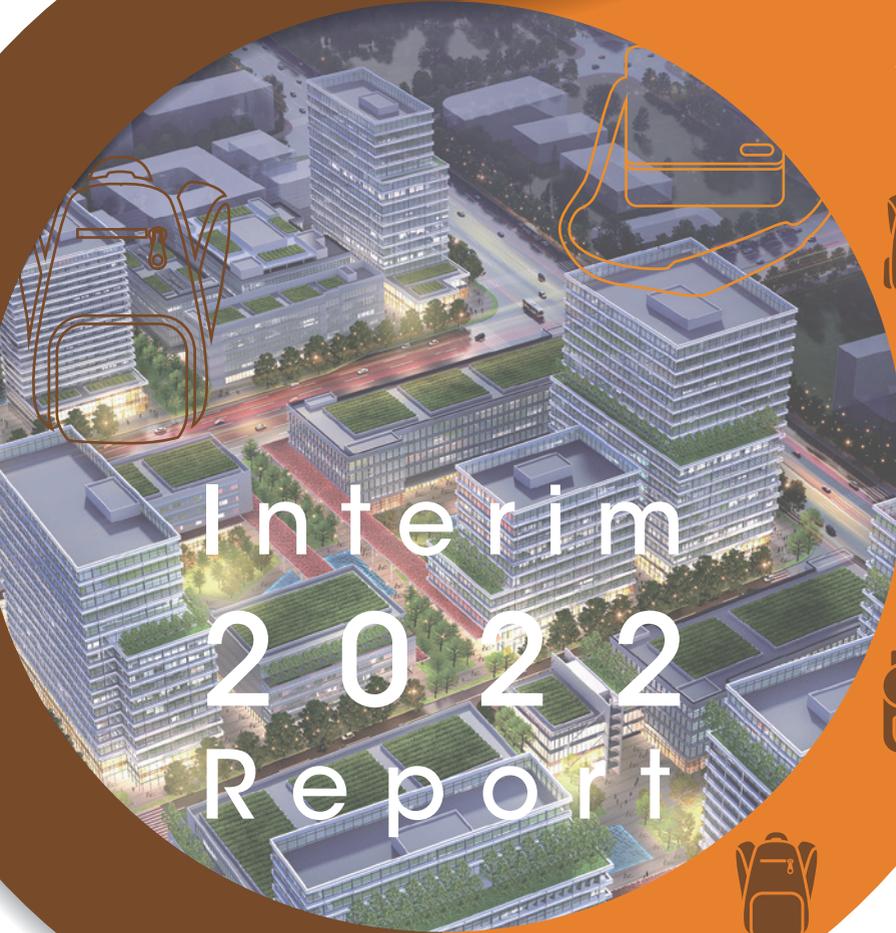




PROSPEROUS INDUSTRIAL (HOLDINGS) LIMITED 其利工業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1731





CONTENTS

Corporate Information	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to Condensed Consolidated Financial Information	10
Management Discussion and Analysis	25
Other Information	31



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yeung Shu Kin (*Chairman*)

Mr. Yeung Shu Kai

Mr. Yeung Wang Tony

NON-EXECUTIVE DIRECTORS

Mr. Chau Chi Ming

Mr. Sun Chien-Teng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Che Chung Alan

Mr. Ko Siu Tak

Mr. Yip Kwok Cheung

AUDIT COMMITTEE

Mr. Ko Siu Tak (*Committee Chairman*)

Mr. Chiu Che Chung Alan

Mr. Yip Kwok Cheung

NOMINATION COMMITTEE

Mr. Yip Kwok Cheung (*Committee Chairman*)

Mr. Chiu Che Chung Alan

Mr. Yeung Shu Kin

REMUNERATION COMMITTEE

Mr. Chiu Che Chung Alan

(*Committee Chairman*)

Mr. Ko Siu Tak

Mr. Yeung Shu Kin

COMPANY SECRETARY

Ms. Zhang Xiao

AUTHORISED REPRESENTATIVES

Mr. Yeung Wang Tony

Ms. Zhang Xiao

AUDITOR

Ernst & Young

Certified Public Accountants and

Registered Public Interest Entity Auditor

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1-2, 1/F, Join-In Hang Sing Centre

71-75 Container Port Road

Kwai Chung, New Territories

Hong Kong

COMPANY'S WEBSITE

www.pihl.hk

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

PRINCIPAL BANKER

Shanghai Commercial Bank Limited

STOCK CODE

1731



INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Prosperous Industrial (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 with comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Notes	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
REVENUE	4	124,540	81,432
Cost of sales		(100,196)	(62,371)
Gross profit		24,344	19,061
Other income and gains, net	5	3,125	1,041
Selling and distribution expenses		(6,984)	(5,518)
Administrative expenses		(8,533)	(8,745)
Other expenses, net		(3,935)	(402)
Finance costs	6	(227)	(240)
PROFIT BEFORE TAX	7	7,790	5,197
Income tax	8	(378)	(918)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		7,412	4,279

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Notes	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(2,214)	228
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		5,198	4,507
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (US cent)	10	0.66	0.38



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) US\$'000	As at 31 December 2021 (Audited) US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	16,593	17,910
Investment properties		9,864	10,399
Right-of-use assets		17,294	19,560
Intangible assets		224	216
Equity investment at fair value through other comprehensive income		2	2
Prepayments, deposits and other receivables		872	1,338
Financial assets at fair value through profit or loss		–	4,344
Deferred tax assets		324	467
Total non-current assets		45,173	54,236
CURRENT ASSETS			
Inventories		29,216	38,827
Trade and bills receivables	12	52,407	35,338
Prepayments, deposits and other receivables		9,416	8,623
Financial assets at fair value through profit or loss		4,289	3,073
Income tax recoverable		71	71
Cash and bank balances		44,304	50,613
Total current assets		139,703	136,545

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) US\$'000	As at 31 December 2021 (Audited) US\$'000
CURRENT LIABILITIES			
Trade and bills payables	13	13,400	20,315
Other payables and accruals		16,600	13,433
Lease liabilities		2,011	2,254
Income tax payables		7,537	7,970
Total current liabilities		39,548	43,972
NET CURRENT ASSETS		100,155	92,573
TOTAL ASSETS LESS CURRENT LIABILITIES		145,328	146,809
NON-CURRENT LIABILITIES			
Other payables and accruals		–	186
Defined benefit obligations		478	510
Lease liabilities		3,797	5,284
Deferred tax liabilities		1,307	1,285
Total non-current liabilities		5,582	7,265
Net assets		139,746	139,544
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Issued capital		1,436	1,436
Reserves		138,310	138,108
Total equity		139,746	139,544



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Issued capital (Unaudited) US\$'000	Share premium (Unaudited) US\$'000	Capital reserve (Unaudited) US\$'000	Statutory reserves (Unaudited) US\$'000	Defined benefit plan reserve (Unaudited) US\$'000	Exchange fluctuation reserve (Unaudited) US\$'000	Asset revaluation reserve (Unaudited) US\$'000	Retained profits (Unaudited) US\$'000	Total equity (Unaudited) US\$'000
At 1 January 2022	1,436	28,633*	19,052*	309*	500*	3,778*	3,910*	81,926*	139,544
Profit for the period	-	-	-	-	-	-	-	7,412	7,412
Other comprehensive loss for the period:									
– Exchange differences on translation of foreign operations	-	-	-	-	-	(2,214)	-	-	(2,214)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(2,214)	-	7,412	5,198
Final and special 2021 dividends (note 9)	-	-	-	-	-	-	-	(4,996)	(4,996)
At 30 June 2022	1,436	28,633*	19,052*	309*	500*	1,564*	3,910*	84,342*	139,746

For the six months ended 30 June 2021

	Issued capital (Unaudited) US\$'000	Share premium (Unaudited) US\$'000	Capital reserve (Unaudited) US\$'000	Statutory reserves (Unaudited) US\$'000	Defined benefit plan reserve (Unaudited) US\$'000	Exchange fluctuation reserve (Unaudited) US\$'000	Asset revaluation reserve (Unaudited) US\$'000	Retained profits (Unaudited) US\$'000	Total equity (Unaudited) US\$'000
At 1 January 2021	1,436	28,633	19,052	301	437	2,906	3,910	88,130	144,805
Profit for the period	-	-	-	-	-	-	-	4,279	4,279
Other comprehensive income for the period:									
– Exchange differences on translation of foreign operations	-	-	-	-	-	228	-	-	228
Total comprehensive income for the period	-	-	-	-	-	228	-	4,279	4,507
Final and special 2020 dividends (note 9)	-	-	-	-	-	-	-	(10,098)	(10,098)
At 30 June 2021	1,436	28,633	19,052	301	437	3,134	3,910	82,311	139,214

* These reserve accounts comprise the consolidated reserves of US\$138,310,000 (31 December 2021: US\$138,108,000) in the condensed consolidated statement of financial position as at 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	1,207	(5,933)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(909)	(413)
Proceeds from disposal of items of property, plant and equipment	17	80
Additions to intangible assets	(60)	(299)
Decrease in time deposits with maturity of more than three months when acquired	2,147	8,814
Decrease in financial assets at fair value through profit or loss	292	–
Interest received	309	256
Net cash flows from investing activities	1,796	8,438
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(227)	(240)
Dividends paid	(4,996)	(10,098)
Principal portion of lease payments	(1,186)	(1,020)
Net cash flows used in financing activities	(6,409)	(11,358)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(3,406)	(8,853)
Cash and cash equivalents at beginning of period	40,683	40,225
Effect of foreign exchange rate changes, net	(756)	82
CASH AND CASH EQUIVALENTS AT END OF PERIOD	36,521	31,454



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the interim condensed consolidated statement of financial position	44,304	64,938
Less: Time deposits with maturity of more than three months when acquired	(7,783)	(33,484)
Cash and cash equivalents as stated in the interim consolidated statement of cash flows	36,521	31,454



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

Prosperous Industrial (Holdings) Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 six months ended 30 June 2022, the Company and its subsidiaries (collectively, the “**Group**”) were principally involved in the manufacturing and sale of sports bags, handbags and luggage bags.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

This interim condensed consolidated financial information is presented in the United States Dollar (“**US\$**”) and all values are rounded to the nearest thousand (“**US\$’000**”) except when otherwise indicated.

This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company’s audit committee.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidation financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarified the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to the financial liabilities and are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE

Revenue represents sales of sports bags, handbags and luggage bags.

Disaggregation of revenue

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
By geographical markets		
The USA	54,869	29,000
Mainland China	15,499	13,396
Belgium	11,116	9,662
Japan	9,676	5,439
Netherlands	6,813	6,326
Hong Kong	792	597
Others	25,775	17,012
Total revenue from contracts with customers	124,540	81,432
By product category		
Outdoor and sporting bags	86,025	61,033
Functional bags	6,452	5,956
Fashion and casual bags	28,583	14,096
Others	3,480	347
Total revenue from contracts with customers	124,540	81,432

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

5. OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Other income		
Bank interest income	309	256
Government grants*	64	48
Charges levied on customers	439	–
Rental income	426	395
Others	353	329
	1,591	1,028
Gains, net		
Foreign exchange difference, net	1,530	–
Gain on sales of scrap materials	4	13
	1,534	13
Other income and gains, net	3,125	1,041

* Subsidies are received by a subsidiary from various government authorities in Mainland China for the development of its business. The subsidies are interest-free and are recognised as "Other income" in profit or loss when they have become unconditional.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. FINANCE COSTS

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Factoring charges on certain designated trade receivables	32	13
Interest on lease liabilities	195	227
	227	240

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Cost of inventories sold	98,271	60,394
Depreciation of property, plant and equipment	1,527	1,976
Less: Amount included in cost of inventories sold	(980)	(1,088)
	547	888
Depreciation of right-of-use assets	1,356	1,284
Less: Amount included in cost of inventories sold	(945)	(889)
	411	395
Loss/(gain) on disposal of property, plant and equipment	(17)	71
Amortisation of intangible assets	76	58
Research and development costs	1,290	1,373
Fair value loss on financial assets at fair value through profit or loss*	2,836	–

* The amount is included in "Other expenses, net" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Current:		
Charge for the period	1,331	852
Overprovision in prior years	(1,210)	–
Deferred tax	257	66
Total tax expense for the period	378	918

9. DIVIDENDS

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Final dividend declared and paid – HK1 cent (equivalent to approximately US0.13 cent) (2021: HK1 cent) per ordinary share	1,427	1,443
Special dividend declared and paid – HK2.5 cents (equivalent to approximately US0.32 cent) (2021: HK6 cents) per ordinary share	3,569	8,655
	4,996	10,098

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share for the period is based on the unaudited profit for the period attributable to shareholders of the Company of US\$7,412,000 (six months ended 30 June 2021: US\$4,279,000), and the weighted average number of ordinary shares in issue of 1,120,000,000 (six months ended 30 June 2021: 1,120,000,000) during the period.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during each of these periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately US\$909,000 (six months ended 30 June 2021: US\$413,000), disposed of property, plant and equipment with no net carrying amount (six months ended 30 June 2021: US\$151,000).

12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 (Unaudited) US\$'000	As at 31 December 2021 (Audited) US\$'000
Trade receivables	52,831	35,762
Less: Impairment	(424)	(424)
	52,407	35,338

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

12. TRADE AND BILLS RECEIVABLES (continued)

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

	As at 30 June 2022 (Unaudited) US\$'000	As at 31 December 2021 (Audited) US\$'000
Within 1 month	52,128	32,494
1 to 2 months	244	2,799
2 to 3 months	–	19
Over 3 months	35	26
	52,407	35,338

The Group has entered into a trade receivable factoring arrangement (the “**Arrangement**”) and transferred certain trade receivables from a designated customer to a bank. Under the Arrangement, the Group will not be required to reimburse the bank for loss of interest if the trade debtor has late or default of payments. Since the trade receivables factored to the bank are non-recourse, the Group has transferred the significant risks and rewards relating to these receivables, the factored trade receivables met the criteria of derecognition. Therefore, the Group derecognised the full carrying amount of the trade receivables. During the six months ended 30 June 2022, trade receivables with an aggregate amount of US\$15,939,000 (31 December 2021: US\$19,132,000) were factored to the bank and were fully derecognised.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

13. TRADE AND BILLS PAYABLES

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

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

	As at 30 June 2022 (Unaudited) US\$'000	As at 31 December 2021 (Audited) US\$'000
Within 1 month	10,841	14,809
1 to 2 months	2,249	5,253
2 to 3 months	143	221
Over 3 months	167	32
	13,400	20,315

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. RELATED PARTY DISCLOSURES

- (a) The Group entered into the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
A company beneficially owned by certain directors of the Company			
Lease payment*	(i)	124	124
Subsidiaries of a company with significant influence over the Company			
Public facility maintenance expenses	(iii)	100	79
Utility expenses and other charges	(iii)	271	203
Shuttle bus service expenses	(i)	169	116
Building management expenses	(ii)	116	102

Notes:

- (i) These transactions were determined with reference to prevailing market rates.
- (ii) These transactions were carried out at mutually-agreed prices.
- (iii) The public facility maintenance expenses and utilities expenses were reimbursed to the related parties on an actual cost basis.

* Upon adoption of HKFRS 16, the lease of the office premises from the related company was recognised as a right-of-use asset of US\$406,000 (31 December 2021: US\$526,000) and a lease liability of US\$415,000 (31 December 2021: US\$533,000) as at 30 June 2022. During the period, depreciation of a right-of-use asset of US\$116,000 (period ended 30 June 2021: US\$118,000) and finance cost of a lease liability of US\$8,000 (period ended 30 June 2021: US\$8,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. RELATED PARTY DISCLOSURES *(continued)*

(b) The compensation of the key management personnel of the Group is summarised as follows:

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Short term employee benefits	628	625
Defined contribution scheme contributions	9	9
Total compensation paid/payable to key management personnel	637	634



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance controller reports directly to the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption was used to estimate the fair values:

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current price within the bid-ask spread which is the most representative of the fair value in the given circumstances. The fair values of other financial assets and financial liabilities are determined in accordance with the generally accepted pricing models based on discounted cash flow analysis.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments that are carried at fair value in the condensed consolidated statement of financial position:

Quoted prices in active markets (Level 1) (Unaudited) US\$'000	Fair value measured using		Total (Unaudited) US\$'000
	Significant observable inputs (Level 2) (Unaudited) US\$'000	Significant unobservable inputs (Level 3) (Unaudited) US\$'000	
At 30 June 2022			
Equity investment at fair value through other comprehensive income	-	-	2
Trade receivables	-	1,371	-
Financial assets at fair value through profit or loss	4,289	-	-
	4,289	1,371	2
			5,662

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Quoted prices in active markets (Level 1) (Audited) US\$'000	Fair value measured using		Total (Audited) US\$'000
		Significant observable inputs (Level 2) (Audited) US\$'000	Significant unobservable inputs (Level 3) (Audited) US\$'000	
At 31 December 2021				
Equity investment at fair value through other comprehensive income	-	-	2	2
Trade receivables	-	4,748	-	4,748
Financial assets at fair value through profit or loss	7,417	-	-	7,417
	7,417	4,748	2	12,167

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities (2021: Nil).

16. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 26 August 2022.



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. During the six months ended 30 June 2022 (the “**Period**”), the Group’s revenue was generated from sales of bags and packs manufactured for brand owner customers.

Since the second half of 2021, we noted there was a rebound in customer orders, and the trend continued in the first half of 2022 with strong recovery in the end-consumer markets in North America and Europe. As a result, the Group’s revenue during the Period increased significantly as compared to the same period in 2021. The delay in production schedule and prolonged lead time caused by the temporary closure of the Group’s Vietnam production base in the second half of 2021 also contributed to the increase of revenue for the Period, as some customer orders’ delivery schedule were pushed back to 2022. While the operation of the Group’s Vietnam production base has fully resumed during the Period, the Group has been focusing on ramping up the production capacity and reducing lead time to cope with the surge of customer orders.

OUTLOOK AND PROSPECTS

Looking ahead, the Group remains cautiously optimistic about the long-term growth in its manufacturing business. Continued relaxation on 2019 Novel Coronavirus (“**COVID-19**”) related pandemic controls is expected to boost the economic recovery across the globe, however, signs of rising inflation and interest hikes in the major end-consumer markets of our products would cast uncertainties on the consumer spending in the foreseeable future. Entering the second half of 2022, certain customers have turned more conservative when providing their order estimates. The Group will continue to monitor the development and leverage through its multi-regional manufacturing platform to achieve a sustainable business growth.

Meanwhile, the Group has been actively navigating opportunities to reposition the Group’s self-owned industrial facilities in Panyu, Guangzhou, the PRC (the “**Panyu Property**”) in the direction of science and technology industrial park as well as high value-added innovative economic incubator, with the nature of digital economy of adopting international quality and low carbon standards. The Group has started communications with relevant government authorities during the Period and positive response is received initially.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total revenue of the Group for the Period was approximately US\$124.5 million, representing an increase of approximately US\$43.1 million or 52.9% from approximately US\$81.4 million as recorded for the six months ended 30 June 2021 (the “**Corresponding Period**”). Sales quantity increased from approximately 9.6 million pieces for the Corresponding Period to approximately 12.1 million for the Period, representing an increase of approximately 2.5 million pieces or 26.6%. For the sales mix of different product category, revenue attributed to fashion and casual category doubled, while revenue attributed outdoor and sporting category also recorded a robust double-digit growth, as compared to the Corresponding Period. The average selling price per piece also improved from US\$8.5 to US\$10.3, as a result of stronger demand from two major customers of the Group with higher-value orders. The breakdown of the revenue, sales quantity and average selling price by product category are set out below:

Product category	Six months ended 30 June 2022				Six months ended 30 June 2021			
	Revenue US\$'000	%	Sales quantity Pc'000	Average selling price US\$/pc	Revenue US\$'000	%	Sales quantity Pc'000	Average selling price US\$/pc
Outdoor & sporting	86,025	69.1	8,254	10.4	61,033	75.0	6,723	9.1
Functional	6,452	5.2	408	15.8	5,956	7.3	379	15.7
Fashion & casual	28,583	23.0	3,156	9.1	14,096	17.3	2,447	5.8
Others	3,480	2.7	293	11.9	347	0.4	21	16.5
Total	124,540	100	12,111	10.3	81,432	100	9,570	8.5

The Group's cost of sales for the Period amounted to approximately US\$100.2 million, representing an increase of approximately US\$37.8 million or 60.6% from approximately US\$62.4 million for the Corresponding Period. The increase is mainly due to increase in sales quantity for the Period. Gross profit for the Period amounted to approximately US\$24.3 million, up from approximately US\$19.1 million for the Corresponding Period, while the gross profit margin for the Period declined to 19.5% from 23.4% for the Corresponding Period mainly because of the change in sales mix.



MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses for the Period amounted to approximately US\$8.5 million, which was maintained at similar level as compared to the Corresponding Period.

Selling and distribution expenses for the Period amounted to approximately US\$7.0 million, representing an increase of approximately US\$1.5 million or 26.6% from approximately US\$5.5 million for the Corresponding Period. The increase is primarily due to the increase in quantity of shipment during the Period.

Other expenses for the Period increased significantly as compared to the Corresponding Period, mainly due to the decrease in fair value of approximately US\$2.8 million on certain of the Group's investment in corporate bonds which are carried at fair value through profit and loss.

Profit attributable to shareholders of the Company increased by approximately US\$3.1 million or 73.2% to approximately US\$7.4 million for the Period, compared with approximately US\$4.3 million for the Corresponding Period. Earnings per share for the Period increased by 0.28 US cents to 0.66 US cents as compared to 0.38 US cents for the Corresponding Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURE

The Group's financial position remained solid. As at 30 June 2022, the Group had cash and cash equivalents of approximately US\$44.3 million. The Group had no external borrowings as at 30 June 2022. As a result, the gearing ratio of the Group was zero (31 December 2021: zero), calculated as total debt, excluding lease liabilities, divided by total equity.

During the Period, the Group incurred capital expenditure of US\$1.0 million (2021: US\$0.7 million), mainly for acquisition of property, plant and equipment and intangible assets.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 30 June 2022, the Group did not have any significant capital commitments (31 December 2021: Nil).

SEGMENTAL INFORMATION

No operating segmental information of the Group was presented for the Period as the Group only operates in one single operating segment, i.e. manufacturing and sale of sports bags, handbags and luggage bags.

EMPLOYEE INFORMATION

As at 30 June 2022, the Group had approximately 7,400 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 Period, no share options were granted by the Group to employees of the Group.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2022, there were no material investments held by the Group.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2022, the Group did not have any charges on its assets (31 December 2021: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

The Group's purchases and operating costs are mainly denominated in Renminbi, Vietnamese Dong 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 and 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 arise.

USE OF PROCEEDS FROM LISTING

The Company raised approximately HK\$202.2 million from the listing in July 2018. On 20 December 2019, the Directors resolved to change the use and allocation of the net proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus dated 29 June 2018 (the "**Prospectus**") (the "**First Revised Use of Net Proceeds**") in order 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. On 22 May 2020, the Directors further resolved to change the use and allocation of the net proceeds (the "**Second Revised Use of Net Proceeds**") in order to strengthen its working capital position and liquidity by deferring its further expansion plan in Cambodia and retail business in MAISON PROMAX and instead apply the unutilised amount to general working capital. The Directors considered the aforementioned changes were in the best interest of the Company and the Shareholders as a whole. The Change would allow the Company to deploy its financial resources more effectively. For details, please refer to the announcements of the Company dated 20 December 2019 and 22 May 2020, respectively.

As at 30 June 2022, the amount of the net proceeds which remained unutilised amounted to approximately HK\$2.7 million. The remaining unutilised net proceeds are expected to be utilised within 1 year up to 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below are details of the use of proceeds up to 30 June 2022:

	Original allocation of net proceeds HK\$ million	First Revised Use of Net Proceeds HK\$ million	Second Revised Use of Net Proceeds HK\$ million	Utilised amount up to 30 June 2022 HK\$ million	Unutilised amount up to 30 June 2022 HK\$ million
Further enhancement of manufacturing capacity and flexibility by expanding manufacturing platforms in Cambodia	135.5	135.5	77.2	77.2	–
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	14.5	14.5	–
Enhancing brand recognition for MAISON PROMAX and expansion of retail business	12.5	12.5	5.8	5.8	–
Enhancing IT infrastructure	23.4	8.7	8.7	6.7	2.0
Reallocation of production capacity	–	31.0	31.0	30.3	0.7
General working capital	–	–	65.0	65.0	–
Total	202.2	202.2	202.2	199.5	2.7



OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company places high value on the corporate governance practice and is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the shareholders of the Company as a whole.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the basis of the Company’s corporate governance practice, and the CG Code has been applicable to the Company. During the Period, the Company has complied with the CG Code. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

MODEL CODE OF CONDUCT OF DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ transactions in securities of the Company (the “**Company’s Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”). 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 and the Company’s Code during the Period.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Period (the Corresponding Period: Nil).



OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this report, the Company maintained the prescribed public float of no less than 25% as required under the Listing Rules.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period, there was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (the “**Scheme**”) on 19 June 2018 which is valid and effective for a period of 10 years from 13 July 2018. The purpose of the Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The principal terms of the Scheme are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus.

No share option was granted, exercised or cancelled by the Company under the Scheme up to the date of this report and there was no outstanding share option as at the date of this report.



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the shares and underlying shares of associated corporation of the Company

Name of Director and chief executive	Name of associated corporation of the Company	Nature of interest	Number of ordinary shares held	Approximate % of total issued shares ⁽¹⁾
Mr. Yeung Shu Kin	Prosperous Holdings (Overseas) Limited ("Prosperous BVI")	Personal interest	12	12%
Mr. Yeung Wang Tony	Prosperous BVI	Personal interest	12	12%
Mr. Yeung Shu Kai	Prosperous BVI	Personal interest	6	6%
Mr. Yeung Shu Hung	Prosperous BVI	Personal interest	6	6%

Note:

(1) As at 30 June 2022, the total number of issued shares of Prosperous BVI was 100.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as known to the Directors or chief executive of the Company, as at 30 June 2022, the following corporates and persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as follows:

Long Positions in Shares

Name	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding in the Company
Prosperous BVI	Beneficial owner	588,000,000	52.5%
Mr. Yeung Ming Sum Richard ("Mr. Yeung") ⁽¹⁾	Interest in a controlled corporation	588,000,000	52.5%
Mrs. Yeung Wor Foon Stella ("Mrs. Yeung") ⁽¹⁾	Interest in a controlled corporation	588,000,000	52.5%
Great Pacific Investment Limited ("Great Pacific") ⁽²⁾	Beneficial owner	252,000,000	22.5%
Pou Hing Industrial Co. Limited ("Pou Hing") ⁽²⁾	Interest in a controlled corporation	252,000,000	22.5%
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") ⁽²⁾	Interest in a controlled corporation	252,000,000	22.5%
Wealthplus Holdings Limited ⁽³⁾	Interest in a controlled corporation	252,000,000	22.5%
Pou Chen Corporation ⁽³⁾	Interest in a controlled corporation	252,000,000	22.5%



OTHER INFORMATION

Notes:

- (1) Prosperous BVI is owned as to 23% by Mr. Yeung, 23% by Mrs. Yeung, 12% by Mr. Yeung Shu Kin, 12% by Mr. Yeung Wang Tony, 12% by Mr. Yeung Theodore Tat, 6% by Mr. Yeung Shu Hung, 6% by Mr. Yeung Shu Kai and 6% by Mr. Yeung Chak Fung. Prosperous BVI is the beneficial owner of 588,000,000 shares of the Company and Mr. Yeung is the spouse of Mrs. Yeung. By virtue of the SFO, Mr. Yeung and Mrs. Yeung together are deemed to be interested in all of the shares of the Company held by Prosperous BVI.
- (2) Great Pacific is a wholly-owned subsidiary of Yue Yuen and the beneficial owner of 252,000,000 shares of the Company. By virtue of the SFO, Yue Yuen is deemed to be interested in all of the shares of the Company held by Great Pacific as Great Pacific is a wholly-owned subsidiary of Pou Hing and Pou Hing is a wholly-owned subsidiary of Yue Yuen. Yue Yuen is a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange.
- (3) Yue Yuen is indirectly controlled by Pou Chen Corporation as to 51.11% through its two wholly-owned subsidiaries, Wealthplus Holdings Limited (interested as to 47.95% of Yue Yuen) and Win Fortune Investments Limited (interested as to 3.16% of Yue Yuen). By virtue of the SFO and with reference to note (2), Pou Chen Corporation is deemed to be interested in the shares of the Company held by Great Pacific. Pou Chen Corporation is incorporated in Taiwan and is listed on the Taiwan Stock Exchange of the Taiwan Stock Exchange Corporation (stock code: 9904 TSE).

Save as disclosed above, and as at the date of this report, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the Scheme and as disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the Period and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.



OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS

Pursuant to Rule 3.21 of the Listing Rules, the Company established an audit committee (the "**Audit Committee**") with written terms of reference aligned with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ko Siu Tak, Mr. Chiu Che Chung Alan and Mr. Yip Kwok Cheung. The Audit Committee is chaired by Mr. Ko Siu Tak and is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties and responsibilities as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The Audit Committee is of the view that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

On behalf of the Board

Prosperous Industrial (Holdings) Limited

Yeung Shu Kin

Chairman

Hong Kong

26 August 2022