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PROSPEROUS INDUSTRIAL (HOLDINGS) LIMITED

其利工業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1731)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022, together with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
REVENUE	4	218,188	146,673
Cost of sales		(177,596)	(115,406)
<hr/>			
Gross profit		40,592	31,267
Other income and gains, net	5	3,831	1,765
Selling and distribution expenses		(12,240)	(11,247)
Administrative expenses		(16,530)	(17,125)
Other expenses, net		(3,321)	(2,954)
Finance costs	6	(464)	(561)
<hr/>			
PROFIT BEFORE TAX	7	11,868	1,145
Income tax credit/(expense)	8	(1,523)	2,757
<hr/>			
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		10,345	3,902
<hr/> <hr/>			
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		(3,356)	872
<hr/>			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Defined benefit plan			
– Actuarial gain		99	76
– Income tax effect		(17)	(13)
<hr/>			
		82	63
<hr/>			
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		82	63
<hr/>			
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		(3,274)	935
<hr/>			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		7,071	4,837
<hr/> <hr/>			
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10		
Basic and diluted (<i>US cent</i>)		0.92	0.35
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		16,478	17,910
Investment properties		9,649	10,399
Right-of-use assets		16,400	19,560
Intangible assets		178	216
Equity investment at fair value through other comprehensive income		2,102	2
Prepayments, deposits and other receivables		1,649	1,338
Financial assets at fair value through profit or loss		–	4,344
Deferred tax assets		202	467
		<hr/>	<hr/>
Total non-current assets		46,658	54,236
CURRENT ASSETS			
Inventories		43,744	38,827
Trade receivables	11	41,883	35,338
Prepayments, deposits and other receivables		8,880	8,623
Financial assets at fair value through profit or loss		4,592	3,073
Income tax recoverable		32	71
Cash and bank balances		44,042	50,613
		<hr/>	<hr/>
Total current assets		143,173	136,545
CURRENT LIABILITIES			
Trade and bills payables	12	20,502	20,315
Other payables and accruals		12,399	13,433
Lease liabilities		1,514	2,254
Income tax payables		8,425	7,970
		<hr/>	<hr/>
Total current liabilities		42,840	43,972
		<hr/>	<hr/>
NET CURRENT ASSETS		100,333	92,573
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		146,991	146,809
		<hr/>	<hr/>

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
NON-CURRENT LIABILITIES			
Other payables and accruals		132	186
Defined benefit obligations		248	510
Lease liabilities		3,615	5,284
Deferred tax liabilities		1,378	1,285
		<hr/>	<hr/>
Total non-current liabilities		5,373	7,265
		<hr/>	<hr/>
Net assets		141,618	139,544
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital		1,436	1,436
Reserves		140,182	138,108
		<hr/>	<hr/>
Total equity		141,618	139,544
		<hr/> <hr/>	<hr/> <hr/>

NOTES

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 was incorporated in the British Virgin Islands (the “**BVI**”).

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of amendments to HKFRSs that are applicable to the Group are described below:

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

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any 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., the manufacturing and sale of sport bags, handbags and luggage bags.

Geographical information

(a) Revenue from external customers

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
The United States of America (the "USA")	92,566	50,846
Mainland China	22,667	23,843
Belgium	21,777	14,766
Japan	18,415	11,146
Netherlands	12,702	10,775
Hong Kong	1,582	1,037
Others	48,479	34,260
	<u>218,188</u>	<u>146,673</u>

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

(b) Non-current assets

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Mainland China	19,658	20,166
Vietnam	10,320	11,593
Cambodia	8,617	11,096
Taiwan	3,803	3,773
Others	727	1,550
	<u>43,125</u>	<u>48,178</u>

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

Information about major customers

During the year, the Group had transactions with three (2021: three) external customers, the sales to 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:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Customer A	76,507	40,422
Customer B	50,725	37,825
Customer C	30,886	39,427
	<u>158,118</u>	<u>117,674</u>

4. REVENUE

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

Disaggregation of revenue

	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
By geographical market		
The USA	92,566	50,846
Mainland China	22,667	23,843
Belgium	21,777	14,766
Japan	18,415	11,146
Netherlands	12,702	10,775
Hong Kong	1,582	1,037
Others	48,479	34,260
	<hr/>	<hr/>
Total revenue from contracts with customers	218,188	146,673
	<hr/> <hr/>	<hr/> <hr/>
By product category or service		
Sale of outdoor and sporting bags	157,176	115,361
Sale of functional bags	14,017	8,813
Sale of fashion and casual bags	41,215	21,506
Sale of other products	5,780	993
	<hr/>	<hr/>
Total revenue from contracts with customers	218,188	146,673
	<hr/> <hr/>	<hr/> <hr/>
By timing of revenue recognition		
Goods transferred at a point of time	218,188	146,673
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER INCOME AND GAINS, NET

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Other income		
Bank interest income	418	410
Government grants*	133	103
Charges levied on customers	877	628
Gross rental income from investment property operating leases, fixed payment	807	914
Others	397	157
	<u>2,632</u>	<u>2,212</u>
Gain/(losses), net		
Foreign exchange gains/(losses), net	696	(751)
Gain on sale of scrap materials	503	304
	<u>1,199</u>	<u>(447)</u>
Other income and gains, net	<u><u>3,831</u></u>	<u><u>1,765</u></u>

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

6. FINANCE COSTS

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Factoring fee on certain designated trade receivables	86	19
Interest on lease liabilities	378	527
Others	–	15
	<u>464</u>	<u>561</u>

7. PROFIT BEFORE TAX

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

	2022 US\$'000	2021 US\$'000
Cost of inventories sold	172,796	112,496
Depreciation of property, plant and equipment	3,072	3,651
Less: Amount included in cost of sales	<u>(1,951)</u>	<u>(1,963)</u>
	<u>1,121</u>	<u>1,688</u>
Depreciation of right-of-use of assets	2,641	2,783
Less: Amount included in cost of sales	<u>(1,913)</u>	<u>(1,756)</u>
	<u>728</u>	<u>1,027</u>
Amortisation of intangible assets*	151	189
Less: Amount included in cost of sales	<u>(4)</u>	<u>(3)</u>
	<u>147</u>	<u>186</u>
Lease payments not included in the measurement of lease liabilities	129	310
Gain on termination of a lease	(115)	–
Auditor's remuneration	283	284
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	50,288	47,179
Defined contribution scheme contributions [#]	2,032	2,815
Net benefit expense of a defined benefit plan	<u>3</u>	<u>9</u>
	<u>52,323</u>	<u>50,003</u>
Less: Amount included in cost of sales	<u>(38,297)</u>	<u>(34,417)</u>
	<u>14,026</u>	<u>15,586</u>
Changes in fair value of investment properties	(129)	(93)
Research and development costs	2,357	2,674
Impairment/(reversal of impairment) of obsolete inventories***	932	(812)
Write-off of intangible assets**	–	86
Write-back of impairment of trade receivables**	(144)	(30)
Loss on disposal/write-off of items of property, plant and equipment, net**	14	18
Changes in fair value of financial assets at fair value through profit or loss**	<u>2,570</u>	<u>2,300</u>

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Cost of sales	4	3
Selling and distribution expenses	4	5
Administrative expenses	<u>143</u>	<u>181</u>
	<u><u>151</u></u>	<u><u>189</u></u>

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

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

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. INCOME TAX

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Current:		
Charge for the year	2,559	442
Overprovision in prior years	<u>(1,400)</u>	<u>(3,388)</u>
	1,159	(2,946)
Deferred tax	<u>364</u>	<u>189</u>
Total tax expense/(credit) for the year	<u><u>1,523</u></u>	<u><u>(2,757)</u></u>

9. DIVIDENDS

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Dividends paid during the year:		
Final dividend for 2021 – HK1 cents (equivalent to approximately US0.13 cents) (2020: HK1 cent (equivalent to approximately US0.13 cents)) per ordinary share	1,428	1,443
Special dividend for 2021 – HK2.5 cents (equivalent to approximately US0.32 cents) (2020: HK6 cents (equivalent to approximately US0.77 cents)) per ordinary share	<u>3,569</u>	<u>8,655</u>
	<u>4,997</u>	<u>10,098</u>
Proposed final dividend – HK4.2 cents (equivalent to approximately US0.54 cents) (2021: HK1 cent (equivalent to approximately US0.13 cents)) per ordinary share	6,070	1,436
Proposed special dividend – Nil (2021: HK2.5 cents (equivalent to approximately US0.32 cents)) per ordinary share	<u>–</u>	<u>3,591</u>
	<u>6,070</u>	<u>5,027</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company of US\$10,345,000 (2021: US\$3,902,000), and the number of ordinary shares in issue of 1,120,000,000 (2021: 1,120,000,000) during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during each of these years.

11. TRADE RECEIVABLES

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade receivables	42,239	35,762
Impairment	<u>(356)</u>	<u>(424)</u>
	<u>41,883</u>	<u>35,338</u>

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 1 month	16,714	32,494
1 to 2 months	15,983	2,799
2 to 3 months	8,171	19
Over 3 months	1,015	26
	<hr/> 41,883 <hr/>	<hr/> 35,338 <hr/>

12. TRADE AND BILLS PAYABLES

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

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 1 month	13,487	14,809
1 to 2 months	6,932	5,253
2 to 3 months	33	221
Over 3 months	50	32
	<hr/> 20,502 <hr/>	<hr/> 20,315 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW AND BUSINESS REVIEW

The Group is a leading manufacturer that designs, develops and manufactures recreational bags and packs, mainly backpacks, it also provides quality supply chain management services for renowned multinational sports and lifestyle brands. The Group has established a multi-regional manufacturing platform which consists three production facilities located in the PRC, Vietnam and Cambodia. The multi-regional manufacturing platform has enabled the Group to navigate through preferential import tariffs and international trading policy benefits, and provide its customers with more comprehensive shipping options.

During the year ended 31 December 2022 (the “**Year**”), the Group saw a strong rebound in customer orders following the strong recovery in end consumer markets in the United States and Europe. With the operation of the Group’s Vietnam production base fully resumed after a short disruption in the third quarter of 2021, the Group was able to cope with the surge of customer orders and also secured orders from several new customers. As a result, the revenue for the year increased significantly as compared to 2021. While the Group’s production capacity recorded its highest utilisation rate since the outbreak of COVID-19, the Group continued to reallocate its production capacity from the PRC to Vietnam and Cambodia for catering the customer orders from overseas. For the Year, the Group’s Vietnam and Cambodia production bases accounted for almost 90% of the Group’s total production capacity.

OUTLOOK AND PROSPECTS

Looking ahead, the Group remains cautiously optimistic about the global economic recovery in the post-COVID-19 pandemic era. However, rising inflation and interest hikes, along with high inventory levels in our brand customers would hinder the Group’s performance in the near future. Since the second half of the Year, customers have turned more conservative in providing their order estimates. The Group will continue to monitor the situation and work closely with its partners and leverage through its multi-regional manufacturing platform to achieve a sustainable business growth.

The Group successfully secured several new customers during the Year, and will continue to attract renowned brand owners to expand its customer base. In order to maintain competitiveness amidst the ever-changing industry, the Group is devoted to making the best use of the existing capacity, streamlining the production process, optimizing the supply chain management with the aim to achieve optimal efficiency, and hence improving the profitability.

FINANCIAL REVIEW

During the Year, the Group's revenue was generated from sales of bags and packs manufactured for brand owner customers. With the strong rebound in customer orders, total revenue for the Year surged to approximately US\$218.2 million, representing an increase of approximately US\$71.5 million or 48.8% from approximately US\$146.7 million for 2021. Total sales quantity increased from approximately 16.9 million pieces for 2021 to approximately 20.8 million pieces for the Year, representing an increase of approximately 3.9 million pieces or 23.1%. For the sales mix of different categories, all our product categories recorded a robust double-digit growth in revenue during the Year, with revenue attributed to fashion and casual category nearly doubled as compared to 2021. Outdoor and sporting category remained as our core category which contributed more than 72.0% of our total revenue. The average selling price per piece also improved from US\$8.7 to US\$10.5, as a result of stronger demand from two of our major customers with higher-value orders. The breakdown of the revenue, sales quantity and average selling price by product category are set out as below:

Product category or services	2022				2021			
	Revenue <i>US\$'000</i>	%	Sales quantity <i>Pc'000</i>	Average selling price <i>US\$/pc</i>	Revenue <i>US\$'000</i>	%	Sales quantity <i>Pc'000</i>	Average selling price <i>US\$/pc</i>
Outdoor & sporting	157,176	72.0	14,719	10.7	115,361	78.6	12,615	9.1
Functional	14,017	6.4	828	16.9	8,813	6.0	557	15.8
Fashion & casual	41,215	18.9	4,772	8.6	21,506	14.7	3,625	5.9
Others	5,780	2.7	479	12.1	993	0.7	101	9.8
Total	<u>218,188</u>	<u>100</u>	<u>20,798</u>	<u>10.5</u>	<u>146,673</u>	<u>100</u>	<u>16,898</u>	8.7

The Group's cost of sales for the Year amounted to approximately US\$177.6 million, representing an increase of approximately US\$62.2 million or 53.9% from approximately US\$115.4 million for 2021. The increase in cost of sales was primarily due to the increase in sales quantity for the Year. Gross profit for the Year amounted to approximately US\$40.6 million, up to approximately US\$31.3 million for 2021, while the gross profit margin for the Year declined to 18.6% from 21.3% for 2021 mainly because of the change in sales mix and the rising raw materials prices and labour costs which were not fully offset by the increase in our products' selling prices.

The Group's administrative expenses for the Year amounted to approximately US\$16.5 million, decreased by approximately US\$0.6 million or 3.5% from approximately US\$17.1 million for 2021 as a result of the more stringent cost control measures.

Selling and distribution expenses for the Year amounted to approximately US\$12.2 million, increased by approximately US\$1.0 million or 8.8%. This is mainly due to the increase in quantity of shipments during the Year.

Other expenses for the Year increased significantly as compared to 2021, largely due to the decrease in fair value of approximately US\$2.6 million on certain of the Group's investment in corporate bonds which are carried at fair value through profit or loss.

Profit attributable to shareholders of the Company increased by approximately US\$6.4 million or 165.1% to approximately US\$10.3 million for the Year compare with approximately US\$3.9 million for 2021. Earnings per share also increased by 0.57 US cents to 0.92 US cents as compared to 0.35 US cents for 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURE

The Group's financial position remained solid throughout the Year. As at 31 December 2022 the Group had cash and cash equivalents of approximately US\$44.0 million and no external borrowings. As a result, the gearing ratio of the Group was zero (31 December 2021: zero) as at 31 December 2022, calculated as total debt, excluding lease liabilities, divided by total equity. During the year ended 31 December 2022, the Group incurred capital expenditure of US\$2.5 million, mainly attributable to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

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

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2022, the Group had approximately 7,600 employees (2021: approximately 7,300 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 2022, no share options were granted to employees of the Group.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2022, there were no significant investments held by the Group (31 December 2021: Nil).

CHARGE ON THE GROUP'S ASSETS

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

FOREIGN CURRENCY EXPOSURE

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

DIVIDENDS

The directors have resolved to recommend the payment of a final dividend of HK4.2 cent per share (the "**Final Dividend**") (2021: final dividend of HK1 cent and special dividend of HK2.5 cents) to the Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on Thursday, 29 June 2023.

The proposed Final Dividend is subject to the approval by the Shareholders at the annual general meeting to be held on Monday, 19 June 2023 (the "**2023 AGM**"). It is expected that the Final Dividend would be paid to the Shareholders on Friday, 21 July 2023.

CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility of the Shareholders to attend the 2023 AGM, the Register of Members will be closed from Wednesday, 14 June 2023 to Monday, 19 June 2023, both days inclusive, during which no transfer of shares will be effected. In order to be entitled to attend and vote at the 2023 AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 13 June 2023.

For the purpose of ascertaining Shareholder's entitlement for the Final Dividend, the Register of Members will be closed from Tuesday, 27 June 2023 to Thursday, 29 June 2023, both days inclusive. To qualify for the Final Dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share register, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 26 June 2023.

SHARE CAPITAL

As of 31 December 2022, 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. There were no movements in the Company's share capital during the Year.

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 ended 31 December 2022. 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 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 ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and the external auditor of the Group and reviewed the annual results of the Group for the Year, 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 2022. 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 2022 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 2022 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, 29 March 2023

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