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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 19 May 2020 (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 million (equivalent to approximately HK\$54.5 million). The Consideration shall be fully satisfied on the Completion Date by the Purchaser by way of offsetting the Consideration against the Outstanding Loan on a dollar-for-dollar basis.

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 Group will no longer be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 25% but fall below 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 9 June 2020 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 19 May 2020 (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, representing the entire registered capital of the Target Company at the total consideration of RMB50 million (equivalent to approximately HK\$54.5 million). The Consideration shall be fully satisfied on the Completion Date by the Purchaser by way of offsetting the Consideration against the Outstanding Loan on a dollar-for-dollar basis.

THE EQUITY TRANSFER AGREEMENT

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

Date: 19 May 2020 (after trading hours of the Stock Exchange)

Parties:

Vendor: Fujian Frog Prince Cosmetic Co., Limited[#] (福建省青蛙王子化妝品有限公司)

Purchaser: Beijing Huitongda Supply Chain Management Co., Limited[#] (北京匯通達供應鏈管理有限公司)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, (i) the Purchaser is a limited liability company established under the laws of the PRC and principally engaged in supply chain management services business for consumable goods in the PRC; (ii) the ultimate beneficial owner of the Purchaser is Mr. You Weidong[#]; and (iii) the Purchaser holds 99.0% equity interest in the Shenzhen Fund, which in turn holds 70.0% equity interest in Fujian Herun, being an associate of the Company as at the date of this announcement. Save as aforesaid, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

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 Target Company holds (i) 30% equity interest in Fujian Herun; and (ii) the Property. Further details of the Target Group are set out in the section headed “Information on the Target Group” in this announcement.

The Loan Agreement

On 22 November 2018, the Vendor (as the borrower), the Purchaser (as the lender), the Target Company (as the guarantor) and Prince Frog (HK) Cosmetics Company Limited (as the pledgor) entered into the Loan Agreement, pursuant to which the Purchaser agreed to grant a term loan facility of RMB70 million (equivalent to approximately HK\$76.3 million) to the Vendor for the sole purpose of purchasing equipment for the Vendor's business development.

As at 30 April 2020, the Outstanding Loan under the Loan Agreement amounted to approximately RMB50 million (equivalent to approximately HK\$54.5 million).

Pursuant to the Equity Transfer Agreement, the Consideration shall be fully offset against the Outstanding Loan owed to the Purchaser by the Vendor on the Completion Date (the "**Consideration Offset**").

Upon the Consideration Offset, the Outstanding Loan will be fully settled by the Vendor pursuant to the Loan Agreement.

Consideration

The total Consideration for the Sale Capital under the Equity Transfer Agreement is RMB50 million (equivalent to approximately HK\$54.5 million). The Consideration shall be satisfied on the Completion Date by the Purchaser by way of offsetting the Consideration against the Outstanding Loan on a dollar-for-dollar basis.

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 unaudited consolidated net asset value of the Target Group of approximately RMB32.8 million (equivalent to approximately HK\$35.8 million) as at 30 April 2020 (taking into account a gain arising from a change in the fair value of the Property of approximately RMB22.1 million (equivalent to approximately HK\$24.1 million)); (ii) the preliminary market value of the Property of approximately RMB83.8 million (equivalent to approximately HK\$91.4 million) as at 30 April 2020 under the direct comparison approach as appraised by an independent professional valuer (the "**Valuation**"); and (iii) the unsatisfactory financial performance of the Target Company as stated under the section headed "Reasons for and benefits of the Disposal" 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 the 30 September 2020 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. In such event, the Vendor must repay the Outstanding Loan under the Loan Agreement within 15 Business Days from the date of termination of the Equity Transfer Agreement.

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 Group and the Outstanding Loan owed by the Vendor to the Purchaser under the Loan Agreement will be fully settled.

INFORMATION ON THE TARGET GROUP

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 (the "**Personal Care Products**") mainly for the PRC and the U.S. market. The principal assets of the Target Company is the Property, which comprises of the parcel of land with a total site area of approximately 24,253 square metres, together with the industrial building thereon with gross floor area of approximately 55,854 square metres located at No. 8 Wujiao Bei Road, Lantian Economic Development Zone, Longwen District, Zhangzhou City, Fujian Province, the PRC.

According to the Valuation prepared by an independent professional valuer, the indicative market value of the Property as at 30 April 2020 is not less than RMB83.8 million (equivalent to approximately HK\$91.4 million) under the direct comparison approach.

As at the date of this announcement, the Target Company holds 30% equity interests in Fujian Herun. The principal business of Fujian Herun is to carry out the Target Company's sales activities of the Personal Care Products through its distributorship network in the PRC.

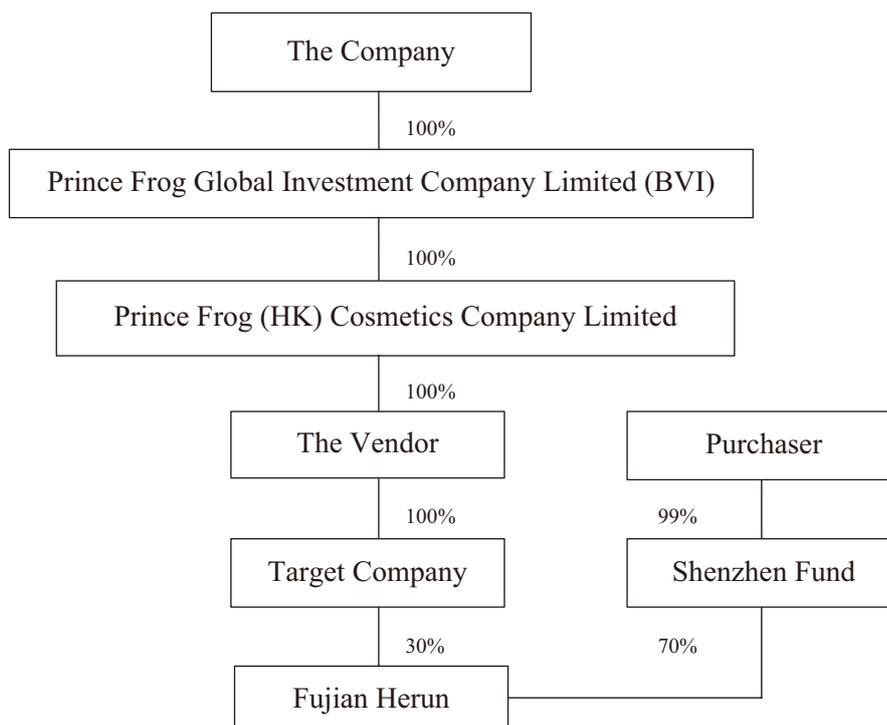
Set out below is the financial information of the Target Group as extracted from its unaudited consolidated financial statements prepared under generally accepted accounting principles of the PRC for the two financial years ended 31 December 2018 and 2019:

	For the year ended 31 December 2018 RMB'000 (approximately) (unaudited)	For the year ended 31 December 2019 RMB'000 (approximately) (unaudited)
Revenue	311,869	524,482
Loss before taxation	25,185	27,504
Loss after taxation	25,384	27,324

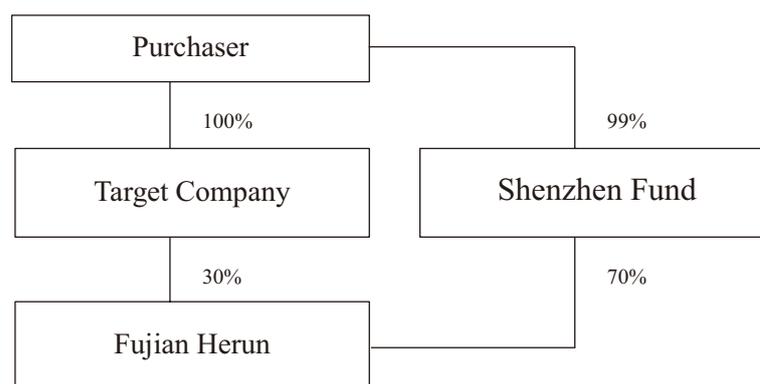
As at 30 April 2020, the unaudited consolidated net asset value of the Target Group was approximately RMB32.8 million (equivalent to approximately HK\$35.8 million).

Shareholding structure of the Target Group

- (a) Below is the shareholding structure of the Target Group as at the date of this announcement:



(b) Below is the shareholding structure of the Target Group upon Completion:



REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of personal care products, money lending, trading of commodities, securities investment, properties holding, investment holding and the provision of food and beverage services.

As stated in the annual report of the Group for the financial year ended 31 December 2019, the Group will continue to strengthen, develop and diversify its business portfolio in a sustainable manner. Despite the Group's 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 has not met the Board's expectations in respect of the effort and resources utilized on it. As disclosed under the section "INFORMATION ON THE TARGET GROUP", the Target Group recorded a loss after taxation of approximately RMB25.4 million and RMB27.3 million for the financial years ended 31 December 2018 and 31 December 2019 respectively. The unsatisfactory performance of the Target Company is attributed to the overall slowdown of the economy in the PRC in recent years, the rapid shift in consumers' consumption habits to e-commerce and the significant increase in competition within the personal care products industry in both the retail and e-commerce market.

In light of the uncertainty caused by recent global events such as the ongoing trade war between the PRC and the U.S. and the outbreak of the Covid-19 Coronavirus, the Company has been seeking to streamlining its operations to create a stronger financial position through more light asset operations, lower gearing, higher liquidity and better return on assets. Adopting said light asset model, the Group would be able to improve its operational flexibility, reduce its debts, and minimise external impacts on existing operations.

Pursuant to the Loan Agreement, the Vendor has an Outstanding Loan of RMB50 million (equivalent to approximately HK\$54.5 million) owed to the Purchaser as at the date of this announcement. The Disposal represents 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, that will have a positive effect on the Group's financial position and allows the Company to allocate resources on 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 Group 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 transaction cost on the Disposal of approximately RMB15.9 million (equivalent to approximately HK\$17.3 million), which is calculated based on the total Consideration less (i) the unaudited consolidated net asset value of the Target Group as at 30 April 2020 of approximately RMB32.8 million (equivalent to approximately HK\$35.8 million); and (ii) the related costs and expenses of the Group for the Disposal. However, the actual amount of the gain on the Disposal to be recognised by the Group will depend on the net asset value of the Target Group as at Completion, hence the exact amount of the net gain on the Disposal can only be determined at the Completion Date.

LISTING RULES IMPLICATIONS

As more than one 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 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 9 June 2020 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 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 million (equivalent to approximately HK\$54.5 million) for the Disposal pursuant to the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Capital by the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“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 19 May 2020 and entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Capital
“Fujian Herun”	Fujian Herun Supply Chain Management Co., Ltd.# (福建和潤供應鏈管理有限公司), a company established in the PRC with limited liability and an associate of the Company
“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)”	a 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), the Purchaser (as the lender), the Target Company (as the guarantor) and Prince Frog (HK) Cosmetics Company Limited (as the pledgor), pursuant to which the Purchaser agreed to grant a loan facility of RMB70.0 million (equivalent to approximately HK\$76.3 million) to the Vendor
“Outstanding Loan”	the outstanding loan of RMB50 million (equivalent to approximately HK\$54.5 million) owed by the Vendor to the Purchaser 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 held by the Target Company 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”	Beijing Huitongda Supply Chain Management Co., Limited# (北京匯通達供應鏈管理有限公司), a limited liability company established under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Capital”	the entire registered 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)
“Shenzhen Fund”	Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership)# (深圳前海沃升資產管理中心(有限合伙)), a limited partnership formed in the PRC and a non-wholly owned subsidiary of the Purchaser

“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
“Target Group”	collectively, the Target Company and its associates
“U.S.”	the United States of America
“Vendor”	Fujian Frog Prince Cosmetic Co., Limited [#] (福建省青蛙王子化妝品有限公司), 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
Tsai Wallen
Chairman and Executive Director

Hong Kong, 19 May 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) one non-executive Director, namely Mr. Li Zhouxin; 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 RMB1.0 to HK\$1.0903.

[#] *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.*