PROSPEROUS INDUSTRIAL (HOLDINGS) LIMITED
其 利 工 業 集 團 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1731)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Prosperous Industrial (Holdings) Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019, together with comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2019

	Notes	**2019** **US$'000**	2018 US$'000
REVENUE	*4*	**223,161**	221,849
Cost of sales		**(175,870)**	(172,374)
Gross profit		**47,291**	49,475
Other income and gains, net	*5*	**2,934**	2,291
Selling and distribution expenses		**(15,926)**	(15,401)
Administrative expenses		**(28,114)**	(26,348)
Other expenses, net		**(3,123)**	(887)
Finance costs	*6*	**(595)**	(63)
PROFIT BEFORE TAX	*7*	**2,467**	9,067
Income tax	*8*	**(3,033)**	(1,697)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**(566)**	7,370
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translation of foreign operations		**(481)**	(2,101)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods – Defined benefit plan:			
Actuarial gain		**29**	288
Income tax effect		**(4)**	(48)
		25	240
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		**(456)**	(1,861)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**(1,022)**	5,509
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*10*		
Basic and diluted *(US cent)*		**(0.05)**	0.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	**2019**	2018
		US$'000	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**28,306**	40,187
Right-of-use assets		**21,878**	–
Prepaid land lease payments		**–**	3,185
Intangible assets		**502**	831
Equity investment at fair value through other comprehensive income		**2**	2
Prepayments, deposits and other receivables		**1,931**	1,804
Deferred tax assets		**209**	832
Total non-current assets		**52,828**	46,841
CURRENT ASSETS			
Prepaid land lease payments		**–**	104
Inventories		**33,339**	34,924
Trade and bills receivables	*11*	**42,252**	35,666
Prepayments, deposits and other receivables		**9,012**	8,694
Income tax recoverable		**71**	71
Cash and bank balances		**51,060**	63,772
Total current assets		**135,734**	143,231
CURRENT LIABILITIES			
Trade and bills payables	*12*	**17,620**	19,065
Other payables and accruals		**15,968**	17,865
Lease liabilities		**1,893**	–
Income tax payables		**10,223**	9,754
Total current liabilities		**45,704**	46,684
NET CURRENT ASSETS		**90,030**	96,547
TOTAL ASSETS LESS CURRENT LIABILITIES		**142,858**	143,388
NON-CURRENT LIABILITIES			
Defined benefit obligations		**749**	787
Lease liabilities		**7,664**	–
Total non-current liabilities		**8,413**	787
Net assets		**134,445**	142,601
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Issued capital		**1,436**	1,436
Reserves		**133,009**	141,165
Total equity		**134,445**	142,601

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19, and HKAS 28, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

    The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 and related interpretations.

New definition of lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and buildings, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and were separately disclosed in the statement of financial position. The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of HK$9,313,000 that were reclassified from property, plant and equipment and reclassification of prepaid land lease payments of US$3,289,000 and prepaid rent of US$274,000 to right-of-use assets.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before I January 2019 as an alternative to performing an impairment review; and

- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

As a lessee – Leases previously classified as finance leases

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease)
	US$'000
Assets	
Increase in right-of-use assets	22,793
Decrease in property, plant and equipment	(9,313)
Decrease in prepaid land lease payments	(3,289)
Decrease in prepayment, deposits and other receivables	(274)
Increase in total assets	9,917
Liabilities	
Increase in lease liabilities and total liabilities	9,917

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	US$'000
Operating lease commitments as at 31 December 2018	5,698
Weighted average incremental borrowing rate as at 1 January 2019	5.79%
Discounted operating lease commitments as at 1 January 2019	3,314
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(218)
Add: Payments for optional extension periods not recognised as at 31 December 2018	6,821
Lease liabilities as at 1 January 2019	9,917

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intra-group sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

Operating segment information

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

Geographical information

(a) Revenue from external customers

	2019	2018
	US$'000	*US$'000*
The United States of America (the "**USA**")	**81,916**	87,062
Mainland China	**37,424**	38,279
Belgium	**22,114**	14,589
Japan	**19,045**	16,333
Netherlands	**13,787**	18,306
Hong Kong	**4,737**	3,528
Others	**44,138**	43,752
	223,161	221,849

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

(b) Non-current assets

	2019	2018
	US$'000	*US$'000*
Mainland China	**18,355**	17,753
Vietnam	**15,755**	14,584
Cambodia	**11,348**	6,701
Taiwan	**3,755**	3,687
Others	**1,669**	1,699
	50,882	44,424

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

Information about major customers

During the year, the Group had transactions with three (2018: three) external customers which individually contributed over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	2019	2018
	US$'000	*US$'000*
Customer A	**51,999**	47,134
Customer B	**49,368**	43,797
Customer C	**47,595**	42,509

4. REVENUE

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

5. OTHER INCOME AND GAINS, NET

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

	2019	2018
	US$'000	*US$'000*
Other income		
Bank interest income	**559**	462
Dividend income of equity investment at fair value through other comprehensive income	**–**	3
Subcontracting service income	**–**	81
Government grants*	**177**	128
Compensation income	**107**	22
Charges levied on customers	**516**	620
Others	**405**	283
	1,764	1,599
Gains, net		
Foreign exchange gains, net	**474**	494
Gain on sale of scrap materials	**696**	198
	1,170	692
Other income and gains, net	**2,934**	2,291

* The amounts represented subsidies received from various government authorities in Mainland China during the year for the development of the Group's business. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	2019	2018
	US$'000	*US$'000*
Factoring fee on certain designated trade receivables	**2**	63
Interest on lease liabilities	**566**	–
Others	**27**	–
	595	63

7. PROFIT BEFORE TAX

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

	2019	2018
	US$'000	*US$'000*
Cost of inventories sold	**172,207**	169,218
Depreciation	**4,593**	5,243
Less: Amount included in cost of inventories sold	**(2,210)**	(3,120)
	2,383	2,123
Minimum lease payments under operating leases	**–**	3,064
Lease payments not included in the measurement of lease liabilities	**1,010**	–
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	**70,503**	65,217
Defined contribution scheme contributions	**1,530**	2,100
Net benefit expense of a defined benefit plan	**(4)**	17
	72,029	67,334
Less: Amount included in cost of inventories sold	**(47,475)**	(47,162)
	24,554	20,172
Research and development costs	**3,531**	3,907
Impairment/(reversal of impairment) of trade receivables	**841**	(32)
Loss on disposal of items of property, plant and equipment, net	**1,336**	79

8. INCOME TAX

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

	2019	2018
	US$'000	*US$'000*
Current:		
Charge for the year	**2,471**	2,264
Underprovision/(overprovision) in prior years	**(110)**	133
Withholding tax on interest income from intercompany loans	**–**	22
	2,361	2,419
Deferred tax	**672**	(722)
Total tax expense for the year	**3,033**	1,697

9. DIVIDENDS

	2019 ***US$'000***	2018 *US$'000*
Dividends paid during the year:		
Final dividend for 2018 – HK1.5 cents	**2,140**	–
Special dividend for 2018 – HK3.5 cents	**4,994**	–
	7,134	–
Proposed:		
Final – nil (2018: HK1.5 cents) per ordinary share	**–**	2,168
Special – nil (2018: HK3.5 cents) per ordinary share	**–**	5,058
	–	7,226

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

The calculation of the basic loss (2018: earnings) per share amounts is based on the loss for the year attributable to shareholders of the Company of US$566,000 (2018: profit of US$7,370,000), and the weighted average number of ordinary shares in issue of 1,120,000,000 (2018: 972,712,329) during the year.

No adjustment has been made to the basic loss (2018: earnings) per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during each of these years.

11. TRADE AND BILLS RECEIVABLES

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

	2019 ***US$'000***	2018 *US$'000*
Within 1 month	**26,738**	17,499
1 to 2 months	**9,677**	9,868
2 to 3 months	**4,834**	4,977
Over 3 months	**1,003**	3,322
	42,252	35,666

12. TRADE AND BILLS PAYABLES

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

	2019	2018
	US$'000	*US$'000*
Within 1 month	**13,432**	15,097
1 to 2 months	**3,622**	3,339
2 to 3 months	**528**	215
Over 3 months	**38**	414
	17,620	19,065

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 year ended 31 December 2019 (the "**Year**"), the Group faced a challenging business environment as global trade tension escalated, slowing down the world trade growth. The global economy recorded its lowest growth of the decade at 2.3% for the Year, according to the World Economic Situation and Prospects 2020 of the United Nations. Increasing production costs together with the impacts under the USA-China trade war (the "**Trade War**") caused significant operating pressure to the manufacturers in the PRC. The Group's customers have been cautious in placing orders with the Group's PRC production bases, at the same time requesting for more production capacity from the Group's Vietnam and Cambodia production bases. The management of the Company, having reviewed the Group's multi-regional manufacturing platform, decided 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 (the "**Reallocation**"). During the Year, the Group ceased the operation of three production plants in the PRC, while expanding Vietnam production base with additional webbing department, and ramping up the production capacity in Cambodia with more production lines. By the end of 2019, the Cambodia production base housed 68 production lines, up from 48 at the end of 2018, partially compensating the loss of capacity in the PRC.

The Reallocation inevitably affected the Group's financial performance in the short-term, however, the Group believes such moves should bring cost benefits to the Group and foster its relationship with customers in the long run.

OUTLOOK AND PROSPECTS

In addition to the uncertainties caused by the Trade War, the recent outbreak of novel coronavirus pandemic poses greater challenges to the global economy. While all of the Group's production plants are operating at full capacity up to date of this announcement, it is noted that some of the Group's customers have temporarily closed down their physical stores in certain countries amid the novel coronavirus pandemic. The suspension of retail business, together with the consumer sentiment being affected by the coronavirus, are expected to have a negative impact on the upper stream manufacturing industry, and may eventually affect the Group's performance in 2020. However, the Group is not able to estimate the financial effect at the date of this announcement. The Group will continue to monitor the risks and uncertainties in connection with the epidemic and work closely with its suppliers and customers to mitigate the adverse impact arising therefrom.

Over the last decade, the Group has been successfully diversifying risks by expanding its production platform to Vietnam and Cambodia. Looking ahead, the Group will continue to leverage through its multi-regional manufacturing platform to enjoy preferential import tariffs and international trading policy benefits, as well as to achieve a sustainable business growth and returns for the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

During the Year, over 98% of the Group's revenue was generated from sales of bags and packs manufactured for brand owner customers. Total revenue for the Year remained stable at approximately US$223.2 million, representing a slight increase of approximately US$1.4 million or 0.6% from approximately US$221.8 million as recorded in 2018. Sales quantity increased from approximately 20.8 million pieces for the year ended 31 December 2018 to approximately 23.4 million pieces for the Year, representing an increase of approximately 2.6 million pieces or 12.5%. The average selling price per piece declined and the sales mix of different product category concentrated more towards outdoor & sporting bags and packs driven by the growth of our customers' business. The breakdown of the revenue, sales quantity and average selling price by product category are set out as below:

	2019				2018			
	Revenue		**Sales quantity**	**Average selling price**	Revenue		Sales quantity	Average selling price
	US$'000	*%*	***Pc'000***	***US$/pc***	*US$'000*	*%*	*Pc'000*	*US$/pc*
Product category								
Outdoor & sporting	**148,963**	**66.8**	**15,513**	**9.6**	137,348	61.9	13,364	10.3
Functional	**39,261**	**17.6**	**4,341**	**9.0**	47,252	21.3	3,838	12.3
Fashion & casual	**29,709**	**13.3**	**3,114**	**9.5**	31,765	14.3	3,132	10.1
Others	**5,228**	**2.3**	**427**	**12.2**	5,484	2.5	490	11.2
Total	**223,161**	**100**	**23,395**	**9.5**	221,849	100	20,824	10.7

The Group's cost of sales for the Year amounted to approximately US$175.9 million, representing an increase of approximately US$3.5 million or 2.0% from approximately US$172.4 million for 2018. The increase was primarily due to the rising labour cost across the regions. Also, the Group's Cambodia production base was still in its ramp-up period and has not achieved a desirable production efficiency comparing to other production plants of the Group, thus leading to a slight decrease in gross profit margin from 22.3% to 21.2%.

The Group's administrative expenses for the Year amounted to US$28.1 million (2018: US$26.3 million). There was non-recurring listing expenses of approximately US$2.5 million in 2018, while during the Year, there was one-off staff compensation for the cessation of operation of three production plants in the PRC amounting to approximately US$4.4 million, thus leading to the increase in the administrative expenses.

Selling and distribution expenses for the Year amounted to approximately US$15.9 million (2018: US$15.4 million). The increase was mainly due to the increase in use of airfreight for delivering products to customers during the year.

Other expenses for the Year increased significantly as compared to 2018, largely due to the disposal loss of certain property, plant and equipment, upon the cessation of operation of three production plants in the PRC amounting to approximately US$1.3 million, and the impairment of certain trade receivables amounting to approximately US$0.8 million.

Loss attributable to Shareholders for the Year amounted to US$0.6 million, as compared to profit of approximately US$7.4 million for 2018. Loss per share for the year amounted to 0.05 US cent, as compared to earnings per share of 0.76 US cent for 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURE

The Group maintained solid financial position throughout the Year. During the Year, the Group's primary sources of funding were cash generated from operating activities. As at 31 December 2019, the Group had cash and cash equivalents of approximately US$51.1 million and no external borrowings. The gearing ratio of the Group was zero (31 December 2018: zero) as at 31 December 2019, calculated as total debt, excluding lease liabilities, divided by total equity.

During the Year, the Group incurred capital expenditure of US$4.4 million, mainly attributable to the expansion of production bases in Cambodia and Vietnam, and acquisition of property, plant and equipment.

EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of novel coronavirus in January 2020, the PRC government has implemented various anti-epidemic control to mitigate the impact of the virus. Due to those control measures, the Group's PRC production plant and offices did not resume to work immediately after Lunar New Year until 17 February 2020.

As the Group has reallocated most of its production capacity to Vietnam and Cambodia, the aforementioned suspension of operation of the PRC production plant did not have material impact on the Group.

However, the novel coronavirus pandemic is expected to have a negative impact on global economy and the Group will be affected. The Group will continue to monitor the situation.

MEMORANDUM OF UNDERSTANDING ON COOPERATIVE DEVELOPMENT

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

Up to the date of this announcement, no separate legally binding agreements have been entered into by the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition or disposals of subsidiaries or associates during the year ended 31 December 2019.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 8,800 employees (2018: approximately 10,600 employees). Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. During the year ended 31 December 2019, no share options were granted to employees of the Group.

The emolument of Directors are determined by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, there were no material investments held by the Group (31 December 2018: Nil).

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2019, the Group did not have charges on its assets (31 December 2018: Nil).

FOREIGN CURRENCY EXPOSURE

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

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: final dividend of HK1.5 cents per share and special dividend of HK3.5 cents per share).

SHARE CAPITAL

As of 31 December 2019, the total amount of the issued share capital of the Company was HK$11,200,000, divided into 1,120,000,000 shares of HK$0.01 per share.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee has discussed with the management and the auditor of the Company, Ernst & Young, and reviewed the annual results of the Group for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures set out in the preliminary announcement in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the Year have been agreed by the Company's auditor, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2019. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2019 ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.pihl.hk, respectively. The 2019 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2020

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