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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)

CONTINUING CONNECTED TRANSACTION – SUBCONTRACTING SERVICES AGREEMENT

SUBCONTRACTING SERVICES AGREEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Prosperous Industrial (Holdings) Limited (the “**Company**”) announces that on 28 August 2020, Starite International Vietnam Limited (“**Starite Vietnam**”), an indirect wholly-owned subsidiary of the Company, and Pou Sung Vietnam Co., Ltd (“**Pou Sung Vietnam**”) have entered into a subcontracting services agreement (the “**Subcontracting Services Agreement**”) pursuant to which Starite Vietnam will provide subcontracting services to Pou Sung Vietnam for processing bags and packs from time to time.

The principal terms of the Subcontracting Services Agreement are set out as follows:

Parties:	(A) Pou Sung Vietnam (B) Starite Vietnam
Term:	from 28 August 2020 to 31 December 2020
Scope of services:	Raw materials for processing will be provided by Pou Sung Vietnam. Starite Vietnam will process the raw materials according to Pou Sung Vietnam’s instruction and specification.
Pricing policy:	the subcontracting fee will be determined from time to time with reference to the production procedures and estimated labour hour required for the products.

ANNUAL CAP AMOUNTS AND BASIS OF DETERMINATION

The Directors have estimated that the maximum aggregate annual subcontracting services fees payable by Pou Sung Vietnam for the year ending 31 December 2020 shall not exceed US\$2,000,000. The above annual cap is determined with reference to (i) the volume of orders placed by customers with Pou Sung Vietnam; and (ii) the production capacity available in Starite Vietnam for providing the subcontracting services.

For reference, the historical amounts paid by Pou Sung Vietnam to Starite Vietnam for subcontracting services for the years ended 31 December 2017, 2018 and 2019 and for the seven months ended 31 July 2020 were approximately US\$122,000, nil, nil, and nil, respectively.

INTERNAL CONTROL MEASURES

The Group has adopted the following internal control measures over the continuing connected transactions under the Subcontracting Services Contract:

1. the relevant managerial personnel of Starite Vietnam will review and assess each of the subcontracting transactions contemplated under the Subcontracting Services Agreements before entering into such transactions to ensure they are carried out in accordance to the terms and conditions of the Subcontracting Services Agreement;
2. the finance department of the Group will monitor the utilisation of annual cap amounts on a monthly basis; and
3. the independent non-executive Directors and the Company's external auditor will conduct annual review on the continuing connected transactions contemplated under the Subcontracting Services Agreement pursuant to the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules").

REASONS AND BENEFITS OF ENTERING INTO THE SUBCONTRACTING SERVICES AGREEMENT

The entering into of the Subcontracting Services Agreement is in line with the ordinary business of the Group and will enable Starite Vietnam to better utilise its production capacity for the remainder of 2020 while Pou Sung Vietnam, lacking its own production capacity for processing those bags and packs, requires reputable subcontractor.

The Directors (including independent non-executive Directors) considered that the Subcontracting Services Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and on terms that are fair and reasonable and in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Pou Sung Vietnam is a wholly-own subsidiary of Yue Yuen Industrial (Holdings) Limited (“**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 Subcontracting Services 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 proposed annual cap under the Subcontracting 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 Mr. Chau Chi Ming, a non-executive Director of the Company, is the company secretary and a senior director of Finance & Treasury Department 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 Subcontracting Services Agreement and therefore abstained themselves in the voting on the relevant board resolution.

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.

Pou Sung Vietnam, a company established in 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.

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

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises Mr. Yeung Shu Kin, Mr. Yeung Shu Kai and Mr. Yeung Wang Tony as executive Directors, Mr. Chau Chi Ming 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.