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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)

CONTINUING CONNECTED TRANSACTION INVOLVING INVESTMENT MANAGEMENT AGREEMENT

Financial Adviser

Opus Capital Limited
創富融資有限公司

IM AGREEMENT

On 24 November 2015, the Company entered into the IM Agreement with GC Capital, pursuant to which GC Capital is appointed as the investment manager of the Company for a further term from 1 January 2016 to 31 December 2018. The management fee payable to GC Capital by the Company is fixed at HK\$600,000 per month (exclusive of disbursements). In addition to such monthly fee, GC Capital may also be paid discretionary bonus, if any, to be determined by the Board after the end of each Financial Year.

LISTING RULES IMPLICATIONS

As GC Capital is the investment manager of the Company, GC Capital is a connected person of the Company under Rule 14A.08 of the Listing Rules and the transaction contemplated under the IM Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps (as defined below) is more than 25%, the IM Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and accordingly is subject to the reporting, announcement, Independent Shareholders' approval and the annual review requirements of the Listing Rules.

* For identification purpose only

A circular containing further details of, amongst other things, (i) the IM Agreement; (ii) a letter from the independent board committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders; and (iv) a notice of the SGM will be despatched to the Shareholders on or before 14 December 2015.

IM AGREEMENT

On 24 November 2015, the Company entered into the IM Agreement with GC Capital, pursuant to which GC Capital is appointed as the investment manager of the Company for a further term from 1 January 2016 to 31 December 2018, immediately following the expiry of the Existing IM Agreement.

Principal terms

The principal terms of the IM Agreement include:

Duration

The IM Agreement is for the duration of the Management Period, i.e. from 1 January 2016 to 31 December 2018, unless terminated earlier by either party by giving to the other party not less than six months written notice.

Services

The Investment Manager shall provide investment management services to the Company which includes identifying and evaluating investment opportunities, implementing and monitoring investments.

Remuneration

Under the IM Agreement, the Investment Manager will be entitled to:

- (a) a management fee of a fixed amount of HK\$600,000 per month (exclusive of disbursements); and
- (b) discretionary bonus, if any and at such amount as the Board may at its discretion determine, provided that no such bonus shall be payable unless the Adjusted NAV as at the end of each Financial Year exceeds the higher of: (i) the Net Asset Value for the year ending 31 December 2015; and (ii) the Adjusted NAV of the most recent Financial Year after year 2015 for which the Investment Manager is paid a discretionary bonus. The amount of such bonus shall not in any event exceed 5% of such excess. Such bonus, if any, shall be paid within 30 days after the issue of the audited financial statements of the Group for the relevant Financial Year.

Conditions

The IM Agreement is conditional upon the passing of the requisite resolution by the Independent Shareholders approving the IM Agreement and the transactions contemplated thereunder at the SGM. If such approval cannot be obtained by 31 December 2015 or such later date as the parties may agree, the IM Agreement shall lapse and be of no further effect and neither party shall have any claim against the other thereon.

Proposed annual caps (“Annual Caps”)

The proposed Annual Caps for the fees payable under the IM Agreement for the three years ending 31 December 2016, 2017 and 2018 are as follows:

Period covered	<i>HK\$</i>
1 January 2016 to 31 December 2016	8,420,000
1 January 2017 to 31 December 2017	8,480,000
1 January 2018 to 31 December 2018	8,540,000

The proposed Annual Caps were computed taking into account the fixed monthly fee, projected Net Asset Value for each Financial Year based on the Net Asset Value as at 30 June 2015 on the assumption that the Group will achieve an annual growth of 5% in Net Asset Value, the historical records of the remuneration paid to GC Capital under the Existing IM Agreement as set out below, as well as the cap on the discretionary bonus.

In the event that the aggregate fees payable by the Group under the IM Agreement exceeds the Annual Caps, the Company will comply with all the relevant requirements of Chapter 14A of the Listing Rules as and when necessary.

Historical figures of fees paid and proposed annual caps under the Existing IM Agreement

Period covered	Management fee	Discretionary bonus	Total remuneration paid	Proposed annual cap
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
1 November 2013 to 31 December 2013	600,000	—	600,000	3,450,000
1 January 2014 to 31 December 2014	3,600,000	—	3,600,000	6,740,000
1 January 2015 to 31 October 2015	3,000,000	—	3,000,000	7,050,000
<i>(note 1)</i>		<i>(note 2)</i>	<i>(note 2)</i>	

Notes:

1. No information is available for the period from 1 November to 31 December 2015 yet.
2. As the 2015 financial year has not yet ended, the Board has not yet deliberated whether or not to pay any discretionary bonus. The remuneration amount of HK\$3,000,000 paid represents the fixed monthly fee paid for January to October of 2015.

Reasons for entering into the IM Agreement

GC Capital has served as the investment manager of the Company since 12 December 1992. The Board is of the view that the continuity for provision of investment management services by GC Capital could provide more efficient investment assessments and implementation of the Group's investment strategy which is important to the management of the Company and to achieve capital appreciation and growth of the Group especially in the current volatile market.

The Board (including the independent non-executive Directors) considers that the terms of the IM Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and the entering into the IM Agreement is in the interests of the Company and the Shareholders as a whole, and that the Annual Caps are fair and reasonable. None of the Directors has a material interest in the IM Agreement and therefore no Director was required to abstain from voting on the relevant Board resolution approving the IM Agreement.

INFORMATION ON GC CAPITAL

GC Capital is a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. It was incorporated on 30 June 1992 and it specialises in investment and fund management mainly in Hong Kong and the People's Republic of China. GC Capital has served as the investment manager of the Company since 12 December 1992.

INFORMATION ON THE GROUP

The Group is principally engaged in investment in both listed and unlisted investments and other related financial assets.

LISTING RULES IMPLICATIONS

As GC Capital is the investment manager of the Company, GC Capital is a connected person of the Company under Rule 14A.08 of the Listing Rules and the transaction contemplated under the IM Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps is more than 25%, the IM Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and accordingly is subject to the reporting, announcement, Independent Shareholders' approval and the annual review requirements of the Listing Rules.

An independent board committee will be formed to advise the Independent Shareholders on the IM Agreement and the transactions contemplated thereunder and an independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders as to whether the terms of the IM Agreement and the transaction contemplated thereunder are fair and reasonable so far as the Shareholders are concerned.

A circular containing further details of, amongst other things, (i) the IM Agreement; (ii) a letter from the independent board committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders; and (iv) a notice of the SGM will be despatched to the Shareholders on or before 14 December 2015.

DEFINITIONS

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

“Adjusted NAV”	the Net Asset Value as at the end of the relevant Financial Year, adjusted by (A) excluding effects attributed to the issue of new Shares, share repurchase and fund raisings; and (B) adding back: (i) remuneration paid to the Investment Manager under the IM Agreement; and (ii) dividends or distributions paid to the Shareholders whether in cash or in specie
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Prosperity Investment Holdings Limited, a company incorporated in Bermuda with limited liability, whose issued Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing IM Agreement”	the agreement dated 18 July 2013 (as amended by a supplemental agreement dated 24 September 2013) entered into between the Company and GC Capital regarding the appointment of GC Capital as the Company’s investment manager for the period from 1 November 2013 to 31 December 2015
“Financial Year”	the financial year of the Company during the Management Period, commencing from 1 January 2016
“GC Capital” or “Investment Manager”	Greater China Capital Limited, a company incorporated in Hong Kong with limited liability and licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IM Agreement”	the agreement dated 24 November 2015 entered into between the Company and GC Capital regarding the appointment of GC Capital as the Company’s investment manager for the period from 1 January 2016 to 31 December 2018
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Period”	the period from 1 January 2016 to 31 December 2018
“Net Asset Value”	the consolidated net asset value of the Group as reflected in its audited financial statements
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the IM Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
Prosperity Investment Holdings Limited
Cheng Hairong
Chairman and Executive Director

Hong Kong, 24 November 2015

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.