



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



Interim Report
2021

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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. 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 (*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 2021 with comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		For the six months ended 30 June	
	Notes	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
REVENUE	4	81,432	98,493
Cost of sales		(62,371)	(77,949)
Gross profit		19,061	20,544
Other income and gains, net	5	1,041	1,129
Selling and distribution expenses		(5,518)	(5,559)
Administrative expenses		(8,745)	(9,866)
Other expenses, net		(402)	(216)
Finance costs	6	(240)	(290)
PROFIT BEFORE TAX	7	5,197	5,742
Income tax	8	(918)	(712)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		4,279	5,030

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		For the six months ended 30 June	
Notes	2021 (Unaudited) US\$'000	2020 (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	228	(747)	
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Revaluation surplus	–	5,214	
Deferred tax debited to asset revaluation reserve	–	(1,304)	
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	–	3,910	
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	228	3,163	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	4,507	8,193	
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (US cent)	0.38	0.45	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	19,094	20,613
Investment properties		10,124	10,069
Right-of-use assets		18,877	19,395
Intangible assets		347	108
Equity investment at fair value through other comprehensive income		2	2
Prepayments, deposits and other receivables		1,737	2,247
Deferred tax assets		694	742
Total non-current assets		50,875	53,176
CURRENT ASSETS			
Inventories		17,643	23,253
Trade and bills receivables	12	38,455	26,405
Prepayments, deposits and other receivables		7,767	7,182
Income tax recoverable		71	71
Cash and bank balances		64,938	82,523
Total current assets		128,874	139,434
CURRENT LIABILITIES			
Trade and bills payables	13	8,340	14,249
Other payables and accruals		10,965	12,257
Lease liabilities		2,181	1,916
Income tax payables		11,711	11,529
Total current liabilities		33,197	39,951

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Notes	As at 30 June 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
NET CURRENT ASSETS	95,677	99,483
TOTAL ASSETS LESS CURRENT LIABILITIES	146,552	152,659
NON-CURRENT LIABILITIES		
Defined benefit obligations	620	606
Lease liabilities	5,443	5,987
Deferred tax liabilities	1,275	1,261
Total non-current liabilities	7,338	7,854
Net assets	139,214	144,805
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		
Issued capital	1,436	1,436
Reserves	137,778	143,369
Total equity	139,214	144,805

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 ¹ (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*	2,306*	3,910*	88,130*	144,805
Profit for the period	-	-	-	-	-	-	-	4,279	4,279
Other comprehensive income/(loss) 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\$137,778,000 (31 December 2020: US\$143,369,000) in the condensed consolidated statement of financial position as at 30 June 2021.

For the six months ended 30 June 2020

	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 ¹ (Unaudited) US\$'000	Retained profits (Unaudited) US\$'000	Total equity (Unaudited) US\$'000
At 1 January 2020	1,436	28,633	19,052	274	391	(509)	-	85,168	134,445
Profit for the period	-	-	-	-	-	-	-	5,030	5,030
Other comprehensive income/(loss) for the period:									
- Revaluation surplus	-	-	-	-	-	-	5,214	-	5,214
- Deferred tax debited to asset revaluation reserve	-	-	-	-	-	-	(1,304)	-	(1,304)
- Exchange differences on translation of foreign operations	-	-	-	-	-	(747)	-	-	(747)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(747)	3,910	5,030	8,193
At 30 June 2020	1,436	28,633	19,052	274	391	(1,256)	3,910	90,198	142,638

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	(5,933)	7,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(413)	(550)
Proceeds from disposal of items of property, plant and equipment	80	266
Additions to intangible assets	(299)	(39)
Decrease in time deposits with maturity of more than three months when acquired	8,814	12,851
Interest received	256	192
Net cash flows from investing activities	8,438	12,720
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(240)	(290)
Dividends paid	(10,098)	–
Principal portion of lease payments	(1,020)	(929)
Net cash flows used in financing activities	(11,358)	(1,219)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,853)	19,475
Cash and cash equivalents at beginning of period	40,225	38,209
Effect of foreign exchange rate changes, net	82	(914)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,454	56,770
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the condensed consolidated statement of financial position	64,938	82,523
Less: Time deposits with maturity of more than three months when acquired	(33,484)	(25,753)
Cash and cash equivalents as stated in the consolidated statement of cash flows	31,454	56,770

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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 2021, 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 2021 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 2020.

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 2021

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 2020, 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 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to HKFRS 16

Covid-19-Related Rent Concessions

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any material impact on the financial position and performance of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment and the amendment did not have any material impact on the financial position and performance of the Group.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

4. REVENUE

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

Disaggregation of revenue

	For the six months ended 30 June	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
By geographical markets		
The USA	29,000	35,405
Mainland China	13,396	14,396
Belgium	9,662	12,135
Netherlands	6,326	8,886
Japan	5,439	6,865
Hong Kong	597	1,910
Others	17,012	18,896
Total revenue from contracts with customers	81,432	98,493
By product category		
Outdoor and sporting bags	61,033	71,445
Functional bags	5,956	10,154
Fashion and casual bags	14,096	15,079
Others	347	1,815
Total revenue from contracts with customers	81,432	98,493

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Other income		
Bank interest income	256	192
Government grants*	48	119
Charges levied on customers	–	202
Rental income	395	64
Others	329	292
	1,028	869
Gains, net		
Foreign exchange difference, net	–	243
Gain on sales of scrap materials	13	17
	13	260
Other income and gains, net	1,041	1,129

* 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 2021

6. FINANCE COSTS

	For the six months ended 30 June	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Factoring charges on certain designated trade receivables (note 12)	13	10
Interest on lease liabilities	227	267
Others	–	13
	240	290

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Cost of inventories sold	60,394	75,674
Depreciation of property, plant and equipment	1,976	2,340
Less: Amount included in cost of inventories sold	(1,088)	(1,386)
	888	954
Depreciation of right-of-use assets	1,284	1,309
Less: Amount included in cost of inventories sold	(889)	(889)
	395	420
Loss/(gain) on disposal of property, plant and equipment	71	(44)
Amortisation of intangible assets	58	191
Research and development costs	1,373	1,300
Reversal of impairment of trade receivables*	–	(17)

* 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 2021

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Current:		
Charge for the period	852	899
Deferred tax	66	(187)
Total tax expense for the period	918	712

9. DIVIDENDS

	For the six months ended 30 June	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Final dividend declared and paid – HK1 cent (equivalent to approximately US0.13 cent) (2020: Nil) per ordinary share	1,443	–
Special dividend declared and paid – HK6 cents (equivalent to approximately US0.77 cent) (2020: Nil) per ordinary share	8,655	–
	10,098	–

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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\$4,279,000 (six months ended 30 June 2020: US\$5,030,000), and the weighted average number of ordinary shares in issue of 1,120,000,000 (six months ended 30 June 2020: 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 2021 and 2020 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\$413,000 (six months ended 30 June 2020: US\$550,000), disposed of property, plant and equipment with a total net carrying amount of approximately US\$151,000 (six months ended 30 June 2020: US\$222,000).

12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
Trade receivables	39,527	27,477
Less: Impairment	(1,072)	(1,072)
	38,455	26,405

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
Within 1 month	38,437	19,072
1 to 2 months	17	6,304
2 to 3 months	1	949
Over 3 months	–	80
	38,455	26,405

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 2021, trade receivables with an aggregate amount of US\$10,204,000 (31 December 2020: 12,630,000) were factored to the bank and were fully derecognised.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
Within 1 month	7,605	12,552
1 to 2 months	672	1,422
2 to 3 months	46	143
Over 3 months	17	132
	8,340	14,249

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

14. 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	2021 (Unaudited) US\$'000	2020 (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)	79	79
Utility expenses and other charges	(iii)	203	258
Shuttle bus service expenses	(i)	116	125
Building management expenses	(ii)	102	72

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Short term employee benefits	625	609
Defined contribution scheme contributions	9	18
Total compensation paid/payable to key management personnel	634	627

15. 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 27 August 2021.

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 2021 (the “**Period**”), the Group’s revenue was generated from sales of bags and packs manufactured for brand owner customers.

During the Period, despite the impact of COVID-19 pandemic seemed to moderate and the economic activities across the globe showed signs of recovery, alongside with mass vaccination campaigns and the resumption of major sports events, the Group’s sales were slow to pick up. Customers remained cautious in placing their orders as the COVID-19 pandemic is still prevalent in various countries. As a result, the Group’s revenue for the Period decreased compared to the same period last year. Meanwhile, the Group continued to focus on making the best use of the existing capacity and streamlining the production procedures with the aim to achieve optimal efficiency, and hence improving the profitability. The gross profit margin for the Period improved to 23.4%, up from 20.9% from the same period last year.

Outlook and prospects

The uncertainties surrounding the COVID-19 pandemic will continue to cast shadow on the global economic recovery. In July 2021, the recent development of the COVID-19 pandemic in Vietnam has caused interruption in our production and supply chain. The Group’s production base in Vietnam had been temporarily closed for a period from July to August 2021 due to the anti-epidemic control measures as implemented by the local government. Up to the date of this report, the operations of our Vietnam production base, as well as our business partners in the region, have not been fully resumed. Inevitably, such delayed resumption of operation will impact our production efficiency and cause supply chain disruptions. The Group will continue to monitor the situation and work closely with its suppliers and customers, such as delaying the production schedule and reallocating some production orders to the Group’s other production bases in the PRC and Cambodia, to mitigate the adverse impact arising therefrom.

While the production efficiency of our Vietnam production base is being affected by the COVID-19 pandemic in Vietnam, it is encouraging to see the production efficiency in our Cambodia production base has improved noticeably during the Period. The Group will continue to leverage through its multi-regional manufacturing platform to achieve a sustainable business growth.

Financial review

Total revenue of the Group for the Period was approximately US\$81.4 million, representing a decrease of approximately US\$17.1 million or 17.3% from approximately US\$98.5 million as recorded in the six months ended 30 June 2020 (the “**Corresponding Period**”). Sales quantity decreased from approximately 11.1 million pieces for the Corresponding Period to approximately 9.6 million pieces for the Period, representing a decrease of approximately 1.5 million pieces or 13.7%. In order to better utilise the production capacity of the Group’s multi-regional manufacturing platform, the sales mix of different product category has been shifting away from functional category and has concentrated more towards outdoor & sporting category since last year. The breakdown of the revenue, sales quantity and average selling price by product category are set out below:

	Six months ended 30 June 2021				Six months ended 30 June 2020			
	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	61,033	75.0	6,723	9.1	71,445	72.6	7,530	9.5
Functional	5,956	7.3	379	15.7	10,154	10.3	1,686	6.0
Fashion & casual	14,096	17.3	2,447	5.8	15,079	15.3	1,707	8.8
Others	347	0.4	21	16.5	1,815	1.8	167	10.9
Total	81,432	100	9,570	8.5	98,493	100	11,090	8.9

The Group’s cost of sales for the Period amounted to approximately US\$62.4 million, representing a decrease of approximately US\$15.5 million or 20.0% from approximately US\$77.9 million for the Corresponding Period. The decrease was primarily due to decrease in sales quantity for the Period. The Group’s gross profit margin for the Period improved to 23.4% from 20.9% in the Corresponding Period as a result of improved production efficiency in the Group’s production bases, in particular, the Cambodia production base.

The Group’s administrative expenses for the Period amounted to approximately US\$8.7 million, decreased by approximately US\$1.1 million or 11.4% from approximately US\$9.9 million for the Corresponding Period as a result of the more stringent cost control measures and the closure of its retail business since the outbreak of the COVID-19 pandemic.

Selling and distribution expenses for the Period amounted to approximately US\$5.5 million, which was similar to that of the Corresponding Period despite the decrease in the quantity shipped. This is mainly due to the continuing surge of global shipping cost since the outbreak of the pandemic.

Profit attributable to shareholders of the Company is reduced by approximately US\$0.7 million or 14.9% to approximately US\$4.3 million for the Period, compared with approximately US\$5.0 million for the Corresponding Period. Basic earnings per share for the Period decreased by 0.07 US cents to 0.38 US cents as compared to 0.45 US cents for the Corresponding Period.

Liquidity, financial resources and capital expenditure

The Group's financial position remained solid. As at 30 June 2021, the Group had cash and cash equivalents of approximately US\$64.9 million. The Group had no external borrowings as at 30 June 2021. As a result, the gearing ratio of the Group was zero (31 December 2020: zero), calculated as total debt, excluding lease liabilities, divided by total equity.

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

Contingent liabilities


As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

Capital commitment

As at 30 June 2021, the Group did not have any significant capital commitments (31 December 2020: 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 2021, the Group had approximately 7,100 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 2021, there were no material investments held by the Group.

Charge on the Group's assets

As at 30 June 2021, the Group did not have any charges on its assets (31 December 2020: Nil).

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 2021, the amount of the net proceeds which remained unutilised amounted to approximately HK\$11.1 million. The remaining unutilised net proceeds are expected to be utilised within 2 years up to 2023.

Set out below are details of the use of proceeds up to 30 June 2021:

	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 2021 HK\$' million	Unutilised amount up to 30 June 2021 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	5.0	3.7
Reallocation of production capacity	-	31.0	31.0	23.6	7.4
General working capital	-	-	65.0	65.0	-
Total	202.2	202.2	202.2	191.1	11.1

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 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).



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.

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 2021, 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 Shu Kai	Prosperous BVI	Personal interest	6	6%
Mr. Yeung Shu Hung	Prosperous BVI	Personal interest	6	6%

Note:

1. As at 30 June 2021, the total number of issued shares of Prosperous BVI was 100.

Save as disclosed above, as at 30 June 2021, 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.

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 2021, 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%

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) Pou Chen Corporation is a shareholder of Yue Yuen, is interested as to 51.11% of Yue Yuen 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.

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 2021, 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

27 August 2021