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PROSPEROUS FUTURE HOLDINGS LIMITED

未來發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1259)

**MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY**

Financial adviser to the Company



THE DISPOSAL

On 4 July 2022 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Capital at the total Consideration of RMB50.00 million (equivalent to approximately HK\$58.62 million).

Upon Completion, the Company will cease to hold any interests in the Target Company and the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

GENERAL

The Disposal will be subject to the approval by Shareholders at the EGM. The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Equity Transfer Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Disposal; (ii) a property valuation report in respect of the Property; (iii) notice of the EGM; and (iv) other disclosures required under the Listing Rules, will be despatched to the Shareholders on or before 25 July 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Completion is conditional upon the satisfaction of the conditions set out in the section headed “Conditions Precedent” in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company and, if in any doubt, are recommended to consult their professional adviser(s).

INTRODUCTION

On 4 July 2022 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Capital at the total Consideration of RMB50.00 million (equivalent to approximately HK\$58.62 million).

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date: 4 July 2022 (after trading hours of the Stock Exchange)

Parties:

Vendor : Fujian RuiYu Innovation Cosmetic Co., Limited# (福建省瑞宇創化妝品有限公司)

Purchaser : Snagatr (Fujian) Oral Health Technology Co., Limited# (絲耐潔(福建)口腔健康科技有限公司)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties of the Company and its connected persons.

The Purchaser is a company established in the PRC with limited liability and principally engaged in production of toothbrushes and plastic products.

The Vendor is a foreign owned enterprise established in the PRC. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Asset to be disposed

Pursuant to the Equity Transfer Agreement, the Vendor conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire, the Sale Capital, representing the entire registered capital of the Target Company.

As at the date of this announcement, the principal asset of the Target Company is the Property. Further details of the Target Company are set out in the section headed "Information on the Target Company" in this announcement.

The Loan

On 22 November 2018, the Vendor (as the borrower), the Target Company (as the guarantor) and RuiYu Innovation (Hong Kong) Company Limited (as the pledgor) entered into the Loan Agreement with an Independent Third Party (as the lender) for a term loan facility of RMB70.00 million (equivalent to approximately HK\$82.06 million) for the sole purpose of purchasing equipment for the Target Company's business development.

As at 31 May 2022, the Outstanding Loan under the Loan Agreement amounted to approximately RMB44.00 million (equivalent to approximately HK\$51.58 million).

Consideration

The total Consideration for the Sale Capital under the Equity Transfer Agreement is RMB50.00 million (equivalent to approximately HK\$58.62 million).

Pursuant to the Equity Transfer Agreement, the Purchaser shall pay 10% of the Consideration to the Vendor, being RMB5.00 million (equivalent to approximately HK\$5.86 million) within three business days upon entering into of the Equity Transfer Agreement (the “**Deposit**”).

The remaining 90% of the Consideration, being RMB45.00 million (equivalent to approximately HK\$52.75 million), shall be settled by the Purchaser to the Vendor in cash within three business days of the Completion Date.

The Consideration was arrived at after arm’s length commercial negotiations between the Vendor and the Purchaser and was determined with reference to among others, (i) the indicative market value of the Property of approximately RMB58.10 million (equivalent to approximately HK\$68.11 million) as at 31 May 2022 as prepared by an independent professional valuer; (ii) the adjusted net asset value of the Target Company of approximately RMB51.00 million (equivalent to approximately HK\$59.79 million) (the “**Adjusted NAV**”) further details of which are set out in the section headed “Information of the Target Company” in this announcement; and (iii) the unsatisfactory financial performance of the Target Company as stated under the section headed “Reasons for and benefits of the Disposal and use of proceeds” in this announcement.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the Consideration, which was arrived at after arm’s length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion shall be conditional upon and subject to the fulfillment and satisfaction of the following Conditions Precedent:

- (i) all necessary authorisations, consents and approvals in relation to the Disposal having been obtained by the Vendor and the Target Company;
- (ii) all necessary authorisations, consents and approvals in relation to the Disposal having been obtained by the Purchaser; and
- (iii) the passing of the ordinary resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder by the Shareholders at the EGM to be convened and held in accordance with the Listing Rules and the applicable laws and regulations.

The Vendor shall use its best endeavors to procure the fulfillment of the above Conditions Precedent (i) and (iii). The Purchaser shall use its best endeavors to procure the fulfillment of the above Conditions Precedent (ii). If necessary, the Purchaser shall assist the Vendor to provide or submit the documents and information to the Stock Exchange and Securities and Futures Commission of Hong Kong or other relevant regulatory authorities under the requirements of the Listing Rules or other applicable rules, code or law, whether or not in relation to the Disposal and other announcement, circular or other documents.

If the above Conditions Precedent has not been fulfilled on or before 31 October 2022 or such other date as the Vendor and the Purchaser may agree in writing, the Equity Transfer Agreement shall be terminated and none of the parties to the Equity Transfer Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches and the Vendor shall refund the Deposit (if any) to the Purchaser within three business days from the date of the termination.

Completion

Completion shall take place on the effective date of change of business registration in respect of the Sale Capital to the Purchaser.

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Target Company.

INFORMATION ON THE TARGET COMPANY

As at the date of this announcement, the Target Company is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business of the Target Company is the design, manufacture and sales of children's personal care products mainly for the PRC and the U.S. markets. The principal asset of the Target Company is the Property, which comprises of a parcel of land with a total site area of approximately 24,253 square metres, together with the industrial building thereon with a gross floor area of approximately 55,854 square metres located at No. 8 Wuqiao Bei Road, Lantian Economic Development Zone, Longwen District, Zhangzhou City, Fujian Province, the PRC.

Set out below is the financial information of the Target Company as extracted from its unaudited consolidated financial statements prepared under generally accepted accounting principles of the PRC for the two financial years ended 31 December 2020 and 2021:

	For the year ended 31 December 2021 RMB'000 (<i>approximately</i>) (unaudited)	For the year ended 31 December 2020 RMB'000 (<i>approximately</i>) (unaudited)
Revenue	499,289	736,876
Loss before taxation	51,627	12,750
Loss after taxation	54,921	12,863

As at 31 May 2022, the unaudited consolidated net asset value of the Target Company was approximately RMB48.07 million (equivalent to approximately HK\$56.35 million).

As at 31 May 2022, the book value of the Property is approximately RMB55.17 million (equivalent to approximately HK\$64.68 million). According to an independent professional valuer, the indicative market value of the Property is approximately RMB58.10 million (equivalent to approximately HK\$68.11 million) as at 31 May 2022. Taking into account of the reassessment of the Property, the Adjusted NAV is approximately RMB51.00 million (equivalent to approximately HK\$59.79 million) as at 31 May 2022.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and sale of personal care products, provision of food and beverage services, provision of financial business, properties holding, trading, provision of temperature-controlled storage and ancillary services and investment holding.

As stated in the annual report of the Group for the financial year ended 31 December 2021, the Group will continue to strengthen, develop and diversify its business portfolio in a sustainable manner. In light of the outbreak of the COVID-19 pandemic, the intensified conflicts in international trade and volatility in the stock markets, the Group will continue to review its existing businesses' performance and to adopt a prudent approach for the development of its businesses.

Despite the Group's continued efforts to bolster and improve the Target Company's personal care products business segment, the Board considers that the financial performance of the Target Company continues to fall short of the Board's expectations in respect of the effort and resources utilised by it. As disclosed under the section "INFORMATION ON THE TARGET COMPANY" of this announcement, the Target Company recorded a loss after taxation of approximately RMB54.92 million (equivalent to approximately HK\$64.38 million) and RMB12.86 million (equivalent to approximately HK\$15.08 million) for the financial years ended 31 December 2021 and 31 December 2020 respectively. The consistent underperformance of the Target Company is attributed to the overall slowdown of the economy in the PRC in recent years, the rapid shift of consumers' consumption habits toward e-commerce, the significant increase in competition within the personal care products industry in both the retail and e-commerce markets and the uncertainty in global economies.

The recent global events, such as the COVID-19 Coronavirus and the ongoing conflict in Eastern Europe, have severely affected the global logistic supply chains and economies, including the regions in which the Groups operates its personal care products segment, being the U.S. and the PRC. The Company has been seeking to streamline its operations to create a stronger financial position through less capital intensive operations, lower gearing, higher liquidity and better return on assets. By adopting a less capital intensive approach, the Group would be able to improve its operational flexibility, reduce its debts, and minimise external impacts on existing operations.

The Company intends to apply the net proceeds from the Disposal of approximately RMB48.97 million (equivalent approximately HK\$57.42 million) to (i) approximately RMB44.00 million (equivalent to HK\$51.58 million) for the repayment of the Outstanding Loan; and (ii) the remaining approximately RMB4.97 million (equivalent to HK\$5.84 million) for the general working capital of the Group.

The Disposal presents an opportunity for the Company to fully settle the Outstanding Loan thereby reducing the Group's liabilities and at the same time disposing an underperforming business segment of the Group. This will have a positive effect on the Group's financial position and allows the Company to allocate more resources to the other existing businesses of the Group.

The terms of the Equity Transfer Agreement were arrived at after arm's length negotiation between the Vendor and the Purchaser and the Directors consider that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and as such the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will cease to hold any interests in the Target Company and the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

It is expected that the Group will record an unaudited gain before taxation and after transaction cost on the Disposal of approximately RMB0.90 million (equivalent to approximately HK\$1.06 million), which is calculated based on the total Consideration less (i) the unaudited consolidated net asset value of the Target Company as at 31 May 2022 of approximately RMB48.07 million (equivalent to approximately HK\$56.36 million); and (ii) the related costs and expenses of the Group for the Disposal. However, the actual amount of the gain/loss on the Disposal to be recognised by the Group will depend on the net asset value of the Target Company as at Completion, hence the exact amount of the net gain/loss on the Disposal can only be determined on the Completion Date.

LISTING RULES IMPLICATIONS

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

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Disposal; (ii) a property valuation report in respect of the Property; (iii) notice of the EGM; and (iv) other disclosures required under the Listing Rules, will be despatched to the Shareholders on or before 25 July 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Completion is conditional upon the satisfaction of the conditions set out in the section headed “Conditions Precedent” in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company and, if in any doubt, are recommended to consult their professional adviser(s).

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday, Sunday and public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the PRC
“Company”	Prosperous Future Holdings Limited (stock code: 1259), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the date of Completion
“Conditions Precedent”	the conditions precedent set out in the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB50.00 million (equivalent to approximately HK\$58.62 million) for the Disposal pursuant to the Equity Transfer Agreement

“Disposal”	the sale of the Sale Capital by the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the transactions as contemplated under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 4 July 2022 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Capital
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 22 November 2018 and entered into between the Vendor (as the borrower), an Independent Third Party (as the lender), the Target Company (as the guarantor) and RuiYu Innovation (Hong Kong) Company Limited (as the pledgor), pursuant to which the lender agreed to grant a loan facility of RMB70.00 million (equivalent to approximately HK\$82.06 million) to the Vendor

“Outstanding Loan”	the outstanding loan of RMB44.00 million (equivalent to approximately HK\$51.58 million) under the Loan Agreement
“PRC”	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
“Property”	the land and the industrial building located at No. 8 Wuqiao Bei Road, Lantian Economic Development Zone, Longwen District, Zhangzhou City, Fujian Province, the PRC, which the Target Company has the right to occupy, use, dispose of and benefit
“Purchaser”	Snagatr (Fujian) Oral Health Technology Co., Limited# (絲耐潔(福建)口腔健康科技有限公司), a limited liability company established under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Capital”	the entire registered share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Frog Prince (Fujian) Baby & Child Care Products Co. Limited# (青蛙王子(福建)嬰童護理用品有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“U.S.”	The United States of America

“Vendor” Fujian RuiYu Innovation Cosmetic Co., Limited# (福建省瑞宇創化妝品有限公司), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company

“%” per cent.

By order of the Board
Prosperous Future Holdings Limited
Lau Ka Ho
Chief Executive Officer and Executive Director

Hong Kong, 4 July 2022

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Lau Ka Ho, Mr. Chan Hoi Tik and Mr. Fok King Man Ronald; (ii) two non-executive Directors, namely Mr. Li Zhouxin and Mr. Sze Wine Him Jaime; and (iii) three independent non-executive Directors, namely Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen and Ms. Bu Yanan.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into Hong Kong dollars is based on the approximate exchange rate of RMB0.853 to HK\$1.0.

The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.