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PROSPEROUS INDUSTRIAL (HOLDINGS) LIMITED

其利工業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1731)

EXCEEDING OF 2018 ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

BACKGROUND

Reference is made to the Company’s prospectus (the “**Prospectus**”) dated 29 June 2018. Unless otherwise defined herein, capitalised terms in this announcement shall have the same meanings as those defined in the Prospectus.

During the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018, it came to the attention of the Company that the shuttle bus service fee paid by the Group to Pou Sung Vietnam for the year ended 31 December 2018 under the Bus Service Agreement amounted to approximately US\$391,000, which has slightly exceeded the annual cap of US\$380,000 for the year ended 31 December 2018 (the “**2018 Annual Cap**”) previously set by the Company. The Directors have approved and ratified the amount of bus service fee actually paid to Pou Sung Vietnam under the Bus Service Agreement. The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the Bus Service Agreement were conducted in the ordinary and usual course of business of the Group and on normal commercial terms, which were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As disclosed in the Prospectus, on 25 June 2018, Starite Vietnam, an indirect wholly-owned subsidiary of the Company, as customer and Pou Sung Vietnam as service provider entered into the Bus Service Agreement, pursuant to which, Pou Sung Vietnam would provide shuttle bus service to Starite Vietnam for its workers at the Vietnam Production Base. Pou Sung Vietnam agreed to share the cost of shuttle bus services with Starite Vietnam for a term commencing from 25 June 2018 and ending on 31 December 2020. The Bus Service Agreement can be terminated during the term by either party serving one month’s prior written notice to the other party. By mutual consent, the parties can renew the Bus Service Agreement. The shuttle bus service fees payable by the Group to Pou Sung Vietnam were determined with reference to the total number of workers at the Vietnam Production Base relative to the total number of workers at the Bau Xeo Industrial Zone and the cost of Pou Sung Vietnam in engaging such shuttle bus service.

REASONS FOR THE TRANSACTION AMOUNT EXCEEDING THE 2018 ANNUAL CAP

The bus service fee payable to Pou Sung Vietnam for the year ended 31 December 2018 exceeded the 2018 Annual Cap was mainly due to the total cost for Pou Sung Vietnam to engage the shuttle bus service in the Bau Xeo Industrial Zone in late 2018 was unexpectedly high, although the number of workers at the Vietnam Production Base relative to the total number of workers at the Bau Xeo Industrial Zone enjoying the shuttle bus service remained stable throughout 2018. This oversight was discovered after the end of the financial year when the Company was in the process of preparing the Group's consolidated financial statements for the year ended 31 December 2018.

MEASURES ADOPTED BY THE GROUP FOR FUTURE COMPLIANCE

In order to avoid any occurrence of similar events in the future, the Company will strengthen the reporting system and internal control procedures of the Group, facilitate training and communications to managerial staff in order to comply with the Listing Rules.

The Board may consider revising the annual caps for the continuing connected transaction for the two years ending 31 December 2019 and 2020 under the Bus Service Agreement. The Company will strictly comply with the requirement under the Listing Rules should there be any necessary adjustment.

LISTING RULES IMPLICATIONS

Pou Sung Vietnam is a wholly-own subsidiary of Yue Yuen, a substantial shareholder of the Company. Pou Sung Vietnam is therefore an associate of Yue Yuen and accordingly a connected person of the Company. As such, the transaction under the Bus Service Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios in respect of the actual transaction amount in 2018 under the Bus Services Agreement exceed 0.1% and more than HK\$3,000,000, but are less than 5%, such transaction amount is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements.

As the actual transaction amount in 2018 exceeded the 2018 Annual Cap pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements.

As all of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) for the annual caps in respect of transactions contemplated under the Bus Service Agreement are, on an annual basis, expected to be less than 5% and the maximum annual transaction amount will be less than HK\$3,000,000 for the two years ending 31 December 2019 and 2020, the transactions contemplated under the Bus Service Agreement will constitute de minimis continuing connected transactions, which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Group is a leading manufacturer that designs, develops and manufactures recreational bags and packs, mainly backpacks, it also provides quality supply chain management services for renowned multinational sports and lifestyle brands. The Group is also engaged in sales of a proprietary brand of bags and packs, MAISON PROMAX, an entry-level luxury fashion brand with elements inspired by French design.

Pou Sung Vietnam is principally engaged in manufacturing and sales of footwear, it operates the Bau Xeo Industrial Zone which is located in Dong Nai Province, Vietnam.

As Mr. Lu Chin-Chu, a non-executive Director of the Company, is an executive director and the chairman of Yue Yuen and Mr. Tsai Nai-Yung, a non-executive Director of the Company, is the vice president of Pou Chen Corporation, a controlling shareholder of Yue Yuen, they have a material interest in the Bus Service Agreement and therefore abstained themselves in the voting on the relevant board resolution approving and ratifying the amount of bus service fee actually paid to Pou Sung Vietnam under the Bus Service Agreement.

By order of the Board
Prosperous Industrial (Holdings) Limited
Yeung Shu Kin
Chairman

Hong Kong, 27 March 2019

As at the date of this announcement, the Board of Directors comprises Mr. Yeung Shu Kin, Mr. Yeung Shu Kai and Mr. Duong Stephen Dien Sieu as executive Directors, Mr. Lu Chin-Chu and Mr. Tsai Nai-Yung as non-executive Directors and Mr. Chiu Che Chung Alan, Mr. Ko Siu Tak and Mr. Yip Kwok Cheung as independent non-executive Directors.