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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)

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

This announcement is made by Prosperous Future Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on voluntary basis to keep the shareholders of the Company (the “**Shareholders**”) and potential investors informed on certain latest business updates of the Group.

Reference is made to the announcement of the Company dated 19 May 2020 in relation to, among other matters, the disposal of the entire equity interest in the Target Company (“**Disposal Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Disposal Announcement.

On 11 June 2020, the Company received a letter from the Listing Division of the Stock Exchange (the “**Division**”) stating that the Division is concerned that Proposed Disposal is part of a series of transactions or arrangements which constitute an attempt to achieve the listing of the trading of frozen meats business in Hong Kong (the “**Food & Beverage Business**”) and a means to circumvent the requirements for a new applicant set out in Chapter 8 of the Listing Rules (the “**Division Decision**”).

On 10 August 2020, the Company filed an application for a review by the Listing Committee of the Stock Exchange (the “**Committee**”) in relation to the Division Decision (“**Review**”).

The Review by the Committee took place on 2 November 2020.

On 13 November 2020, the Company received a letter (“**LC Letter**”) from the Committee that they had decided to uphold the Division Decision that (i) the Proposed Disposal was part of a series of transactions and arrangements which constituted an attempt to achieve the listing of the Food & Beverage Business and a means to circumvent the requirements for a new applicant set out in Chapter 8 of the Listing Rules; and (ii) the Proposed Disposal and the previous acquisitions (the “**Previous Acquisitions**”) of the Food & Beverage Business by the Company as announced on 4 December 2018 and 1 March 2019 should therefore be treated as if they were one transaction and constituted a reverse takeover (“**RTO**”) under Rule 14.06B (the “**Committee Decision**”).

As set out in the LC Letter, factors considered by the Committee in arriving at the Committee Decision after having reviewed submission made by the Company are summarised as follows:

1. (i) **Size of the Previous Acquisitions:** The Previous Acquisition, together with the Proposed Disposal, are very material to the Company. The Company submitted that the revenue of the Food & Beverage Business only contributed 22% of the Company’s revenue in 2019. Paragraph 12 of GL104-19 provides that there is no absolute threshold in determining whether the size of an acquisition is significant. In assessing the impact of the Previous Acquisitions and the Proposed Disposal on the Company, the Committee took into account other factors as prescribed in GL104-19, including the nature and scale of the Company’s businesses after the Previous Acquisitions and the Proposed Disposal. If the revenue of the design, manufacture and sales of personal care products business engaged by the Group (“**Personal Care Product Business**”) (which would cease following the Proposed Disposal) was excluded in calculating such percentage, based on the revenue of HK\$435 million generated by Advance Global Food Limited in 2018 and the revenue of HK\$224 million generated by other businesses of the Group (the “**Other Existing Businesses**”) in 2018, the revenue ratio of the Previous Acquisitions entered in May 2019 would have been approximately 194%, which is very material to the Company.
- (ii) **Fundamental change in the Company’s principal business:** The Proposed Disposal, together with the Previous Acquisitions, would have resulted in a fundamental change in the Company’s principal business in approximately one year. The Company argued that there was no fundamental change in the Company’s business as it would continue the Other Existing Businesses and the Food & Beverage Business would not become the Company’s principal business. However, upon completion of the Proposed Disposal, the Food & Beverage Business would form a substantial part of the remaining group and accounted for about 61% of the remaining group’s revenue based on the 2019 financial information. It is also completely different from and unrelated to the Personal Care Products Business and the Other Existing Businesses.

- (iii) **Nature and scale of the Company's business before the Previous Acquisitions:** The Company submitted that it is not a shell company as the Personal Care Products Business was substantial and the Company had diversified into the Other Existing Businesses since 2016 according to its diversification strategy. However, the Other Existing Businesses appeared to have low entry barriers, could be easily discontinued and bore no relation with the Personal Care Product Business and the Food & Beverage Business. Further, the Other Existing Businesses only had minimal operating scale and/or were not viable and sustainable. Had the Company disposed of the Personal Care Products Business before the Previous Acquisitions, it would have become a listed shell.
- (iv) **Quality of the acquisition targets:** The Food & Beverage Business commenced in 2017 and had limited track record. This business was loss making in 2018 and recorded a segment profit of HK\$6 million in 2019. Even taking into account the segment profit of HK\$4 million for the six months ended 30 June 2020, this business cannot meet the minimum profits requirement under Rule 8.05(1)(a).
- (v) **Events and transactions which together with the Previous Acquisitions form a series of transactions and/or arrangements to circumvent the RTO Rules:** The Committee referred to paragraph 28 of GL104-9 which provides that transactions and arrangements (including acquisitions and disposals of businesses) may be regarded as a part of a series if they take place in reasonable proximity to each other (normally within a 36-month period) or are otherwise related. The Committee was of the view that the Proposed Disposal together with the Previous Acquisitions, which were conducted in approximately one year, formed a series of transactions which constituted an attempt to circumvent the new listing requirements. Although the Company denied it had such intention, these transactions would in fact result in the Food & Beverage Business, which did not meet the new listing requirements under Chapter 8 of the Listing Rules, becoming the major business of the Company.
2. As stated in paragraph 5 of GL104-19, the Committee was mindful that the RTO rules were intended to apply not only to transactions involving an investor acquiring control of a listed issuer, but also to structuring a RTO transaction as a series of small acquisitions, or re-sequencing transactions to acquire a new business before disposing of the original business, or through a series of acquisitions and disposals to circumvent new listing requirements for the assets acquired and/or to be acquired.

3. In light of the above, although there was no change in control over the past 36 months, the Company's business would be primarily swapped to the Food & Beverage Business after the Proposed Disposal within approximately one year from the Previous Acquisitions. Further, the Food & Beverage Business cannot satisfy the profits requirement under Rule 8.05(1)(a). The Committee remained concerned that the Proposed Disposal was a part of a series of transactions and arrangements which constituted an attempt to achieve the listing of the Food & Beverage Business and a means to circumvent the requirements for a new applicant set out in Chapter 8 of the Listing Rules. Therefore, the Previous Acquisitions and the Proposed Disposal should be treated as if they were one transaction and constituted a RTO under Rule 14.06B.

The Company is in the process of reviewing the Committee Decision and is discussing the same internally and with its professional advisers, and will consider lodging a request for the Committee Decision to be referred to the Listing Review Committee of the Stock Exchange for review. Further announcements will be made by the Company on further developments in respect of the Committee Decision and the Proposed Disposal in compliance with the Listing Rules as and when appropriate.

By order of the Board
Prosperous Future Holdings Limited
Tsai Wallen
Chairman and Executive Director

Hong Kong, 13 November 2020

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Tsai Wallen, Mr. Lau Ka Ho and Mr. Chan Hoi Tik; (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.