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

2018
INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Yeung Shu Kin *(Chairman)*
Mr. Yeung Shu Kai
Mr. Duong Stephen Dien Sieu

NON-EXECUTIVE DIRECTORS
Mr. Lu Chin-Chu
Mr. Tsai Nai-Yung

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Chiu Che Chung Alan
Mr. Ko Siu Tak
Mr. Yip Kwok Cheung

AUDIT COMMITTEE
Mr. Ko Siu Tak *(Chairman)*
Mr. Chiu Che Chung Alan
Mr. Yip Kwok Cheung

NOMINATION COMMITTEE
Mr. Yip Kwok Cheung *(Chairman)*
Mr. Chiu Che Chung Alan
Mr. Yeung Shu Kin

REMUNERATION COMMITTEE
Mr. Chiu Che Chung Alan *(Chairman)*
Mr. Ko Siu Tak
Mr. Yeung Shu Kin

COMPANY SECRETARY
Mr. Cheung Yuk Chuen

AUTHORISED REPRESENTATIVES
Mr. Cheung Yuk Chuen
Mr. Duong Stephen Dien Sieu

AUDITOR
Ernst & Young

COMPLIANCE ADVISOR
WAG Worldsec Corporate Finance Limited

REGISTERED OFFICE
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Unit 1-2, 1/F, Join-In Hang Sing Centre
71-75 Container Port Road
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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 2018 with comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June **2018** **(Unaudited)** **US$'000**	 2017 (Unaudited) US$'000
REVENUE	4	**127,187**	140,413
Cost of sales		**(99,576)**	(104,618)
Gross profit		**27,611**	35,795
Other income and gains, net	5	**1,080**	1,270
Selling and distribution expenses		**(7,635)**	(7,268)
Administrative expenses		**(12,665)**	(9,312)
Other expenses, net		**(357)**	(237)
Finance costs	6	**(22)**	–
PROFIT BEFORE TAX	7	**8,012**	20,248
Income tax	8	**(1,632)**	(2,960)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**6,380**	17,288
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		**(1,115)**	453
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(1,115)**	453
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**5,265**	17,741
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10		
Basic and diluted (US cent)		**0.76**	2.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		As at	
	Notes	**30 June 2018 (Unaudited) US$'000**	31 December 2017 (Audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**39,656**	36,438
Prepaid land lease payments		**3,363**	3,478
Intangible assets		**811**	874
Equity investment at fair value through other comprehensive income		**2**	–
Available-for-sale investment		**–**	2
Prepayments, deposits and other receivables		**2,734**	3,540
Deferred tax assets		**163**	195
Total non-current assets		**46,729**	44,527
CURRENT ASSETS			
Prepaid land lease payments		**108**	110
Inventories		**23,004**	33,132
Trade receivables	12	**59,440**	44,360
Prepayments, deposits and other receivables		**9,033**	6,491
Cash and bank balances		**27,157**	71,321
Total current assets		**118,742**	155,414
CURRENT LIABILITIES			
Trade and bills payables	13	**17,578**	23,347
Other payables and accruals		**23,674**	23,207
Dividend payable		**–**	35,000
Income tax payables		**9,548**	8,958
Total current liabilities		**50,800**	90,512

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
NET CURRENT ASSETS		**67,942**	64,902
TOTAL ASSETS LESS CURRENT LIABILITIES		**114,671**	109,429
NON-CURRENT LIABILITIES			
Defined benefit obligations		**1,081**	1,104
Net assets		**113,590**	108,325
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Issued capital	14	**1,000**	1,000
Reserves		**112,590**	107,325
Total equity		**113,590**	108,325

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Issued capital (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$'000	Retained profits (Unaudited) US$'000	Total equity (Unaudited) US$'000
At 1 January 2018	1,000	19,052*	262*	126*	2,073*	85,812*	108,325
Profit for the period	–	–	–	–	–	6,380	6,380
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	–	–	–	–	(1,115)	–	(1,115)
Total comprehensive income/(loss) for the period	–	–	–	–	(1,115)	6,380	5,265
At 30 June 2018	1,000	19,052*	262*	126*	958*	92,192*	113,590

* These reserve accounts comprise the consolidated reserves of US$112,590,000 (31 December 2017: US$107,325,000) in the condensed consolidated statement of financial position as at 30 June 2018.

For the six months ended 30 June 2017

	Issued capital (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$'000	Retained profits (Unaudited) US$'000	Total equity (Unaudited) US$'000
At 1 January 2017	1,000	19,052	248	269	(136)	99,744	120,177
Profit for the period	–	–	–	–	–	17,288	17,288
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	–	–	–	–	453	–	453
Total comprehensive income for the period	–	–	–	–	453	17,288	17,741
At 30 June 2017	1,000	19,052	248	269	317	117,032	137,918

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	**(2,000)**	17,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(6,440)**	(1,378)
Proceeds from disposal of items of property, plant and equipment	**54**	18
Additions to intangible assets	**(34)**	(119)
Increase in time deposits with maturity of more than three months when acquired	**(7,770)**	(67)
Gross decrease in pledged bank deposits relating to investing activities	**–**	658
Interest received	**130**	338
Net cash flows used in investing activities	**(14,060)**	(550)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to a director	**–**	(3,211)
Interest paid	**(22)**	–
Dividend paid	**(35,000)**	–
Net cash flows used in financing activities	**(35,022)**	(3,211)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(51,082)**	13,570
Cash and cash equivalents at beginning of period	**71,321**	36,959
Effect of foreign exchange rate changes, net	**(852)**	134
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**19,387**	50,663

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	US$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	**19,387**	44,501
Time deposits	**7,770**	14,331
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**27,157**	58,832
Less: Time deposits with maturity of more than three months when acquired	**(7,770)**	(8,169)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**19,387**	50,663

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

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 2018, the Company and its subsidiaries (collectively, the "**Group**") were principally involved in the manufacturing and sale of sports 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

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2018 has been prepared in accordance with 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 financial statements for the year ended 31 December 2017, as included in Appendix I to the prospectus of the Company dated 29 June 2018 (the "**Prospectus**").

The accounting policies and basis of preparation adopted in the preparation of this interim condensed consolidated financial information are consistent with those adopted in the Group's financial statements for the year ended 31 December 2017, as included in Appendix I to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants, except for the adoption of the new and revised HKFRSs as disclosed in note 2.2 below.

2.1 BASIS OF PREPARATION *(continued)*

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim condensed consolidated financial information:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the unaudited interim condensed consolidated financial information.

The nature and the impact of the changes are described below:

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

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 with the initial application date of 1 January 2018. The Group has elected not to adjust the comparative information for the period beginning on 1 January 2017 and as at 31 December 2017, which was prepared under classification and measurement requirements of HKAS 39. The impacts relating to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's financial assets are as follows:

– Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

– Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's equity instruments were classified as available-for-sale investments.

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

HKFRS 9 *Financial Instruments* *(continued)*

(i) Classification and measurement (continued)

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and applied to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

(ii) Impairment

HKFRS 9 requires an impairment on trades receivables, deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables. The Group applied general approach and recorded twelve-month expected losses on its deposits and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

HKFRS 15 *Revenue from Contracts with Customers* *(continued)*

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted HKFRS 15 using the full retrospective method.

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

The Group was principally involved in the manufacturing and sale of sports bags, handbags and luggage bags. Prior to the adoption of HKFRS 15, revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

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

HKFRS 15 *Revenue from Contracts with Customers* *(continued)*

Timing of revenue recognition (continued)

The Group has assessed that, based on the terms of the sale agreements entered into between the Group and customers, the Group does not have an enforceable right to payment for performance completed to date. Accordingly, the criteria set out in HKFRS 15 for recognising revenue over time are not met for the sale of goods. On account of this, the Group continues to recognise the sale of goods until the point in time at which the Group delivers the goods to the customers. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition, the financial position and results of operations of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3 OPERATING SEGMENT INFORMATION

No operating segment information is presented as more than 90% of the Group's revenue and reported results during the six months ended 30 June 2018 and 30 June 2017, and more than 90% of the Group's total assets as at the end of the reporting period were derived from one single operating segment, i.e., manufacturing and sale of sport bags, handbags and luggage bags.

4. REVENUE

Revenue represents the aggregate of the invoiced value of goods sold, after allowances for returns and trade discounts, and net of value-added tax and government surcharges.

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	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Other income		
Bank interest income	**130**	338
Government grants*	**17**	52
Compensation income	**–**	26
Charges levied on customers	**357**	502
Others	**110**	152
	614	1,070
Gains, net		
Foreign exchange difference, net	**395**	97
Gain on sales of scrap materials	**71**	103
	466	200
Other income and gains, net	**1,080**	1,270

* 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.

6. FINANCE COSTS

Finance costs for the current period represent factoring charges on certain designated trade receivables, details of which are set out in note 12 to the interim condensed consolidated financial information.

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Cost of inventories sold	**97,454**	103,180
Depreciation	**2,658**	2,123
Less: Amount included in cost of inventories sold	**(2,122)**	(1,438)
	536	685
Amortisation of prepaid land lease payments	**56**	52
Amortisation of intangible assets	**95**	122
Research and development costs	**1,911**	1,593

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during both periods. 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.

8. INCOME TAX *(continued)*

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Current:		
Charge for the period	**1,449**	2,807
Underprovision in prior years	**157**	51
	1,606	2,858
Deferred tax	**26**	102
Total tax expense for the period	**1,632**	2,960

9. INTERIM DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the period is based on the unaudited profit for the period attributable to shareholders of the Company of US$6,380,000 (Period ended 30 June 2017: US$17,288,000), and the weighted average number of ordinary shares in issue of 840,000,000 (Period ended 30 June 2017: 840,000,000) during the period as if the change in issued number of ordinary shares of the Company as detailed in notes 14(b) and 17(a) had been completed on 1 January 2017.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2018 and 2017 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 spent approximately US$6,440,000 (six months ended 30 June 2017: US$1,378,000) on property, plant and equipment and disposed of property, plant and equipment with a total net carrying amount of approximately US$104,000 (six months ended 30 June 2017: US$17,000).

12. TRADE RECEIVABLES

The Group's trading terms with its customers for sale of goods are mainly on credit. The credit period is generally 15 to 105 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to certain customers with good reputation, in the opinion of the directors of the Company, there is no significant credit risk. Trade receivables are non-interest-bearing.

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

	As at	
	30 June 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000
Within 1 month	**29,121**	25,729
1 to 2 months	**18,549**	13,974
2 to 3 months	**9,829**	3,370
Over 3 months	**1,941**	1,287
	59,440	44,360

The Group has entered into a non-recourse agreement with a bank for the factoring of trade receivables from a designated customer. During the six months ended 30 June 2018, trade receivables with an aggregate amount of US$5,730,000 were factored to the bank and were fully derecognised, because, according to the terms of the non-recourse financing agreement, the Group had transferred substantially all the risks and rewards of ownership in respect of the relevant factored trade receivables to the bank.

13. TRADE AND BILLS PAYABLES

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

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 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000
Within 1 month	**15,214**	18,058
1 to 2 months	**1,638**	3,703
2 to 3 months	**315**	854
Over 3 months	**411**	732
	17,578	23,347

14. SHARE CAPITAL

	As at	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Authorised:		
–1,000,000 ordinary shares of US$1 each	**N/A**	US$1,000,000
–100,000,000,000 ordinary shares of HK$0.01 each	**HK$1,000,000,000**	N/A

	As at	
	30 June 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000
Issued and fully paid:		
–1,000,000 ordinary shares of US$1 each	**N/A**	1,000
–780,000,000 ordinary shares of HK$0.01 each	**1,000**	N/A
	1,000	1,000

14. SHARE CAPITAL *(continued)*

	Number of ordinary shares in issue		Issued capital (Unaudited)
	US$1 each	HK$0.01 each	US$'000
Issued and fully paid:			
At 1 January 2018	1,000,000	–	1,000
Issuance of shares on 19 June 2018 (note (b))	–	780,000,000	1,000
Repurchase and cancellation of shares on 19 June 2018 (note (b))	(1,000,000)	–	(1,000)
At 30 June 2018 (unaudited)	–	780,000,000	1,000

The movements in share capital of the Company during the six months ended 30 June 2018 were as follows:

(a) On 19 June 2018, the authorised share capital of the Company was increased by HK$1,000,000,000 divided by the creation of 100,000,000,000 ordinary shares of HK$0.01 each, ranking *pari passu* in all respects with the then existing ordinary shares of US$1 each. Immediately following such increase, the authorised share capital of the Company was US$1,000,000 divided into 1,000,000 ordinary shares of US$1 each and HK$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK$0.01 each.

(b) On 19 June 2018, the Company allotted and issued 780,000,000 ordinary shares of HK$0.01 each to its then shareholders at par value which were used for the repurchase on the same day of 1,000,000 ordinary shares of US$1 each from its then shareholders with no consideration received or transferred.

Following the said repurchase, all authorised but unissued share capital of the Company with par value of US$1 each was diminished by cancellation of all the unissued share capital of the Company with par value of US$1 each in the share capital of the Company. After such cancellation, the authorised share capital of the Company was HK$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK$0.01 each.

15. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	As at	
	30 June 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000
Contracted, but not provided for in respect of:		
Acquisition of property, plant and equipment	**398**	1,732

16. RELATED PARTY DISCLOSURES

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

		For the six months ended 30 June	
	Notes	**2018 (Unaudited) US$'000**	2017 (Unaudited) US$'000
A company beneficially owned by certain directors of the Company			
Rental expenses	(i)	**106**	87
Subsidiaries of a company with significant influence over the Company			
Subcontracting service income	(iii)	**–**	42
Management and consultancy service fee paid	(ii)	**52**	42
Public facility maintenance expenses	(iv)	**78**	68
Utility expenses	(iv)	**260**	221
Shuttle bus service expenses	(i)	**191**	166
Building management expenses	(iii)	**71**	79

16. RELATED PARTY DISCLOSURES *(continued)*

Notes:

(i) These transactions were determined with reference to prevailing market rates.

(ii) The management and consultancy service fees were determined with reference to market salaries of personnel with similar background and experience in Taiwan.

(iii) These transactions were carried out at mutually-agreed prices.

(iv) The public facility maintenance expenses and utilities expenses were reimbursed to the related party on the actual cost basis.

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Short term employee benefits	**533**	392
Defined contribution schemes contributions	**16**	7
Total compensation paid/payable to key management personnel	**549**	399

17. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the written resolutions passed by the shareholders of the Company on 19 June 2018, the Directors were authorised to capitalise an aggregate amount of HK$600,000 standing to the credit of the share premium of the Company as a result of the Global Offering and to appropriate such amount as capital to pay up in full at par 60,000,000 shares of HK$0.01 each for allotment and issue to the persons whose names appear on the register of members of the Company immediately prior to the listing of the Company's shares on the Main Board of the Stock Exchange (the "**Listing**"), each ranking pari passu in all respects with the then existing issued shares (the "**Capitalisation Issue**"). The Capitalisation Issue had been completed on 12 July 2018.

(b) On 12 July 2018, 280,000,000 ordinary shares of par value HK$0.01 each were issued at a price of HK$0.89 per share in connection with the Listing for a total proceeds of approximately US$29,069,000, net of listing expenses of US$3,086,000, of which HK$2,800,000 (equivalent to approximately US$361,000) representing the par value were credited to the Company's share capital and the remaining proceeds of HK$222,482,000 (equivalent to approximately US$28,708,000) were credited to the share premium account. The shares of the Company have been listed on the Main Board of the Stock Exchange since 13 July 2018.

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 29 August 2018.

Business and financial review

The Group is a leading manufacturer that designs, develops and manufactures recreational bags and packs, which are mainly backpacks, and provides quality supply chain management services for renowned multinational sports and lifestyle brands. The Group is also engaged in sales of a proprietary brand of bags and packs, MAISON PROMAX, an entry-level luxury fashion brand with elements inspired by French design. During the period under review, over 99% of the Group's revenue was generated from sales of bags and packs manufactured for brand owner customers.

During the six months ended 30 June 2018, the Group further expanded its multi-regional manufacturing platform by establishing a new production base in Cambodia (the "**Cambodia Production Base**"). Plant one of Cambodia Production Base was established and commenced operation in February 2018, which has further enhanced the Group's manufacturing capability and flexibility. As at 30 June 2018, the Group had a total of six production facilities in the People's Republic of China ("**PRC**"), Vietnam and Cambodia.

Total revenue for the six months ended 30 June 2018 was approximately US$127.2 million, representing a decrease of approximately US$13.2 million or 9.4% from approximately US$140.4 million as recorded in the corresponding period in 2017. The decrease was mainly a result from the decrease in purchases orders from a number of major customers. Sales quantity decreased from approximately 14.2 million pieces for the six months ended 30 June 2017 to approximately 12.2 million pieces for the six months ended 30 June 2018, representing a decrease of approximately 2 million pieces or 14.1%. The average selling price per piece slightly improved while the sales mix of different product categories remained stable with outdoor & sporting bags and packs continued to contribute over 60% of the total revenue. The breakdown of the revenue, sales quantity and average selling price by product category are set out as below:

	Six months ended 30 June 2018				Six months ended 30 June 2017			
	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								
Outdoor & sporting	**79,913**	**63**	**7,620**	**10.5**	83,959	60	8,822	9.5
Functional	**21,206**	**17**	**1,827**	**11.6**	28,980	21	2,393	12.1
Fashion & casual	**23,056**	**18**	**2,490**	**9.3**	23,684	17	2,620	9.0
Others	**3,012**	**2**	**270**	**11.2**	3,790	2	385	9.8
Total	**127,187**	**100**	**12,207**	**10.4**	140,413	100	14,220	9.9

The Group's cost of sales for the six months ended 30 June 2018 amounted to approximately US$99.6 million, representing a decrease of approximately US$5.0 million or 4.8% from approximately US$104.6 million for the corresponding period in 2017. The decrease was primarily attributable to the decrease in sales quantity for the period. Meanwhile, operating costs of the Group's production facilities in the PRC have increased due to the appreciation of Renminbi against the United States dollars during the period under review, thus leading to a decrease in gross profit margin from 25.5% to 21.7%.

The Group's administrative expenses increased by approximately US$3.4 million or 36.6% from approximately US$9.3 million for the six months ended 30 June 2017 to approximately US$12.7 million for the six months ended 30 June 2018. This was mainly attributable to the non-recurring listing expenses of approximately US$2.5 million and the operating cost of plant one of Cambodia Production Base incurred since it has been put into operation in February 2018.

Selling and distribution expenses for the six months ended 30 June 2018 amounted to approximately US$7.6 million (six months ended 30 June 2017: approximately US$7.3 million), slightly increased by approximately US$0.3 million or 4.1% as compared to the corresponding period in 2017.

Profit attributable to shareholders of the Company declined by approximately US$10.9 million or 63.0% to approximately US$6.4 million for the six months ended 30 June 2018, compared with approximately US$17.3 million for the corresponding period in 2017. Basic earnings per share for the six months ended 30 June 2018 decreased by 1.3 US cents to 0.76 US cent as compared to 2.06 US cents for the corresponding period in 2017. Basic earnings per share excluding the non-recurring listing expenses for the six months ended 30 June 2018 would be approximately 1.06 US cents, representing a decrease of 48.5% as compared to the corresponding period in 2017.

Liquidity, financial resources and capital expenditure

As at 30 June 2018, the Group had cash and cash equivalents of approximately US$27.2 million. The cash balance decreased by approximately US$44.1 million as compared to 31 December 2017, mainly due to the payment of dividend of US$35 million declared during the year ended 31 December 2017. The Group had no external borrowings. As at 30 June 2018, the gearing ratio of the Group was zero (31 December 2017: zero), calculated as total debt divided by total equity.

During the six months ended 30 June 2018, the Group incurred capital expenditure of US$6.4 million, mainly attributable to the set up of Cambodia Production Base and acquisition of property, plant and equipment.

Listing expenses

Listing expenses represented fees to various professional parties in connection with the listing of the Company's shares on the Main Board of The Stock Exchange. Listing expenses recognised in profit or loss for the six months ended 30 June 2018 were approximately US$2.5 million (six months ended 30 June 2017: approximately US$0.1 million).

Events after the end of reporting period

On 12 July 2018, the Company allotted and issued 60,000,000 shares of HK$0.01 each credited as fully paid to Prosperous Holdings (Overseas) Limited and Great Pacific Investment Limited, by way of capitalising an amount in the share premium account of the Company.

On 12 July 2018, in connection with the listing of the Company's shares on the Main Board of the Stock Exchange, 280,000,000 shares of HK$0.01 each were issued at a price of HK$0.89 each for a total consideration, before expenses, of approximately HK$249,200,000. The 280,000,000 shares comprised 252,000,000 shares issued under the placing tranche and 28,000,000 shares issued under the public subscription tranche in the initial public offering of the Company. On 13 July 2018 (the "**Listing Date**"), the shares of the Company were listed on the Main Board of the Stock Exchange.

Contingent liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: nil).

Capital commitment

Details of capital commitment of the Group as at 30 June 2018 are set out in the note 15 to the Group's unaudited condensed consolidated financial information for the six months ended 30 June 2018.

Segmental Information

No operating segmental information of the Group was presented for the six months ended 30 June 2018. Details are set out in note 3 to the Group's unaudited condensed consolidated financial information for the six months ended 30 June 2018.

Employee information

As at 30 June 2018, the Group had approximately 9,700 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 six months ended 30 June 2018, no share options were granted to employees of the Group.

Significant investments held

Save as disclosed in the section headed "Business and Financial Review", there were no material investments held by the Group as at 30 June 2018.

Charge on the Group's assets

As at 30 June 2018, the Group did not have any charges on its assets (31 December 2017: Nil).

Foreign currency exposure

The Group's purchases and operating costs are mainly denominated in Renminbi and Vietnamese Dong while most of the Group's sales proceeds are received in US$. As such, the Group is exposed to foreign currency risk. Any appreciation of Renminbi or Vietnamese Dong against US$ 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 arise.

Outlook and prospects

The recent trade war between the United States of America ("**US**") and the PRC has casted uncertainties on the operations in the PRC as there would be a risk of additional tariff on goods exported to the US. The Group will keep a close eye on the macroeconomic and geopolitical situations, and adjust to market changes from time to time. With the multi-regional manufacturing platform in the PRC, Vietnam and Cambodia, coupled with the Group's overseas production management experience, the Group is capable to navigate through preferential import tariffs and international trading benefits.

The Group will continue to enhance its manufacturing capacity and flexibility through expanding the production platform in Cambodia. The management of the Group believes this will allow the Group to diversify operational risks and at the same time capture growth opportunities and enjoy benefits from lower manufacturing and labour costs.

The management of the Group also believes that the public listing status will enhance the Group's corporate profile, credibility and competitiveness with the enhanced transparency on the Group's financial and operational information as a listed company of the Stock Exchange.

Going forward, the Group will continue to strengthen its leading position in the global recreational bags and packs manufacturing and supply chain management market, enhance the overall competitiveness and market share, in order to better reward the Company's shareholders in long term.

Use of proceeds from listing

As the shares of the Company were not yet listed on the Main Board of the Stock Exchange until 13 July 2018, the proceeds was not yet available for use during the period. Net proceeds from the Listing will be used in the manner consistent with that mentioned in the Prospectus.

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.

As the shares of the Company were not yet listed on the Main Board of the Stock Exchange as at 30 June 2018, the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were not applicable to the Company during the period. Immediately following the listing of the Company's shares on the Main Board of the Stock Exchange on the Listing Date, the Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practice, and the CG Code has been applicable to the Company. The Company has complied with the CG Code from the Listing Date up to the date of this report. 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 throughout the period commencing from the Listing Date to the date of this report.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the period ended 30 June 2018 (six months ended 30 June 2017: nil).

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 AND ASSOCIATED COMPANIES

During the period under review, there was no acquisition or disposal of subsidiaries and associated companies 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 19 June 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.

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 2018, the shares of the Company were not yet listed on the Main Board of the Stock Exchange.

As at the Listing Date, none of the Directors and chief executive of the Company were interested in the shares of the Company, underlying shares of the Company 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**")).

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

So far as known to the Directors or chief executive of the Company, immediately following completion of the global offering and as at the Listing Date, 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 were as follows:

Long Positions in Shares

		As at the Listing Date	
Name	Capacity/Nature of interest	Number of shares	Percentage of shareholding in the Company
Prosperous Holdings (Overseas) Limited ("**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%

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 upon the Listing 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) Pou Chen Corporation is a shareholder of Yue Yuen and as at 13 July 2018, is interested as to 50.33% of Yue Yuen through its two wholly-owned subsidiaries, Wealthplus Holdings Limited (interested as to 47.22% of Yue Yuen as at 13 July 2018) and Win Fortune Investments Limited (interested as to 3.11% of Yue Yuen as at 13 July 2018). 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 since the Listing Date 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As the shares of the Company was not yet listed on the Main Board of the Stock Exchange as at 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period under review.

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 2018, 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.

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

Hong Kong, 29 August 2018

As at the date of this report, 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.