
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Prosperous Future Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

(1) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular. A notice convening the EGM to be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Thursday, 25 August 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar and Transfer Office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Tuesday, 23 August 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

1. all participants shall be subject to compulsory body temperature check at the entrance of the Venue and anyone with a body temperature over 37.4 degree celsius will be denied entry to the Venue;
2. all participants are required to wear facial surgical masks appropriately in the Venue at all times and particularly during the whole process of the EGM;
3. appropriate distancing and spacing;
4. no provision of souvenir or gift; and
5. no provision of refreshments or drinks.

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above may be denied entry to the EGM venue. For the health and safety of Shareholders, the Company strongly recommends Shareholders **NOT to attend the EGM** in person, and advises Shareholders to appoint the Chairman of the EGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person.

9 August 2022

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DEFINITIONS

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

| | |
|------------------------|--|
| “Announcement” | the announcement of the Company dated 4 July 2022 in respect of, among other things, the entering into of the Equity Transfer Agreement by the Vendor and the Purchaser |
| “associates” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | any day(s) (excluding Saturday, Sunday and public holiday in the PRC) on which government institutions and corporate enterprises are generally open for business in 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 |
| “Director(s)” | 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 Equity Transfer Agreement and the transactions as contemplated thereunder |

DEFINITIONS

| | |
|--------------------------------|--|
| “Equity Transfer Agreement” | the equity transfer agreement dated 4 July 2022 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Capital |
| “Group” | 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 |
| “Latest Practicable Date” | 5 August 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| “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 as at the Latest Practicable Date |
| “PRC” | the People’s Republic of China, which for the purpose of this circular 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 |

DEFINITIONS

| | |
|--------------------|--|
| “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 capital of the Target Company |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “sq.m.” | square metres |
| “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 |
| “Valuation Report” | the valuation report on the market value of the Property as at 31 May 2022, the text of which is set out in Appendix II to this circular |
| “Valuer” | B.I. Appraisals Limited, an independent professional valuer |
| “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 |

For the purpose of this circular, unless the context otherwise requires, conversion of RMB into Hong Kong dollars is based on the approximate exchange rate of RMB0.853 to HK\$1.000.

[#] *The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names*

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Lau Ka Ho *(Chief Executive Officer)*
Mr. Chan Hoi Tik *(Chief Financial Officer)*

Non-executive Directors:

Mr. Li Zhouxin
Mr. Sze Wine Him Jaime

Independent non-executive Directors:

Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business

in Hong Kong:
17/F., Fung House
Nos. 19-20 Connaught Road Central
Central
Hong Kong

9 August 2022

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY;
AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. 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).

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 the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Disposal; (ii) the Valuation Report; (iii) notice of the EGM; and (iv) other disclosures required under the Listing Rules.

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) |
| 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.

The Purchaser is a company established in the PRC with limited liability and principally engaged in production of toothbrushes and plastic products and the Purchaser's ultimate beneficial owner is Mr. You Weiwen. Mr. You Weiwen has extensive experience in the manufacturing industry and had undertaken various senior management roles.

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.

Assets 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 Latest Practicable Date, 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 circular.

LETTER FROM THE BOARD

The Loan

On 22 November 2018, the Vendor (as the borrower), the Target Company (as the guarantor) and RuiYu Innovation (Hong Kong) Company Limited, a wholly owned subsidiary of the Company and the beneficial owner of the entire equity interest in the Vendor, (as the pledgor) entered into the Loan Agreement with 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 and its principal business is provision of supply chain management services business for consumable goods in the PRC, being an Independent Third Party (as the lender) for a term loan facility of RMB70.00 million (equivalent to approximately HK\$82.06 million) for 6 months for the sole purpose of purchasing equipment for the Target Company's business development. The annual interest rate under the Loan is 10% plus the 5-year People's Bank of China loan prime rate and the interest is to be repaid along with the principal at maturity. Pursuant to the terms and conditions of the Loan Agreement, RuiYu Innovation (Hong Kong) Company Limited as pledgor agreed to pledge the entire equity interest of the Vendor as guarantee for the Loan and as at the Latest Practicable Date, RuiYu Innovation (Hong Kong) Company Limited and the Vendor has obtained written consent from Beijing Huitongda Supply Chain Management Co., Limited[#] (北京匯通達供應鏈管理有限公司) in relation to the Disposal.

Pursuant to extension letters entered into between the parties to the Loan Agreement, the maturity date of the Loan has been extended to 30 September 2022 and any accumulated interest under the Loan until 30 September 2022 has been waived. Aside from the aforementioned, all other terms of the Loan Agreement remain unchanged.

As at the Latest Practicable Date, the Outstanding Loan under the Loan Agreement amounted to approximately RMB44.00 million (equivalent to approximately HK\$51.58 million). As disclosed under the section "**REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**" in this circular, the Company intends to apply a portion of the net proceeds from the Disposal for the repayment of the Outstanding Loan in full. The Vendor intends to settle the Outstanding Loan upon the receipt of the Consideration from the Purchaser. Upon the repayment of the Outstanding Loan in full by the Vendor, the obligations of RuiYu Innovation (Hong Kong) Company Limited as the pledgor and the Vendor as the borrower under the Loan Agreement will be discharged and released in full.

Consideration

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

LETTER FROM THE BOARD

The Consideration represents a discount of approximately 1.96% to the Adjusted NAV (as defined below) of the Target Company as at 31 May 2022 of approximately RMB51.00 million (equivalent to approximately HK\$59.79 million). Taking into account the consistent loss making track record of the Target Company and the significant resources expenditure required to maintain its operations, the Directors consider the slight discount of the Consideration to the Adjusted NAV is fair and reasonable.

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) upon entering into of the Equity Transfer Agreement (the “**Deposit**”). As at the Latest Practicable Date, the Deposit has been paid by the Purchaser to the Vendor.

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 from 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 valuation of the Property of approximately RMB58.10 million (equivalent to approximately HK\$68.11 million) (the “**Valuation**”) as at 31 May 2022 as prepared by the 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 ON THE TARGET COMPANY**” in this circular; 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 circular.

Taking into account that (i) the principal valuer involved in the Valuation is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors and has over 25 years’ experience in the valuation of properties in the PRC; and (ii) the Valuation was carried out in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, the Directors consider that the Valuer has the appropriate qualifications to perform the Valuation.

LETTER FROM THE BOARD

The Valuer adopted the direct comparison approach by making reference to comparable sale evidence as available in the relevant market or, wherever appropriate, the investment method by taking into account the current rents passing and the reversionary income potential of the Property. The direct comparison approach is based on the premise that a rational investor or purchaser will pay no more for a particular property than the cost of acquiring another similar property with the same utility. Therefore, prices that are paid or listed for similar or comparative properties should indicate the market value of a given property. The direct comparison method is one of the three generally accepted methods in estimating the market value of real estate and is typically and the most commonly used method for valuing properties. The Directors consider the direct comparison approach is appropriate given the availability of market evidences of comparable properties which can provide the most accurate measure of the actual market value of the Property.

In arriving at the Valuation, the Valuer made an exhaustive search for the six months prior to the date of the Valuation (i.e. 31 May 2022) identifying four sales comparables (the “**Comparables**”) that (i) are located within the same Lantian Economic Development Zone as the Property; (ii) has obtained the legal title of the land use rights by way of grant; and (iii) is similar to the Property in terms of permitted use, size of development and physical characteristics. The Valuer then made downward or upward adjustments, wherever deemed appropriate, to the unit rates of the Comparables based on their advantages and disadvantages over the Property respectively to calculate a fair market unit price for the Property for the Valuation.

The Directors consider that the Comparables chosen by the Valuer are appropriately comparable to the Property as they (i) are all located within Lantian Economic Development Zone; (ii) are all industrial properties with the same permitted use restrictions; (iii) all have the same legal ownership structure; and (iv) all have similar physical characteristics. The Directors noted that the sizes of the Comparables are smaller than the Property and that the Valuer has made appropriate downward adjustments, as larger industrial properties generally have a lower unit price per gross floor area. The Directors also noted that two of the Comparables are newly constructed and one of the Comparables is slightly newer than the Property and the Valuer has made appropriate downward adjustments to the aforementioned Comparables to match the depreciated value of the Property due to its older age. Location wise, three of the Comparables are located relatively near to the Longwen District Government, which is considered as a more developed area than the location of the Property with sufficient provision of public facilities, whereas one of the Comparables is located in the developing outskirts of the Longwen District, which is considered slightly inferior than the location of the Property. The Valuer has made appropriate downward or upward adjustments to the Comparables to reflect the aforementioned differences in location between the Comparables and the Property. The Directors are of the opinion that (a) the Comparables, despite not being the exact size and age, is appropriate given that it is uncommon to have industrial complexes of the exact size and age in such close proximity; (b) location and permitted use are more important factors for determining an appropriate market unit price for the Property; and (c) the Valuer has made relevant adjustments based on the differences of the Comparables to the Property. Taking into account (i) the experience of the Valuer; (ii) the chosen methodology; and (iii) the appropriateness of the comparables identified by the Valuer, the Directors consider that the Valuation is fair and reasonable.

LETTER FROM THE BOARD

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.

None of the above Conditions Precedent are waivable by either the Vendor or the Purchaser. 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.

As at the Latest Practicable Date, none of the above Conditions Precedent has been fulfilled.

Completion

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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.

As at the Latest Practicable Date, aside from the Disposal, the Company has no plan or intention to dispose of any of its remaining business in the 12-month period after Completion.

INFORMATION ON THE TARGET COMPANY

As at the Latest Practicable Date, 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 sale 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 (approximately) (unaudited) | For the year ended 31 December 2020 RMB'000 (approximately) (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). The Valuation 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.

LETTER FROM THE BOARD

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 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 circular, 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 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 Group 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 in full; and (ii) the remaining approximately RMB4.97 million (equivalent to HK\$5.84 million) for the general working capital of the Group's finance leasing and factoring business based in the PRC for the payment of the administrative expenses, employee salaries, office lease expenses and other operating expenses of such business and is expected to be used up in approximately six months.

LETTER FROM THE BOARD

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.

Having considered all of the above mentioned factors, the Board considers that the terms of the Disposal and the transactions contemplated thereunder (including the Consideration) are on normal commercial terms and are fair and reasonable, and 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

Set out from pages EGM-1 to EGM-3 of this circular is the notice of the EGM containing, *inter alia*, the resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, no Shareholder is materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting on the resolution approving the Disposal. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution to be proposed at the EGM will be taken by poll, the results of which will be announced after the EGM.

A form of proxy for use at the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the same to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and, in any event no later than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:00 a.m. on Tuesday, 23 August 2022 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the view that the Disposal and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution approving the Disposal and the transactions contemplated thereunder.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Prosperous Future Holdings Limited
Lau Ka Ho
Chief Executive Officer and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2021, together with the accompanying notes to the financial statements, are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<https://www.pfh.hk>):

Annual report for the year ended 31 December 2021 (pages 56 to 203):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500057.pdf>

Annual report for the year ended 31 December 2020 (pages 57 to 199):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700003.pdf>

Annual report for the year ended 31 December 2019 (pages 64 to 196):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042400003.pdf>

2. STATEMENT OF INDEBTEDNESS

At the close of business on 30 June 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding (i) bank loans amounted to approximately RMB82.3 million, of which bank loans of RMB49.9 million, RMB8.0 million, RMB23.8 million and RMB0.6 million were secured by properties of a supplier of the Group, a guarantee from a supplier of the Group, a guarantee from the Company and a guarantee from a non-controlling interest respectively; (ii) other loans amounted to approximately RMB59.1 million, of which other loans of RMB44.0 million and RMB15.1 million were secured by certain shares of subsidiaries and the Group's investment properties respectively; (iii) unsecured promissory notes amounted to approximately RMB1.9 million; and (iv) lease liabilities amounted to approximately RMB18.9 million.

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on 30 June 2022, the Group did not have any loan capital in issue and outstanding or agreed to be issued, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees, or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Group's internally generated funds, existing banking and other borrowing facilities available, the existing cash and bank balances and the effect of the Disposal, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2021, being the date to which the latest published audited financial results of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As set out in the annual report of the Company for the year ended 31 December 2021, revenue of the Group amounted to approximately RMB1,010.46 million for the year ended 31 December 2021. The loss for the year attributable to equity holders of the Company for the year ended 31 December 2021 was approximately RMB90.64 million. Total assets and total equity amounted to approximately RMB1,257.55 million and RMB646.93 million, respectively as at 31 December 2021.

As a result of the impacts from the global economic downturn due to various events, such as the COVID-19 coronavirus and the ongoing conflict in Eastern Europe, many notable local and international companies are restructuring towards lighter asset operational models that are more resilient to these unpredictable events. The asset reliant manufacturing industry has grown increasingly costly especially in the PRC with rising labor and land costs. Directly owning manufacturing assets also results in greater operational risks, such as the shutdown of manufacturing across the PRC due to coronavirus or environmental related restrictions. Aside from global events, the continual economic downturn in the PRC continues to negatively impact the Group's personal care products segment and the Board does not expect the prospects of the personal care products segment to improve in the short term.

In light of the above, the Group has been reassessing its assets portfolio to greater utilise and realise the value of existing assets. This will allow the Group to closely monitor and adapt to market fluctuations and trends and will continue to strengthen its business operations with the aim of maximizing investment returns for the Shareholders. The Board considered that the financial performance of the Target Company has not been meeting the expectations of the Board as the Target Company has consistently recorded losses attributable to the equity holders of the Target Company in recent years despite the Group's extensive support. As such, the Company is seeking to and has been streamlining its operations and striving for a stronger financial position with asset light operations, lower gearing ratio, richer liquidity, better return on assets and expanding its Hong Kong segments, in particular the Group's food and beverage services and financial services segments. By adopting such light asset model and focusing on the Group's Hong Kong segments, the Group would be able to improve its operational flexibility, limit its liabilities, and minimise any potential adverse impacts on existing operations.

Food and beverage services

As extracted from the annual reports of the Group for the years ended 31 December 2020 and 2021, the financial performance of the food and beverage services has shown strong prospects and growth generating approximately RMB352.45 million and RMB412.90 million in revenue and approximately RMB13.19 million and RMB8.69 million in segment profit for the years ended 31 December 2020 and 2021 respectively.

The Group's food and beverage services largely serve the livelihood needs of Hong Kong locals and is less reliant on the PRC market as compared to the Group's personal care products segment. Most of the revenue from the food and beverage segment is generated through the wholesaling of frozen meat products to reputable branded chain-stores, hotel restaurants and supermarkets in Hong Kong. With a strong customer network, the food and beverage business represents a stable revenue source for the Group that minimises the impact of economic fluctuations caused by unpredictable international events such as the COVID-19 coronavirus and the ongoing conflict in Eastern Europe, on the financial performance of the Group.

Given the slowdown of the PRC's economic growth, the Company considers the expansion of the Group's food and beverage business in Hong Kong as an optimal investment strategy to maintain the Group's steady business development.

The current business model of the Group's food and beverage services segment primarily involves sourcing frozen pork, beef and chicken related products from over 60 overseas suppliers, mainly from Brazil and Europe, which the Group then supplies through its wholesale and food chain distribution channels to over 200 customers, including but not limited to, well-known wholesalers and major food chain corporations located in Hong Kong. The Group does not rely on any third-party distributors and sells directly to its customers. The Group's food and beverage services segment has a dedicated marketing and sales team that directly reaches out to potential customers. The extensive experience and network of the Group's food and beverage segment's management team allows it to source quality products at competitive prices from reputable suppliers.

Based on historical performance, the Group's food and beverage services segment has a gross profit margin of approximately 10.3% (2020: 13.7%) and a net profit margin of approximately 2.3% (2020: 3.2%). The Group intends to improve the gross and net profit margin of its food and beverage services segment by providing more value-added services and increasing brand awareness. As at the Latest Practicable Date, the Group is seeking to either acquire or establish a food processing factory to slice and process wholesale frozen meat to increase the value-added services of its food and beverage services segment and the Group also intends to develop its own brand of products to broaden its product range and diversify its customer base and increase brand awareness of the Group's food and beverage services.

As at the Latest Practicable Date, the Company intends to devote more resources into its food and beverage services and financial services segments and will continue to carry out regular financial review on the financial performance of these segments to identify any potential business opportunities as and when it arises, including but not limited to purchasing its own inventory storage if suitable opportunity arises and may further seek to form cooperation with reliable logistic specialists if possible in order to lower the inventory and transportation costs.

Financial business

The Group currently operates securities brokerage, asset management and professional services, money lending, finance leasing and factoring services under its financial business segment. The Group's financial business segment has provided steady income to the Group, recording approximately RMB56.97 million and RMB88.89 million in revenue and approximately RMB20.27 million and RMB3.30 million in segment profit for the years ended 31 December 2020 and 2021 respectively.

As disclosed in the annual report of the Company for the year ended 31 December 2021, as part of its current strategic plans, the Group has been exploring opportunities to diversify into financial business taking into account that the prospect of Hong Kong's financial services industry remains promising in light of Hong Kong's unique advantage of having close links with the PRC and Hong Kong's role as the global hub for offshore RMB business.

In order to capture the opportunities created by the growth of Hong Kong's securities market and the expected long term trend of overseas listed PRC companies returning to be listed on Stock Exchange, it is the intention of the Board to continue to develop its financial business, in particular its margin financing business. Therefore, it is necessary to strengthen the capital base of Future Growth Financial Services Limited, an indirectly wholly owned subsidiary of the Company licensed with the Securities and Futures Commission to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO as a securities brokerage and Future Growth Asset Management Limited, an indirectly wholly owned subsidiary of the Company licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, which will in turn strengthen the financial business segment of the Group.

By increasing the capital base of the Group's financial business, the Group is able to reach out to more customers and capitalise on more opportunities as they arise, such as offering larger loan and margin size.

Properties holding

As at the Latest Practicable Date, the Group has invested in lands and the landed properties located in Yuen Long, Hong Kong and industrial properties located at Cheung Sha Wan, Hong Kong. The Group is optimistic about the property market in Hong Kong due to the shortage in land supply and therefore has been actively identifying potential property investments and development opportunities in Hong Kong.

It is the current intention of the Company to demolish the building structures erected on the lands in Yuen Long, Hong Kong held by the Group and to redevelop such lands. Relevant applications have been made to the Hong Kong Government in relation to such redevelopment. To the best knowledge, information and belief of the Directors, there is no legal impediment in obtaining the relevant approval from the Hong Kong Government for the redevelopment. The Company is still waiting for the approval from the Hong Kong Government as at the Latest Practicable Date.

The Group has applied for the subdivision of its industrial property located at Cheung Sha Wan and the Buildings Department of Hong Kong has approved the Group's subdivision application. The Group has subdivided its industrial property located at Cheung Sha Wan into 22 separate lots for sale. As at the Latest Practicable Date, the Group has entered into preliminary sale and purchase agreements for 2 of the lots and is actively seeking purchasers for the remaining 20 lots.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from B.I. Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Property as at 31 May 2022.



B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants

22/F, China Overseas Building
139 Hennessy Road, Wan Chai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
E-mail: info@biappraisals.com
Website: www.biappraisals.com

9 August 2022

Prosperous Future Holdings Limited

17th Floor, Fung House
19-20 Connaught Road Central
Central
Hong Kong

For the Attention of the Directors

Dear Sirs/Madams,

Re: The land and the industrial building at No. 8 Wuqiao Bei Road, Lantian Economic Development Zone, Longwen District, Zhangzhou City, Fujian Province, the People's Republic of China (“**PRC**”)

In accordance with the instructions from Prosperous Future Holdings Limited (hereinafter referred to as the “**Company**” and together with its subsidiaries, the “**Group**”) for us to value the captioned property (hereinafter referred to as the “**Property**”), which is held by 青蛙王子(福建)嬰童護理用品有限公司 (its English transliteration being Frog Prince (Fujian) Baby & Child Care Products Co., Limited), which is a wholly owned subsidiary of the Company, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property in the existing state as at 31 May 2022 (hereinafter referred to as the “**Date of Valuation**”).

It is our understanding that this valuation document is to be used by the Company for disclosure purpose in relation to a proposed disposal (hereinafter referred to as the “**Disposal**”). We further understand that our report is to be incorporated in a circular to be issued by the Company in relation to the Disposal.

This letter, forming part of our valuation report, identifies the property being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation has been carried out in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In valuing the Property, which is held for owner occupation by the Group, we have adopted the direct comparison method assuming sale of the Property in its existing state by making reference to market evidence of comparable properties as available in the relevant market subject to appropriate adjustments made to reflect such differences including but not limited to location, building age, size and other relevant factors between the Property and the comparable properties.

The direct comparison method is universally considered to provide the most reliable indication of value for property with a known market. We have adopted this method in line with the market practice.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Property would be sold in the open market in existing state without the benefit of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangements that could affect the value of the Property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that all consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Property upon which our valuation is based.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents and a legal opinion dated 19 July 2022 prepared by 福建牛京律師事務所 (Fujian Niu Jing Law Firm), the Company's legal advisor on the PRC law (hereinafter referred to as the "**PRC Legal Advisor**"), regarding the title to and the interest in the Property. We have not inspected the original of the title documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents and leases have been used for reference only.

In the course of our valuation, we have relied on the advice given by the Company and the legal opinion of the PRC Legal Advisor regarding the title to and the interest in the Property. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Property that is assumed to be good and marketable.

LIMITING CONDITIONS

We have inspected the exteriors and, where possible, the interior of the Property on 17 August 2019 with site revisit carried out on 5 August 2022. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the Property. We are, therefore, unable to report whether the Property is free from rot, infestation or any other structural defects. Yet, in the course of our external inspection, we did not note any material defects.

We have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development, nor have we undertaken environmental surveys. Our valuation is prepared on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the Property but have assumed that the areas shown on the copies of the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation report attached herewith are based on information contained in the documents provided to us by the Company and are therefore only approximations.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of the buildings, particulars of occupancy, tenancy details, user of the Property, site and floor areas and other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any material information has been withheld.

Our valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

This report and each part of it is prepared and intended for the exclusive use of the Company for the specific purpose hereinbefore stated. In accepting this report, the Company expressly agrees not to use or rely upon this report or any part of it for any other purpose without obtaining our prior written consent. No liability whatsoever will be accepted to any third party for the whole or any part of its contents.

CURRENCY

Unless otherwise stated, all monetary amounts stated in the valuation report attached herewith are in Renminbi (RMB).

REMARKS

The outbreak of the Novel Coronavirus (COVID-19), declared by World Health Organization on 11 March 2020, has impacted global financial markets and is expected to bring additional disruption to economic activities around the world. The unknown future impact that COVID-19 might have on the real estate market causes volatility and uncertainty that property value might change significantly and unexpectedly even over short periods of time. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Date of Valuation in this report. We recommend that the valuation of the Property should be kept under frequent review and the users of this report should seek latest opinion on the real estate market for their decisions.

We hereby confirm that we have neither present nor prospective interests in the Group, the Property or the value reported herein.

Our valuation report is enclosed herewith.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
Registered Business Valuer
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Notes:

1. Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 40 years' experience in the valuation of properties in Hong Kong and has over 25 years' experience in the valuation of properties in the PRC and the Asia Pacific region.
2. Inspection of the Property was conducted on 17 August 2019 by Mr. William C. K. Sham and a site revisit was carried out on 5 August 2022 by Ms. Wang Yang, who have 14 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

| Property | Description and Tenure | Particulars of Occupancy | Market Value in Existing State as at 31 May 2022 |
|--|--|---|--|
| The land and the industrial building at No. 8 Wuqiao Bei Road, Lantian Economic Development Zone, Longwen District, Zhangzhou City, Fujian Province, the PRC | The Property comprises a 6-storey industrial building erected on a parcel of land with a registered site area of approximately 24,252.60 sq.m. located on the northern side of Wuqiao Bei Road within Lantian Economic Development Zone. | As at the Date of Valuation, the Property was occupied by the Group for production use. | RMB58,100,000 |
| | The subject building, completed in about 2011, has a gross floor area of approximately 55,853.93 sq.m. | | |
| | The land use rights of the Property have been granted for a term expiring on 25 February 2059 for industrial use. | | |

Notes:

- (1) Pursuant to a set of Certificate of Fixed Assets Ownership 閩(2018)龍文區不動產權第0004566號 (Min (2018) Longwenqu Fixed Assets Ownership No. 0004566) dated 23 July 2018, the land use rights of the land area of 24,252.60 sq.m. together with a block of building having a total gross floor area of 55,853.93 sq.m. in the Property is vested in 青蛙王子(福建)嬰童護理用品有限公司 (its English transliteration being Frog Prince (Fujian) Baby & Child Care Products Co., Limited, hereinafter referred to as “**Frog Prince (Fujian)**”).
- (2) It is stated in the abovementioned certificate that the land use rights of the Property are for a term expiring on 25 February 2059 for industrial use.
- (3) We have been advised by the Company that Frog Prince (Fujian) is an indirect wholly owned subsidiary of the Company.
- (4) The Property is located within Lantian Economic Development Zone, being the first provincial level development zone in Zhangzhou City, is planned to accommodate light, low energy consumption, light pollution and high-tech industries. Developments in the neighbourhood comprises mainly industrial complexes for light industry and innovative and technological business entities.

(5) In the course of our valuation, we have assumed that the Property would be sold in the open market as a whole rather than in a strata-title basis. We have considered and analyzed sale comparable of industrial properties in the vicinity. These comparable properties are adopted as they are considered relevant to the Property under the following selection criteria:

- (a) The comparable property is located within Lantian Economic Development Zone;
- (b) The legal title of the land use rights of the comparable property has been obtained by way of grant; and
- (c) The comparable property is similar to the Property in terms of the permitted use, the size of development and the physical characteristics.

The unit rates of the adopted comparable properties are ranging from approximately RMB1,200 to RMB2,483 per sq.m. on gross floor area basis. Appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to location, sizes and other physical characteristics between the Property and the comparable properties. The general basis of adjustment is if better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior to or less desirable than the comparable property, a downward adjustment is made. The unit value adopted in our valuation is RMB1,040 per sq.m., which is considered as consistent with the range of adjusted unit rates of the comparable properties.

(6) The opinion of the PRC Legal Advisor is summarized as follows:

- (a) Frog Prince (Fujian) is a company duly formed and validly existing under the laws of the PRC.
- (b) Frog Prince (Fujian) is in possession of a proper legal title to the Property and is entitled freely to occupy, use, transfer, sell, mortgage or lease the Property. The above disposal rights have no restrictions on overseas buyers.
- (c) The existing use of the Property is in accordance with its approved use.
- (d) The Property is not currently pledged to a third party, and Frog Prince (Fujian) has not signed any agreement with the third party regarding the transfer, sale or mortgage of any part or the whole of the Property.
- (e) The Property and its ownership do not involve any sealing up, seizure, sale or other disputes, nor are they subject to any harsh or unusual contracts, terms and conditions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors' interests and short positions in the securities of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to (i) Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) Division 2 and 3 of Part XV of the SFO; (iii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iv) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, were as follows:

(a) Directors and chief executive of the Company

Long positions in the Shares

| Name of Directors | Capacity | Number of ordinary Shares interested | Approximate percentage of interest |
|--------------------------------|------------------------------------|---|--|
| Mr. Li Zhouxin (<i>Note</i>) | Interest in controlled corporation | 80,000,000 | 3.51% |
| Mr. Lau Ka Ho | Beneficial Owner | 18,000,000 | 0.79% |

Note: These shares are held by Elite Beauty International Trading (Hong Kong) Co., Limited (“**Elite Beauty**”). Dawn Crystal Investment Limited, which is wholly owned by Mr. Li Zhouxin, holds 100% interest in Elite Beauty. Accordingly, Mr. Li Zhouxin is deemed to be interested in the shares held by Elite Beauty pursuant to Part XV of the SFO.

Long positions in the underlying Shares (physically settled unlisted equity derivatives) – share options

| Name of Directors | Capacity | Number of underlying Shares interested | Approximate percentage of interest over the Company's issued Shares |
|-------------------|------------------|---|---|
| Mr. Li Zhouxin | Beneficial Owner | 1,300,000 | 0.06% |
| Mr. Chan Hoi Tik | Beneficial Owner | 18,000,000 | 0.79% |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company and their associates had an interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she has taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any Directors or chief executives of the Company, the following persons/corporations (other than the Directors and the chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions in the Shares

| Name | Capacity | Number of Shares held | Approximate percentage of interest |
|----------------------------------|------------------------------------|-----------------------|------------------------------------|
| Golden Sparkle Limited (Note) | Beneficial Owner | 551,686,500 | 24.25% |
| Mr. Lai Wai Lam Ricky (Note) | Interest in controlled corporation | 551,686,500 | 24.25% |

Note: These shares are held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky is deemed to be interested in these shares pursuant to Part XV of the SFO.

3. DISCLOSURE OF INTERESTS IN CONTRACTS AND ASSETS**Interests in assets**

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which have been since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to any member of the Group.

Interests in contracts

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

4. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her close associate was interested in businesses (apart from businesses of the Group) which compete or were likely to compete, either directly or indirectly, with the principal businesses of the Group as required to be disclosed pursuant to the Listing Rules.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service agreement with any members of the Group, excluding contracts expiring or determinable by the Group within one year without payment of any compensation, other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against the Group.

7. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

| Name | Qualification |
|--|---------------------------------|
| CCTH CPA Limited | Certified Public Accountants |
| B.I. Appraisals Limited | Independent professional valuer |
| Fujian Niu Jing Law Firm [#] (福建牛京律師事務所) | PRC legal advisors |

As at the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of their letters or their names in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any interest, either directly or indirectly, in any assets which had been since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (i) the conditional placing agreement dated 11 June 2021 (after trading hours) entered into between the Company and Merdeka Securities Limited in relation to the placing, on a best effort basis, of up to 362,000,000 Shares; and
- (ii) the Equity Transfer Agreement.

9. GENERAL

- (i) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (ii) The company secretary of the Company is Mr. Li Kin Ping, a member of Hong Kong Institute of Certified Public Accountants.
- (iii) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is located at 17/F., Fung House, Nos. 19-20 Connaught Road Central, Central, Hong Kong.
- (iv) The Company's Hong Kong branch share registrar is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (www.pfh.hk) for a period of not less than 14 days before the date of the EGM and will also be available for inspection at the EGM:

- (i) the Loan Agreement;
- (ii) the Equity Transfer Agreement;
- (iii) the Valuation Report;
- (iv) the written consents referred to in the paragraph 7 of this Appendix; and
- (v) this circular.

NOTICE OF EGM

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Prosperous Future Holdings Limited (the “**Company**”) will be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Thursday, 25 August 2022 at 10:00 a.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the equity transfer agreement dated 4 July 2022 (the “**Equity Transfer Agreement**”) entered into between Fujian RuiYu Innovation Cosmetic Co., Limited[#] (福建省瑞宇創化妝品有限公司) as the vendor, an indirect wholly owned subsidiary of the Company, and Snagatr (Fujian) Oral Health Technology Co., Limited[#] (絲耐潔(福建)口腔健康科技有限公司) as the purchaser in respect of the sale and purchase of the entire registered capital of 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), the details of which are set out in the circular of the Company dated 9 August 2022 (a copy of which is marked “A” and signed by the chairman of the Meeting for identification purpose and has been tabled at the Meeting), and the transactions contemplated thereunder and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified, subject to such addition or amendment as any director(s) of the Company (the “**Director(s)**”) may consider necessary, desirable or appropriate; and

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- (b) any one of the Directors be and is hereby authorised to do all such acts and things, to sign, execute and deliver such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Equity Transfer Agreement and all transactions contemplated thereunder and any ancillary documents and transactions thereof, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided for in the Equity Transfer Agreement) as are, in the opinion of such Director, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 9 August 2022

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business

in Hong Kong:
17/F., Fung House
Nos. 19-20 Connaught Road Central
Central
Hong Kong

Notes:

- a. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his/her/its behalf. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- b. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Branch Share Registrar and Transfer Office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Meeting (i.e. not later than 10:00 a.m. on Tuesday, 23 August 2022) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the form of proxy shall be deemed to be revoked.

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- c. The record date for determining the entitlement of the Shareholders of the Company to attend and vote at the Meeting will be Friday, 19 August 2022. In order to qualify for attending and voting at the Meeting, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 19 August 2022.
 - d. References to time and dates in this notice are to Hong Kong time and dates.
 - e. If Typhoon Signal No. 8 or above is hoisted, or a "black" rainstorm warning signal or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company at www.pfh.hk and on the website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the date, time and venue of the rescheduled Meeting.
- # *The English transliteration of the Chinese names in this notice, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*