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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Prosperous Industrial (Holdings) Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
REVENUE	4	156,022	223,161
Cost of sales		(125,000)	(175,870)
Gross profit		31,022	47,291
Other income and gains, net	5	2,424	2,934
Selling and distribution expenses		(9,171)	(15,926)
Administrative expenses		(19,134)	(28,114)
Other expenses, net		(831)	(3,123)
Finance costs	6	(558)	(595)
PROFIT BEFORE TAX	7	3,752	2,467
Income tax	8	(763)	(3,033)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		2,989	(566)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translation of foreign operations		3,415	(481)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Revaluation surplus		5,214	–
Income tax effect		(1,304)	–
		3,910	–
Defined benefit plan:			
Actuarial gain		56	29
Income tax effect		(10)	(4)
		46	25
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		3,956	25
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		7,371	(456)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		10,360	(1,022)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10		
Basic and diluted (US cent)		0.27	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		20,613	28,306
Investment properties		10,069	–
Right-of-use assets		19,395	21,878
Intangible assets		108	502
Equity investment at fair value through other comprehensive income		2	2
Prepayments, deposits and other receivables		2,247	1,931
Deferred tax assets		742	209
Total non-current assets		53,176	52,828
CURRENT ASSETS			
Inventories		23,253	33,339
Trade and bills receivables	11	26,405	42,252
Prepayments, deposits and other receivables		7,182	9,012
Income tax recoverable		71	71
Cash and bank balances		82,523	51,060
Total current assets		139,434	135,734
CURRENT LIABILITIES			
Trade and bills payables	12	14,249	17,620
Other payables and accruals		12,257	15,968
Lease liabilities		1,916	1,893
Income tax payables		11,529	10,223
Total current liabilities		39,951	45,704
NET CURRENT ASSETS		99,483	90,030
TOTAL ASSETS LESS CURRENT LIABILITIES		152,659	142,858
NON-CURRENT LIABILITIES			
Defined benefit obligations		606	749
Lease liabilities		5,987	7,664
Deferred tax liabilities		1,261	–
Total non-current liabilities		7,854	8,413
Net assets		144,805	134,445
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Issued capital		1,436	1,436
Reserves		143,369	133,009
Total equity		144,805	134,445

NOTES

31 December 2020

1. CORPORATE INFORMATION

Prosperous Industrial (Holdings) Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the principal place of business of the Company is located at Unit 1-2, 1/F, Join-In Hang Sing Centre, 71-75 Container Port Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively, the “**Group**”) were principally involved in the manufacturing and sale of sport bags, handbags and luggage bags.

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Prosperous Holdings (Overseas) Limited, which is incorporated in the British Virgin Islands (the “**BVI**”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for (i) an equity investment at fair value through other comprehensive income which has been measured at fair value; (ii) defined benefit obligations; and (iii) investment properties which have been measured at fair value. These financial statements are presented in United States dollar (“**US\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except for the amendments to HKFRS 3, 7 and 9 and HKAS 39 which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the other revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has applied the amendment prospectively to transactions or other events that occurred on or after 1 January 2020. The amendment did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

Operating segment information

No operating segment information is presented as the Group only operates in one single operating segment, i.e., the manufacturing and sale of sport bags, handbags and luggage bags.

Geographical information

(a) *Revenue from external customers*

	2020 US\$'000	2019 US\$'000
The United States of America (the "USA")	48,559	81,916
Mainland China	25,345	37,424
Belgium	19,389	22,114
Japan	13,764	19,045
Netherlands	13,503	13,787
Hong Kong	3,047	4,737
Others	32,415	44,138
	<u>156,022</u>	<u>223,161</u>

The revenue information above is based on the destination of goods delivered, irrespective of the origin of the goods or location of services provided.

(b) Non-current assets

	2020 US\$'000	2019 US\$'000
Mainland China	22,815	18,355
Vietnam	12,832	15,755
Cambodia	9,803	11,348
Taiwan	3,692	3,755
Others	1,321	1,669
	<u>50,463</u>	<u>50,882</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year, the Group had transactions with three (2019: three) external customers which individually contributed over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	2020 US\$'000	2019 US\$'000
Customer A	41,681	49,368
Customer B	37,472	51,999
Customer C	35,590	47,595

4. REVENUE

Revenue represents sales of sport bags, handbags and luggage bags and subcontracting service income.

	2020 US\$'000	2019 US\$'000
Sales of goods	154,316	223,161
Subcontracting service income	1,706	—
	<u>156,022</u>	<u>223,161</u>

5. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net is as follows:

	2020 US\$'000	2019 US\$'000
Other income		
Bank interest income	428	559
Government grants*	264	177
Compensation income	–	107
Charges levied on customers	1,081	516
Gross rental income from investment property operating leases, fixed payment	587	–
Others	225	405
	<u>2,585</u>	<u>1,764</u>
Losses, net		
Foreign exchange gains/(losses), net	(296)	474
Gain on sale of scrap materials	135	696
	<u>(161)</u>	<u>1,170</u>
Other income and gains, net	<u>2,424</u>	<u>2,934</u>

* There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	2020 US\$'000	2019 US\$'000
Factoring fee on certain designated trade receivables	21	2
Interest on lease liabilities	514	566
Others	23	27
	<u>558</u>	<u>595</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2020 US\$'000	2019 US\$'000
Cost of inventories sold	119,735	172,207
Cost of services provided	2,565	–
Depreciation of property, plant and equipment	5,253	4,593
Less: Amount included in cost of sales	(3,508)	(2,210)
	<u>1,745</u>	<u>2,383</u>
Depreciation of right-of-use of assets	2,597	2,627
Less: Amount included in cost of sales	(1,756)	(1,443)
	<u>841</u>	<u>1,184</u>
Amortisation of intangible assets*	416	441
Less: Amount included in cost of sales	(1)	(10)
	<u>415</u>	<u>431</u>
Lease payments not included in the measurement of lease liabilities	429	1,010
Gain on termination of a lease	(1)	(3)
Auditor's remuneration	294	339
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	50,692	70,503
Defined contribution scheme contributions	921	1,530
Net benefit expense of a defined benefit plan	(78)	(4)
	<u>51,535</u>	<u>72,029</u>
Less: Amount included in cost of inventories sold	(35,888)	(47,475)
	<u>15,647</u>	<u>24,554</u>
Research and development costs	2,529	3,531
Impairment/write-off of obsolete inventories***	1,120	33
Impairment/(write-back of impairment) of trade receivables**	(77)	841
Loss on disposal/write-off of items of property, plant and equipment, net**	28	1,336
Impairment of items of property, plant and equipment, net**	–	162

- * The amortisation of intangible assets are included in the following line items on the face of the consolidated statement of profit or loss and other comprehensive income:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Cost of sales	1	10
Selling and distribution expenses	82	47
Administrative expenses	333	384
	<hr/>	<hr/>
	416	441
	<hr/>	<hr/>

- ** These amounts are included in “Other expenses, net” on the face of the consolidated statement of profit or loss and other comprehensive income.

- *** The amount is included in “Cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX

An analysis of the Group’s income tax is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Current:		
Charge for the year	1,321	2,471
Underprovision/(overprovision) in prior years	27	(110)
	<hr/>	<hr/>
	1,348	2,361
Deferred tax	(585)	672
	<hr/>	<hr/>
Total tax expense for the year	763	3,033
	<hr/>	<hr/>

9. DIVIDENDS

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Dividends paid during the year:		
Final dividend for 2018 – HK1.5 cents	–	2,140
Special dividend for 2018 – HK3.5 cents	–	4,994
	<u>–</u>	<u>7,134</u>
Proposed final – HK1 cent (equivalent to approximately US0.13 cents) (2019: Nil) per ordinary share	1,445	–
Proposed special – HK6 cents (equivalent to approximately US0.77 cents) (2019: Nil) per ordinary share	8,671	–
	<u>10,116</u>	<u>–</u>

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings (2019: loss) per share amounts is based on the profit for the year attributable to shareholders of the Company of US\$2,989,000 (2019: loss of US\$566,000), and the number of ordinary shares in issue of 1,120,000,000 (2019: 1,120,000,000) during the year.

No adjustment has been made to the basic earnings (2019: loss) per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during each of these years.

11. TRADE AND BILLS RECEIVABLES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade receivables	27,477	43,395
Bills receivable	–	6
Impairment	(1,072)	(1,149)
	<u>26,405</u>	<u>42,252</u>

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Within 1 month	19,072	26,738
1 to 2 months	6,304	9,677
2 to 3 months	949	4,834
Over 3 months	80	1,003
	<hr/> 26,405 <hr/>	<hr/> 42,252 <hr/>

12. TRADE AND BILLS PAYABLES

Trade and bills payables are unsecured, interest-free, and are normally settled on terms of 45 to 60 days.

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Within 1 month	12,552	13,432
1 to 2 months	1,422	3,622
2 to 3 months	143	528
Over 3 months	132	38
	<hr/> 14,249 <hr/>	<hr/> 17,620 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW AND BUSINESS REVIEW

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 has established multi-regional manufacturing platform consisting of three production facilities in the PRC, Vietnam and Cambodia. The multi-regional manufacturing platform has enabled the Group to navigate through preferential import tariffs and international trading policy benefits, and provide its customers with more comprehensive shipping options.

During the year ended 31 December 2020 (the “**Year**”), the manufacturing and retail industry faced unprecedented challenging business environment as the novel coronavirus 2019 (the “**COVID-19**”) pandemic hampered global economic activities, in addition to the persisting USA-China trade tension. Lockdowns, travel restrictions, social distancing and other public health measures as implemented by the local governments around the world caused disruption in the supply chain and set back in retail markets, with retailers having to close stores and shops temporarily. This also prompted some of the Group’s customers to postpone their shipments and reduce their purchase orders, leading to a reduction in the Group’s sales volume for the Year. The decline in purchase orders and the resulting decrease in production volume, together with the temporary suspension of production base in Cambodia, dragged down the profit margin of the Group, as the Group continued to incur some fixed costs even when the operations were suspended.

OUTLOOK AND PROSPECTS

The uncertainties surrounding the COVID-19 pandemic will continue to affect global economic activities, and pose challenges to the Group’s financial performance for the year to come. The Group will continue to monitor the risks and uncertainties in connection with the epidemic and work closely with its suppliers and customers to mitigate the adverse impact arising therefrom. At the meantime, the Group will focus on making the best use of the existing capacity and seek to achieve optimal efficiency.

Looking ahead, the Group will continue to leverage through its multi-regional manufacturing platform to enjoy preferential import tariffs and international trading policy benefits, and achieve a sustainable business growth and returns for the shareholders of the Company (the “**Shareholders**”).

FINANCIAL REVIEW

During the Year, over 98% of the Group's revenue was generated from sales of bags and packs manufactured for brand owner customers. Certain subcontracting services were also provided by the Group during the Year in order to better utilise its production capacity. Total revenue for the Year declined to approximately US\$156.0 million, representing a decrease of approximately US\$67.1 million or 30.1% from approximately US\$223.2 million as recorded in 2019. The decrease was mainly to the cut back in sales order as a result of the weakened consumer spending due to the outbreak of COVID-19. At the same time, sales quantity decreased from approximately 23.4 million pieces for the year ended 31 December 2019 to approximately 18.7 million pieces for the Year, representing a decrease of approximately 4.7 million pieces or 20.0%. The average selling price per piece declined and the sales mix of different product category concentrated more towards outdoor & sporting bags and packs while shifting away from functional bags and packs in order to better utilise production capacity of the Group's multi-regional manufacturing platform. The breakdown of the revenue, sales quantity and average selling price by product category or services are set out as below:

	2020				2019			
	Revenue US\$'000	%	Sales quantity Pc'000	Average selling price US\$/pc	Revenue US\$'000	%	Sales quantity Pc'000	Average selling price US\$/pc
Product category or services								
Outdoor & sporting	111,293	71.3	11,598	9.6	148,963	66.8	15,513	9.6
Functional	13,254	8.5	860	15.4	39,261	17.6	4,341	9.0
Fashion & casual	26,582	17.1	4,522	5.9	29,709	13.3	3,114	9.5
Others	3,187	2.0	255	12.5	5,228	2.3	427	12.2
Subtotal	154,316	98.9	17,235	9.0	223,161	100	23,395	9.5
Subcontracting services	1,706	1.1	1,492	1.1	–	–	–	–
Total	156,022	100	18,727	8.3	223,161	100	23,395	9.5

The Group's cost of sales for the year ended 31 December 2020 amounted to approximately US\$125.0 million, representing a decrease of approximately US\$50.9 million or 28.9% from approximately US\$175.9 million for 2019. The decrease was primarily attributable to the decrease in sales quantity for the Year. Due to the downward adjustment of production capacity and temporary suspension of the Cambodia production base, gross profit margin decreased from 21.2% in 2019 to 19.9% in 2020.

The Group's administrative expenses for the year ended 31 December 2020 amounted to approximately US\$19.1 million (2019: US\$28.1 million). In the absence of the one-off compensation of staff compensation for the cessation of operation of three production plants in the PRC amounting to approximately US\$4.4 million in 2019, together with the decrease in operation level since closing down these production plants, the administrative expenses decreased by approximately US\$9.0 million or 31.9% as compared to 2019.

Selling and distribution expenses for the Year amounted to approximately US\$9.2 million (2019: US\$15.9 million). The decrease was mainly due to the decrease in shipments of the products.

Profit attributable to shareholders of the Company for the Year amounted to approximately US\$3.0 million, as compared to loss of approximately US\$0.6 million for 2019. Earnings per share for the Year amounted 0.27 US cent, as compared to loss per share of 0.05 US cent for 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURE

The Group has solid financial position and continued to maintain a strong and steady cash inflow from operating activities. During the year, the Group's primary sources of funding were cash generated from operating activities. As at 31 December 2020 the Group had cash and cash equivalents of approximately US\$82.5 million and no external borrowings. As a result, the gearing ratio of the Group was zero (31 December 2019: zero) as at 31 December 2020, calculated as total debt, excluding lease liabilities, divided by total equity.

During the year ended 31 December 2020, the Group incurred capital expenditure of US\$0.6 million, mainly attributable to the acquisition of property, plant and equipment.

MEMORANDUM OF UNDERSTANDING ON COOPERATIVE DEVELOPMENT

On 25 June 2019, Guangzhou Glorieux Traveling Articles Co., Ltd.* (廣州澤榮旅行用品有限公司) (“**Guangzhou Glorieux**”), a wholly owned subsidiary of the Company, entered into a memorandum of understanding (the “**MOU**”) with Guangzhou Poly Urban Redevelopment Investment Company Limited* (廣州保利城改投資有限公司) (“**Poly Urban Redevelopment**”), an independent third party, in relation to the cooperative development of a parcel of land (the “**Land**”) owned by Guangzhou Glorieux. Pursuant to the MOU, Guangzhou Glorieux and Poly Urban Redevelopment will cooperate to formulate a plan to redevelop the Land (the “**Redevelopment Project**”). The Land is located at the south side of Nancun Road, Xingye Road, Nancun Town, Panyu District, Guangzhou City, the PRC and is currently used as a factory site. The Redevelopment Project shall be subject to separate legally binding agreements on terms and conditions to be mutually agreed by the signing parties of the MOU.

As no separate legally binding agreements were entered into between the parties and the MOU has lapsed on 24 June 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition or disposals of subsidiaries or associates during the year ended 31 December 2020.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2020, the Group had approximately 7,900 employees (2019: approximately 8,800 employees). Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. During the year ended 31 December 2020, no share options were granted to employees of the Group.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, there were no significant investments held by the Group (31 December 2019: Nil).

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2020, the Group did not have charges on its assets (31 December 2019: Nil).

FOREIGN CURRENCY EXPOSURE

The Group's purchases and operating costs are mainly denominated in Renminbi, Vietnamese Dong and US\$, while most of the Group's sales proceeds are received in US\$. As such, the Group is exposed to foreign currency risk. Any appreciation of Renminbi or Vietnamese Dong against US\$ may adversely affect the profitability. The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arises.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK1 cent per share (the "**Final Dividend**") and a special dividend of HK6 cents per share (the "**Special Dividend**") (2019: nil) to the Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on Tuesday, 22 June 2021.

The proposed Final Dividend and Special Dividend are subject to the approval by the Shareholders at the annual general meeting to be held on Friday, 11 June 2021 (the "**2021 AGM**"). It is expected that the Final Dividend and Special Dividend would be paid to the Shareholders on Wednesday, 30 June 2021.

CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility of the Shareholders to attend the 2021 AGM, the Register of Members will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021, both days inclusive, during which no transfer of shares will be effected. In order to be entitled to attend and vote at the 2021 AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 7 June 2021.

For the purpose of ascertaining Shareholders' entitlement for the Final Dividend and the Special Dividend, the Register of Members will be closed from Friday, 18 June 2021 to Tuesday, 22 June 2021, both days inclusive. To qualify for the Final Dividend and the Special Dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 June 2021.

SHARE CAPITAL

As of 31 December 2020, the total amount of the issued share capital of the Company was HK\$11,200,000, divided into 1,120,000,000 shares of HK\$0.01 per share.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Listing Rules for the Year. The Board and the management of the Group consider that maintaining a well-established corporate governance practices and procedures is the key to success, and firmly believe that the principles of transparency, accountability and independence are essential for upholding the interests of the stakeholders and maximizing Shareholders' value.

The Board is committed to excellence in corporate governance. It is responsible for developing and reviewing the Company's policies and practices on corporate governance as well as compliance with legal and regulatory requirements.

MODEL CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' transactions in securities of the Company. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and the auditor of the Company, Ernst & Young, and reviewed the annual results of the Group for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures set out in the preliminary announcement in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the Year have been agreed by the Company's auditor, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2020 ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.pihl.hk, respectively. The 2020 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 March 2021

As at the date of this announcement, the Board of Directors comprises Mr. Yeung Shu Kin, Mr. Yeung Shu Kai and Mr. Yeung Wang Tony as executive Directors, Mr. Tsai Nai-Yung and Mr. Chau Chi Ming as non-executive Directors and Mr. Chiu Che Chung Alan, Mr. Ko Siu Tak and Mr. Yip Kwok Cheung as independent non-executive Directors.