected to accrue to the Group as a result of the Disposal, subject to audit by auditors of the Company.

The Redevelopment Project is currently carried out by the Dongguan Honwill Group and it owns the redevelopment right of a parcel of land situated in Dongguan City, Guangdong Province, the PRC and the properties erected on the land.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

* for identification purpose only

Given that none of the Shareholders has a material interest in the Disposal, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the Disposal and the transactions contemplated under the Co-operation Agreement. Pursuant to Rule 14.44 of the Listing Rules, on 13 March 2018, the Company has obtained a written approval from the Closely Allied Group who together held 8,222,838,498 Shares (representing approximately 64.51% of the issued share capital of the Company as at the date of this announcement), to approve the Disposal and the transactions contemplated under the Co-operation Agreement.

DESPATCH OF CIRCULAR

A circular containing further information on the Disposal will be despatched to the Shareholders as soon as possible which is expected to be on or before 6 April 2018.

THE DISPOSAL

The Board announces that on 13 March 2018, the Sellers entered into the Co-operation Agreement with the Purchasers, pursuant to which the Sellers agreed to sell to the Purchasers the entire interests in the Redevelopment Project at a Consideration of RMB830 million (equivalent to approximately HK\$1,029 million) pursuant to the terms of the Co-operation Agreement. According to the Co-operation Agreement, Greater Sino, an indirect wholly-owned subsidiary of the Company, will transfer 52.7% equity interests in Dongguan Honwill through disposal of its certain interest in Honwill. Dongguan Honwill will own 100% of equity interests in Dongguan Danxing after internal restructuring. The Dongguan Honwill Group carries out the Redevelopment Project and owns the redevelopment right of the Land and the Properties.

THE CO-OPERATION AGREEMENT

Date: 13 March 2018

Parties

- (i) The Sellers:
 - (a) Honwill, an indirect wholly-owned subsidiary of the Company
 - (b) Dongguan Danxin
 - (c) Greater Sino, an indirect wholly-owned subsidiary of the Company
- (ii) The Purchasers:
 - (a) Dongguan Vanke, 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 with stock code 2202
 - (b) Hybest, an indirect wholly-owned subsidiary of China Vanke Co., Ltd.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Dongguan Danxin, the Purchasers and each of their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be disposed of

As at the date of this announcement, Honwill and Dongguan Danxin hold 70% and 30% of the equity interests in Dongguan Honwill respectively while Honwill is entirely owned by Greater Sino. Pursuant to the Co-operation Agreement, the Sellers agreed to sell to the Purchasers the entire interests in the Redevelopment Project at a Consideration of RMB830 million (equivalent to approximately HK\$1,029 million) (subject to adjustments mentioned below) pursuant to the terms of the Co-operation Agreement. According to the Co-operation Agreement, Greater Sino will transfer 52.7% equity interests in Dongguan Honwill through disposal of its certain interest in Honwill. The Dongguan Honwill Group carries out the Redevelopment Project and owns the redevelopment right of the Land and the Properties.

Consideration

Pursuant to the Co-operation Agreement, the Consideration of RMB830 (equivalent to approximately HK\$1,029 million) shall be satisfied and paid by the Purchasers in the following manner:

- (i) the Purchaser shall pay an amount of RMB200 million (equivalent to approximately HK\$248 million) (the “**Initial Payment**”) to Greater Sino and Honwill in two installments; and an amount of RMB50 million (equivalent to approximately HK\$62 million) to Dongguan Danxin upon (a) completion of the internal restructuring such that Dongguan Honwill owns the entire equity interests in Dongguan Danxing; (b) completion of the due diligence review of the Honwill Group to the satisfaction of the Purchasers; (c) the release of the charges over certain shares in the Honwill Group by a bank; (d) the grant of certain shares pledges by each of the Sellers in favour of the Purchaser; and (e) the transfer of certain interests of Honwill and Dongguan Honwill such that the Purchaser has effectively owned 52.7% of the equity interests in Dongguan Honwill (the “**Payment Events**”);
- (ii) the Purchaser shall pay an amount of RMB580 million (equivalent to approximately HK\$719 million) to the Sellers, after deducting any relevant taxes payable by the Sellers, by installments upon satisfaction of various conditions in different stages, including (a) the grant of certain approvals by the relevant government authorities in relation to the Redevelopment Project; (b) the Purchasers or their affiliates having been selected as the developer of the Redevelopment Project (the “**Developer**”); and (c) the Sellers having demolished the Properties; and
- (iii) shall the Purchasers or their affiliates fail to be selected as the Developer and the Land has been acquired by another bidder, the Sellers shall pay such sum equal to the consideration in respect of the Land received from the successful bidder minus RMB830 million (equivalent to approximately HK\$1,029 million), after deduction of any relevant taxes payable by the Sellers, to the Purchasers.

The Consideration shall be adjusted downward by the size of the approved gross floor area of the Land set out in land use permit on a pro rata basis.

Assuming that the above payment conditions are satisfied and there is no adjustment to the Consideration, Greater Sino, Honwill and its associates will receive a maximum amount of RMB581 million (equivalent to approximately HK\$720 million) from the Disposal.

The Consideration for the Disposal was determined after arm's length negotiations between the Sellers and the Purchasers with reference to, among others, prevailing market prices of similar properties in the relevant location. The Directors consider that the Consideration is fair and reasonable after taking into account, the location and development potential of the Land, current market conditions and land in the vicinity, as well as the financial strength of the Purchasers and its capability to perform the Co-operation Agreement. The Directors consider that the Disposal is in the interest of the Company and its Shareholders as a whole.

It is expected that full performance of the Co-operation Agreement shall take place within twenty-four months after the date of the Co-operation Agreement or at such other date as the Sellers and the Purchasers may mutually agree in writing.

Termination and liability for breaching of the Co-operation Agreement

The Co-operation Agreement is subject to termination under, among others, the following circumstances:

- (a) by either party as mutually agreed;
- (b) by the non-breaching party as a result of a breach of the terms of the Co-operation Agreement by one party, in which case the breaching party shall refund any amount of the Consideration paid by the non-breaching party, if any, and shall pay liquidated damages in the amount of RMB100 million (equivalent to approximately HK\$124 million) and relevant damages to the non-breaching party within fifteen business days of the termination of the Co-operation Agreement;
- (c) by the Sellers in the event the Purchasers fail to pay the Consideration in accordance with the terms of the Co-operation Agreement for more than sixty days, in which case the Purchasers shall pay liquidated damages in the amount of RMB100 million (equivalent to approximately HK\$124 million); and if the Purchasers fail to pay the Consideration and such non-payment is less than sixty days, the Purchasers shall pay a late fee equivalent to 0.0005 times the amount unpaid times the number of days late to the Sellers;
- (d) by the Purchasers in the event that the Payment Events failed to be fulfilled within thirty business days after the Initial Payment was made, in which case the Sellers shall refund any amount of the Consideration paid by the Purchasers, together with interest calculated at 10% per annum on such previously paid amount;
- (e) by the Purchasers in the event (i) the Sellers fail to facilitate the Dongguan Honwill Group to achieve certain milestones by prescribed timeframes, including obtaining certain approvals from government authorities and the acquisition of the Land by the Purchasers, in which case the Sellers shall refund any amount of the Consideration paid by the Purchasers, together with interest calculated at 10% per annum on such

previously paid amount. Alternatively the Purchasers may request the Sellers to transfer the entire equity interests in Dongguan Honwill to the Purchasers at nil consideration with no obligation to make any additional amount in respect of the Consideration.

FINANCIAL EFFECT OF THE DISPOSAL

Taking into account the unaudited net asset value of the Honwill Group, including any inter-company balances with the subsidiaries of the Company, in the book of the Group of approximately HK\$169 million as at 31 December 2017 and the estimated related direct expenses in relation to the Disposal of approximately HK\$96,000, upon completion of the Disposal, a gain of approximately HK\$452 million (before any deduction of relevant taxes payable) is expected to accrue to the Group as a result of the Disposal, subject to audit by auditors of the Company.

Upon Completion, (i) Greater Sino shall cease to control Honwill due to the cease of the control of the board of Honwill; and (ii) Honwill shall cease to hold any equity interests in the Dongguan Honwill Group. The Disposal upon Completion will therefore result in the deconsolidation of the assets and liabilities of the Honwill Group from the Group's consolidated financial statements.

REASONS AND BENEFITS OF THE DISPOSAL

The Sellers established Dongguan Honwill to carry out the Redevelopment Project in 2015. Due to the prolonged application procedures and given the attractive price offered by the Purchasers, the Sellers decide to sell the Honwill Group, which beneficially owns the redevelopment right of the Land and the Properties, to the Purchasers. The Disposal will enable the Group to realise cash and unlock the value in its investment in the Redevelopment Project at fair market value. The Group intends to use the proceeds of the Disposal for general working capital and/or future development of the Group and/or funding any potential acquisitions and investments if opportunities arise.

INFORMATION ON THE HONWILL GROUP

Honwill is an indirect wholly-owned subsidiary of the Company and owns 70% of the equity interests of Dongguan Honwill as of the date of this announcement.

Dongguan Honwill is a sino-foreign equity joint venture enterprise incorporated in the PRC and a non-wholly owned subsidiary of the Company. Dongguan Honwill holds 90% of the equity interests in Dongguan Danxing as of the date of this announcement, and will own 100% of the equity interests in Dongguan Danxing after internal restructuring. The Dongguan Honwill Group carries out the Redevelopment Project and owns the redevelopment right of the Land and Properties.

Set out below is the unaudited and consolidated financial information, including any inter-company balances and transactions with the subsidiaries of the Company, of the Honwill Group for the nine months ended 31 December 2016 and 2017, prepared in accordance with the Hong Kong Financial Reporting Standards:

	Nine months ended	
	31 December,	
	2016	2017
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Net (liabilities)/asset value	(12)	169
Revenue	—	—
Net loss before taxation	8	16
Net loss after taxation	8	16

INFORMATION RELATING TO THE GROUP, THE SELLERS AND THE PURCHASERS

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

Honwill is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. The principal activity of Honwill is investment holding.

Dongguan Danxin is a company incorporated in the PRC. The principal activities of Dongguan Danxin are property development and investment.

Greater Sino is a company incorporated in British Virgin Islands and an indirect wholly-owned subsidiary of the Company. The principal activity of Greater Sino is investment holding.

Dongguan Vanke is a company incorporated in the PRC and its principal business activity is property development. Dongguan Vanke is an indirect wholly-owned subsidiary of China Vanke Co., Ltd.

Hybest is a company incorporated in the British Virgin Islands and its principal business activity is investment holding. Hybest is an indirect wholly-owned subsidiary of China Vanke Co., Ltd.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement, circular and the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Given that none of the Shareholders has a material interest in the Disposal, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the Disposal and the transactions contemplated under the Co-operation Agreement. Pursuant to Rule 14.44 of the Listing Rules, on 13 March 2018, the Company has obtained a written approval from the Closely Allied Group who together held 8,222,838,498 Shares (representing approximately 64.51% of the issued share capital of the Company as at the date of this announcement), to approve the Disposal and the transactions contemplated under the Co-operation Agreement.

DESPATCH OF CIRCULAR

A circular containing further information on the Disposal will be despatched to the Shareholders as soon as possible which is expected to be on or before 6 April 2018.

DEFINITIONS

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

“Board”	the board of Directors;
“Closely Allied Group”	a closely allied group of Shareholders comprising Mr. Wong Ben Koon and his associates who together held 8,222,838,498 Shares (representing approximately 64.51% of the issued share capital of the Company) as at the date of this announcement;
“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 Co-operation Agreement;
“connected person(s)”	having the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration in the sum of RMB830 million (equivalent to approximately HK\$1,029 million) payable by the Purchasers to the Sellers for the Disposal under the Co-operation Agreement (subject to adjustments);
“Co-operation Agreement”	the Co-operation Agreement dated 13 March 2018 entered into between the Sellers and the Purchasers in respect of the Disposal;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the entire interests in the Redevelopment Project by the Sellers to the Purchasers pursuant to the Co-operation Agreement;

“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 70%;
“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.;
“Greater Sino”	Greater Sino Investments Ltd, a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	the lawful currency of Hong Kong for the time being;
“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 wholly-owned subsidiary of the Company;
“Honwill Group”	Honwill, Dongguan Honwill and Dongguan Danxing;
“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.;
“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;

“PRC”	the People’s Republic of China;
“Properties”	the factory, shops and residential buildings currently erected on the Land;
“Purchasers”	Dongguan Vanke and Hybest, and “Purchaser” means any one of them;
“Redevelopment Project”	the property development project on the Land;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sellers”	Greater Sino, Honwill and Dongguan Danxin, and “Seller” means any one of them;
“Share(s)”	ordinary share(s) of HK\$0.01 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; and
“%”	per cent.

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

Hong Kong, 13 March 2018

As at the date of this announcement, the executive Directors are Mr. Wong Ben Koon (Chairman), Dr. Mao Shuzhong (Chief Executive Officer), Ms. Gloria Wong, Mr. Li Zhimin, Mr. Wang Jiafu and Mr. Kong Siu Keung; the non-executive Directors are Mr. Liu Yongshun and Mr. Wu Likang; and the independent non-executive Directors are Mr. Yuen Kim Hung, Michael, Mr. Yung Ho, Mr. Chan Kai Nang and Mr. Ma Jianwu.

For the purposes of this announcement, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1 to HK\$1.24 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.

* *For identification purpose only*