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PROSPERITY INVESTMENT HOLDINGS LIMITED

嘉進投資國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 310)

MAJOR TRANSACTION — DISPOSAL OF INVESTMENT IN YANTAI JULI FINE CHEMICAL CO., LTD.*

THE DISPOSAL

The Board is pleased to announce that on 31 October 2017 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with the Purchaser and 鞍和山 (Gong Heshan*), the guarantor for the Purchaser, for the disposal of the Sale Shares (being 2,250,000 shares, representing approximately 1.17% equity interest, in Yantai Juli) to the Purchaser at the aggregate consideration of RMB27 million (equivalent to approximately HK\$31.72 million). Upon completion of the Disposal, the Group will cease to have any interest in Yantai Juli.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) exceeds 25% but is less than 75%, the Disposal constituted a major transaction of the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) further information relating to the Disposal; (ii) a notice convening the SGM; and (iii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 21 November 2017.

As the Disposal is subject to the fulfillment of the conditions precedent set out in the section headed “Conditions Precedent” below, the Disposal may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the securities of the Company.

THE SHARE TRANSFER AGREEMENT

The Board is pleased to announce that on 31 October 2017 (after trading hours), the Vendor entered into the Share Transfer Agreement. The principal terms of the Share Transfer Agreement are summarized below:

Date : 31 October 2017

Parties : (a) Carson Capital Resources Limited, a wholly-owned subsidiary of the Company, being the Vendor
(b) 寧夏胡楊智能投資發展中心(有限合伙) (Ningxia Huyang Zhineng Investment Development Centre (Limited Partnership)*), being the Purchaser
(c) 鞏和山 (Gong Heshan*), being the guarantor for the Purchaser (“Guarantor”)

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser is an existing shareholder of Yantai Juli and each of the Purchaser and its ultimate beneficial owners and the Guarantor are third parties independent of the Company and its connected persons.

Assets to be disposed of

The Sale Shares, being 2,250,000 shares, representing approximately 1.17% equity interest, in Yantai Juli.

Consideration

The consideration payable by the Purchaser for the Sale Shares is RMB27 million (equivalent to approximately HK\$31.72 million), i.e. RMB12 per Sale Share. The Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to the new issue price of shares in Yantai Juli as mentioned in the paragraph headed “Reasons for and the benefit of the Disposal” below.

Completion and payment of the Consideration

Within 40 business days of the Shareholders Approval having been obtained, the Purchaser and the Guarantor shall procure the completion of the following:

- (i) Yantai Juli enters the name of the Purchaser into its register of members;
- (ii) Yantai Juli makes the necessary filings in relation to the transfer of the Sale Shares in accordance with the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》);

- (iii) the Purchaser and Yantai Juli pay the applicable PRC withholding tax (if any) payable by the Vendor in relation to the Disposal and provide the relevant tax receipts; and
- (iv) the Purchaser shall be responsible for handling the relevant filing with and, if required, application for approval from, the relevant foreign exchange authorities of the PRC and remittance procedures for the payment of the Consideration.

Within 10 business days after completion of items (i) to (iv) above, the Purchaser shall pay the Consideration, net of any applicable PRC withholding tax and expenses related to the Disposal payable by the Vendor, in USD to the Vendor's designated bank account in Hong Kong. The Purchaser shall not be responsible for any delay in payment of the Consideration due to processing of the foreign exchange authorities.

The Purchaser undertakes to provide the Vendor with the Performance Guarantee Letter within 14 business days after the signing of the Share Transfer Agreement. Under the Performance Guarantee Letter, the issuing bank shall undertake that if the Purchaser fails to pay the Consideration in accordance with the terms and conditions of the Share Transfer Agreement, it will within 14 working days after receipt of written notice from the Vendor, pay to the Vendor the amount payable by the Purchaser under the terms of the Share Transfer Agreement up to RMB27,000,000.

Other fees

If Yantai Juli has to incur any additional audit fees and/or valuation fee for the Disposal, such expenses up to the sum of RMB250,000, shall be borne by the Vendor.

Conditions Precedent

The sale of the Sale Shares is conditional upon the fulfillment of the following conditions:

- (a) the Shareholders Approval having been obtained;
- (b) the Company having complied with the relevant requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities in relation to the transaction contemplated under the Share Transfer Agreement; and
- (c) the Vendor having received the Performance Guarantee Letter in the agreed form.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal, including the Consideration, are on normal commercial terms and are fair and reasonable.

Upon completion of the Disposal, the Vendor will cease to have any interest in Yantai Juli.

INFORMATION ON THE GROUP

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Group is principally engaged in investment in both listed and unlisted investments and other related financial assets.

INFORMATION ON YANTAI JULI

Yanti Juli is a company established in the PRC in June 2001. Yantai Juli is principally engaged in the production, processing and sale of hi-technology chemical products including toluene diisocyanate for manufacturing industry.

Set out below is the audited financial information of Yantai Juli as extracted from its financial statements prepared in accordance with the PRC generally accepted accounting principles for the two financial years ended 31 December 2015 and 2016:

| | For the year ended 31 December | |
|-------------------------|---------------------------------------|--------------------|
| | 2015 | 2016 |
| | (audited) | (audited) |
| | <i>RMB million</i> | <i>RMB million</i> |
| (Loss)Profit before tax | (254) | 139 |
| (Loss)Profit after tax | (255) | 147 |

As at 31 December 2016, the audited consolidated net asset value attributable to owners of Yantai Juli was approximately RMB722 million.

REASONS FOR AND BENEFIT OF THE DISPOSAL

The Vendor acquired the Sale Shares in 2010. Since the acquisition, the Group has only received dividends of approximately HK\$642,000 and HK\$255,000 from Yantai Juli for the years ended 2013 and 2014 respectively and no dividends have been received or declared for the other years, including for the financial year ended 31 December 2016. The Group has also not received any other distributions from Yantai Juli. The operating results of Yantai Juli fluctuated between 2010 and 2016 with losses for the 2014 and 2015 financial years. Due to the performance of and returns from Yantai Juli as abovementioned, impairment on the investment cost of the Sale Shares had been made in 2011, 2012 and fully impaired in 2015.

At a shareholders meeting of Yantai Juli held on 28 June 2017, it was resolved that Yantai Juli would issue 42,000,000 new shares at RMB12 each, which have been fully subscribed by various investors. The Vendor has not subscribed for any of the new shares and its equity interest in Yantai Juli was therefore diluted from 1.5% to the present 1.17%.

The Disposal at the Consideration would represent an annualized return of approximately 2.64% (without taking into account any enterprise income tax on non-resident enterprises which may be payable by the Vendor in relation to the Disposal) on the Group's cost of investment in the Sale Shares.

The Directors consider that the Disposal provides the Group with a good opportunity to realise its investment in Yantai Juli and will generate cash inflow to the Group for its general working capital and/or for other investment opportunities. The Directors (including the independent non-executive Directors) are therefore of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS AND USE OF PROCEEDS OF THE DISPOSAL

The Sale Shares had been accounted for as available-for-sale investment and stated at cost less impairment in the Company's consolidated financial statement and the investment costs thereof have been fully impaired in the financial year ended 31 December 2015.

Subject to review by the Company's auditor, based on the Consideration of RMB27 million (equivalent to approximately HK\$31.72 million), the Group currently expects to record a gain arising from the Disposal of approximately HK\$31.72 million upon completion, before deduction of transaction costs and taxation.

The Group intends to apply the net proceeds from the Disposal for general working capital and new investment when opportunities arise.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) exceeds 25% but is less than 75%, the Disposal constituted a major transaction of the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) further information relating to the Disposal; (ii) a notice convening the SGM; and (iii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 21 November 2017.

As the sale of the Sale Shares is conditional upon the conditions precedent aforementioned, the Disposal may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

| | |
|--------------------------------|---|
| “Board” | the board of Directors |
| “Company” | Prosperity Investment Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the same meaning ascribed to it under the Listing Rules |
| “Consideration” | the consideration of RMB12 per Sale Share, being RMB27 million in aggregate (equivalent to approximately HK\$31.72 million) payable by the Purchaser for the Sale Shares |
| “Director(s)” | director(s) of the Company |
| “Disposal” | the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Share Transfer Agreement |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Performance Guarantee Letter” | a performance guarantee for the obligations of the Purchaser to make payment of the Consideration under the Share Transfer Agreement to be issued by the designated PRC bank to the Vendor as beneficiary |
| “PRC” or “China” | the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Purchaser” | 寧夏胡楊智能投資發展中心(有限合伙) (NingXia Huyang Zhineng Investment Development Centre (Limited Partnership)*) |
| “RMB” | Renminbi, the lawful currency of the PRC |

| | |
|----------------------------|---|
| “SGM” | the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Share Transfer Agreement and the transaction contemplated thereunder |
| “Sale Shares” | 2,250,000 shares of Yantai Juli, representing approximately 1.17% equity interest in Yantai Juli as at the date of this announcement |
| “Share(s)” | ordinary share(s) of HK\$0.025 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Shareholders Approval” | the approval by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the SGM of the Share Transfer Agreement and the transactions contemplated thereunder |
| “Share Transfer Agreement” | the share transfer agreement dated 31 October 2017 entered into among the Vendor, the Purchaser and the Guarantor relating to the Disposal |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |
| “USD” | United States dollars, the lawful currency of the United States of America |
| “Vendor” | Carson Capital Resources Limited, a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of the Company |
| Yantai Juli | 烟台巨力精細化工股份有限公司 (Yantai Juli Fine Chemical Co., Ltd)*, a company established in the PRC |
| “%” | per cent |

For the purpose of this announcement, unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.175. The exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rate at all.

By order of the Board
Prosperity Investment Holdings Limited
Cheng Hairong
Chairman and Managing Director

Hong Kong, 31 October 2017

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Cheng Hairong, one non-executive Director, namely Mr. Lau Tom Ko Yuen and three independent non-executive Directors, namely Mr. Feng Nien Shu, Mr. Lui Siu Tsuen, Richard and Ms. Wong Lai Kin, Elsa.

* *For identification purpose only*