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)

(1) CHANGE IN USE OF PROCEEDS AND (2) PROFIT WARNING

CHANGES IN USE OF PROCEEDS

References are made to the prospectus issued by Prosperous Industrial (Holdings) Limited (the "**Company**") dated 29 June 2018 (the "**Prospectus**") and the interim report of the Company for the six months ended 30 June 2019 (the "**Interim Report**"). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

The board of directors of the Company (the "**Board**") resolved on 20 December 2019 to change the proposed use and allocation of the net proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus. Details of such changes are set out as follows:

	Original allocation of net proceeds *HK$ million*	**Revised use of net proceeds** *HK$ million*	**Utilised amount as at the date of this announcement** *HK$ million*	**Unutilised amount as at the date of this announcement** *HK$ million*
Further enhancement of manufacturing capacity and flexibility by expanding manufacturing platforms in Cambodia	135.5	135.5	65.9	69.6
Enhancement of production efficiency and capabilities and enhancement of quality control by replacing and upgrading existing production machinery and acquisition of additional machinery, and setting up a research and development centre and additional testing laboratories	30.8	14.5	13.6	0.9
Enhancing brand recognition for MAISON PROMAX and expansion of retail business	12.5	12.5	5.6	6.9
Enhancing IT infrastructure	23.4	8.7	0.8	7.9
Reallocation of production capacity	–	31.0	–	31.0
Total	202.2	202.2	85.9	116.3

Reasons for the change in use of proceeds

As disclosed in the Interim Report, increasing production costs together with the impacts under the Trade War have caused significant operating pressure to the manufacturers in the PRC. The Group's customers have been cautious in placing orders with the Group's PRC production bases and at the same time requesting for more production capacity from the Group's Vietnam and Cambodia production bases. The management of the Company, having reviewed its multi-regional manufacturing platform, decided to reallocate the Group's production capacity by scaling down the operation in the PRC production bases and expanding its Vietnam and Cambodia production bases (the "**Reallocation**"). Up to the date of this announcement, the Group has ceased the operation of the production plants in Dongkeng, Dongguan and Xinfeng, Jiangxi. The Group will further scale down the operation in the PRC by closing down its production plant in Guangzhou before the end of 2019. As such, the Board resolved to reallocate certain amount of net proceeds which was originally allocated to the Group's PRC production bases for replacing and upgrading the existing production machinery and acquisition of additional machinery, and enhancing IT infrastructure to the Reallocation, primarily for compensation to the staff of production plant in Guangzhou and rental of additional factory site in Vietnam. The Group intends to lease out the factory building of Guangzhou production plant after the cessation of its operation. After the Reallocation, the Group will rely on its remaining production plant in Liaobu, Dongguan to cater for the needs of its customers in the PRC.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus. The Board considers the above change in the use and allocation of net proceeds will enable the Company to deploy its financial resources more effectively and is therefore in the interests of the Group and the shareholders of the Company (the "**Shareholders**") as a whole.

PROFIT WARNING

Pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571), the Board wishes to inform the Shareholders that, due to the aforementioned scale-down of operation in the PRC, the Group is expected to record one-off costs of not less than US$6 million in 2019. Based on the above estimate and the Board's preliminary review on the unaudited consolidated management accounts of the Group for the 11 months ended 30 November 2019, it is expected there will be a significant decrease in the profit attributable to Shareholders for the year ended 31 December 2019 as compared to the adjusted profit attributable to Shareholders of approximately US$9.9 million (which excludes the listing expenses of approximately US$2.5 million) for the year ended 31 December 2018.

The information contained in this announcement is only a preliminary assessment by the Board based on the unaudited consolidated management accounts of the Group and other information currently available to the Group, and is not based on any financial data or information that have been audited or reviewed by the auditors of the Company. The actual results of the Group may be different from what are disclosed herein. Shareholders and potential investors of the Company should read carefully the final results announcement of the Company for the year ended 31 December 2019 which is expected to be released in March 2020.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 December 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.