



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
2023

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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. Liao Yuang-Whang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Che Chung Alan

Ms. Sze Tak On

Mr. Yip Kwok Cheung

AUDIT COMMITTEE

Ms. Sze Tak On (*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*)

Ms. Sze Tak On

Mr. Yeung Shu Kin

CHIEF EXECUTIVE OFFICER

Mr. Yeung Shu Hung

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

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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 2023 with comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		For the six months ended 30 June	
	Notes	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
REVENUE	4	115,339	124,540
Cost of sales		(92,323)	(100,196)
Gross profit		23,016	24,344
Other income and gains, net	5	2,147	3,125
Selling and distribution expenses		(5,476)	(6,984)
Administrative expenses		(8,693)	(8,533)
Other expenses, net		(1,160)	(3,935)
Finance costs	6	(151)	(227)
PROFIT BEFORE TAX	7	9,683	7,790
Income tax credit/(expense)	8	184	(378)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		9,867	7,412

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		For the six months ended 30 June	
Notes	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000	
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations	(1,483)	(2,214)	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
	8,384	5,198	
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
10	0.88	0.66	
Basic and diluted (US cent)			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 (Unaudited) US\$'000	As at 31 December 2022 (Audited) US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	15,263	16,478
Investment properties		9,245	9,649
Right-of-use assets		15,189	16,400
Intangible assets		139	178
Equity investment at fair value through other comprehensive income		2,102	2,102
Prepayments, deposits and other receivables		1,819	1,649
Deferred tax assets		299	202
Total non-current assets		44,056	46,658
CURRENT ASSETS			
Inventories		23,191	43,744
Trade receivables	12	54,924	41,883
Prepayments, deposits and other receivables		10,089	8,880
Financial assets at fair value through profit or loss		773	4,592
Income tax recoverable		–	32
Cash and bank balances		52,464	44,042
Total current assets		141,441	143,173

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 (Unaudited) US\$'000	As at 31 December 2022 (Audited) US\$'000
CURRENT LIABILITIES			
Trade and bills payables	13	10,414	20,502
Other payables and accruals		16,505	12,399
Lease liabilities		1,481	1,514
Income tax payables		8,502	8,425
Total current liabilities		36,902	42,840
NET CURRENT ASSETS		104,539	100,333
TOTAL ASSETS LESS CURRENT LIABILITIES			
		148,595	146,991
NON-CURRENT LIABILITIES			
Other payables and accruals		131	132
Defined benefit obligations		215	248
Lease liabilities		2,850	3,615
Deferred tax liabilities		1,399	1,378
Total non-current liabilities		4,595	5,373
Net assets		144,000	141,618
EQUITY			
Issued capital		1,436	1,436
Reserves		142,564	140,182
Total equity		144,000	141,618

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Issued capital (Unaudited) US\$'000	Share premium (Unaudited) US\$'000	Capital reserve (Unaudited) US\$'000	Statutory reserves (Unaudited) US\$'000	Defined benefit plan reserve (Unaudited) US\$'000	Exchange fluctuation reserve (Unaudited) US\$'000	Asset revaluation reserve (Unaudited) US\$'000	Retained profits (Unaudited) US\$'000	Total equity (Unaudited) US\$'000
At 1 January 2023	1,436	28,633*	19,052*	331*	582*	422*	3,910*	87,252*	141,618
Profit for the period	-	-	-	-	-	-	-	9,867	9,867
Other comprehensive loss for the period: - Exchange differences on translation of foreign operations	-	-	-	-	-	(1,483)	-	-	(1,483)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(1,483)	-	9,867	8,384
Final 2022 dividend (note 9)	-	-	-	-	-	-	-	(6,002)	(6,002)
At 30 June 2023	1,436	28,633*	19,052*	331*	582*	(1,061)*	3,910*	91,117*	144,000

For the six months ended 30 June 2022

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

* These reserve accounts comprise the consolidated reserves of US\$142,564,000 (31 December 2022: US\$140,182,000) in the condensed consolidated statement of financial position as at 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

For the six months ended 30 June

	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	7,419	1,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(777)	(909)
Proceeds from disposal of items of property, plant and equipment	9	17
Additions to intangible assets	(38)	(60)
Decrease in time deposits with maturity of more than three months when acquired	1,597	2,147
Decrease in financial assets at fair value through profit or loss	3,309	292
Interest received	579	309
Net cash flows from investing activities	4,679	1,796
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(151)	(227)
Dividends paid	–	(4,996)
Principal portion of lease payments	(743)	(1,186)
Net cash flows used in financing activities	(894)	(6,409)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11,204	(3,406)
Cash and cash equivalents at beginning of period	36,730	40,683
Effect of foreign exchange rate changes, net	(1,185)	(756)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	46,749	36,521
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the interim condensed consolidated statement of financial position	52,464	44,304
Less: Time deposits with maturity of more than three months when acquired	(5,715)	(7,783)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	46,749	36,521

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2023, 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 2023 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 2022.

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 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below: *(continued)*

- (c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. The amendments did not have any significant impact on the financial position or performance of the Group.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The amendments did not have any significant impact on the financial position or performance of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE

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

Disaggregation of revenue

	For the six months ended 30 June	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
By geographical markets		
The USA	48,909	54,869
Belgium	13,988	11,116
Italy	8,213	2,087
Japan	7,182	9,676
Mainland China	6,997	15,499
Netherlands	6,169	6,813
Others	23,881	24,480
Total revenue from contracts with customers	115,339	124,540
By product category		
Outdoor and sporting bags	84,428	86,025
Functional bags	5,258	6,452
Fashion and casual bags	24,424	28,583
Others	1,229	3,480
Total revenue from contracts with customers	115,339	124,540

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Other income		
Bank interest income	445	309
Other interest income from financial assets at fair value through profit or loss	134	146
Government grants*	11	64
Charges levied on customers	219	439
Rental income	410	426
Others	281	207
	1,500	1,591
Gains, net		
Foreign exchange difference, net	421	1,530
Gain on redemption of financial assets at fair value through profit or loss	224	–
Gain on sales of scrap materials	2	4
	647	1,534
Other income and gains, net	2,147	3,125

* 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 2023

6. FINANCE COSTS

	For the six months ended 30 June	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Factoring charges on certain designated trade receivables	6	32
Interest on lease liabilities	145	195
	151	227

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Cost of inventories sold	90,542	98,271
Depreciation of property, plant and equipment	1,599	1,527
Less: Amount included in cost of inventories sold	(1,023)	(980)
	576	547
Depreciation of right-of-use assets	1,050	1,356
Less: Amount included in cost of inventories sold	(758)	(945)
	292	411
Loss/(gain) on disposal of property, plant and equipment	11	(17)
Amortisation of intangible assets	83	76
Research and development costs	1,129	1,290
Fair value loss on financial assets at fair value through profit or loss*	510	2,836

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Current:		
Charge for the period	1,403	1,331
Overprovision in prior years	(1,575)	(1,210)
Deferred tax	(12)	257
Total tax expense/(credit) for the period	(184)	378

9. DIVIDENDS

	For the six months ended 30 June	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Final dividend declared		
– HK4.2 cents (equivalent to approximately US0.54 cent) (2022: HK1 cent) per ordinary share	6,002	1,427
Special dividend declared		
– Nil (2022: HK2.5 cents) per ordinary share	–	3,569
	6,002	4,996

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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\$9,867,000 (six months ended 30 June 2022: US\$7,412,000), and the number of ordinary shares in issue of 1,120,000,000 (six months ended 30 June 2022: 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 2023 and 2022 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\$777,000 (six months ended 30 June 2022: US\$909,000), disposed of property, plant and equipment with net carrying amount of approximately US\$20,000 (six months ended 30 June 2022: Nil).

12. TRADE RECEIVABLES

	As at 30 June 2023 (Unaudited) US\$'000	As at 31 December 2022 (Audited) US\$'000
Trade receivables	55,801	42,239
Less: Impairment	(877)	(356)
	54,924	41,883

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

12. TRADE RECEIVABLES *(continued)*

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

	As at 30 June 2023 (Unaudited) US\$'000	As at 31 December 2022 (Audited) US\$'000
Within 1 month	16,710	16,714
1 to 2 months	20,737	15,983
2 to 3 months	16,518	8,171
Over 3 months	959	1,015
	54,924	41,883

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 2023, trade receivables with an aggregate amount of US\$5,757,000 (Year ended 31 December 2022: US\$24,935,000) were factored to the bank and were fully derecognised.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2023 (Unaudited) US\$'000	As at 31 December 2022 (Audited) US\$'000
Within 1 month	7,653	13,487
1 to 2 months	2,208	6,932
2 to 3 months	147	33
Over 3 months	406	50
	10,414	20,502

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	2023 (Unaudited) US\$'000	2022 (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	100	
Utility expenses and other charges	(iii) 236	271	
Shuttle bus service expenses	(i) –	169	
Building management expenses	(ii) 150	116	

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

14. RELATED PARTY DISCLOSURES *(continued)*

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

Notes:

- (i) These transactions were determined with reference to prevailing market rates.
 - (ii) These transactions were carried out at mutually-agreed prices.
 - (iii) The public facility maintenance expenses and utilities expenses were reimbursed to the related parties on an actual cost basis.
- * Upon adoption of HKFRS 16, the lease of the office premises from the related company was recognised as a right-of-use asset of US\$174,000 (31 December 2022: US\$292,000) and a lease liability of US\$182,000 (31 December 2022: US\$301,000) as at 30 June 2023. During the period, depreciation of a right-of-use asset of US\$116,000 (period ended 30 June 2022: US\$116,000) and finance cost of a lease liability of US\$4,200 (period ended 30 June 2022: US\$8,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.
- (b) The compensation of the key management personnel of the Group is summarised as follows:

	For the six months ended 30 June	
	2023 (Unaudited) US\$'000	2022 (Unaudited) US\$'000
Short term employee benefits	707	628
Discretionary bonus	281	–
Defined contribution scheme contributions	13	9
Total compensation paid/payable to key management personnel	1,001	637

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a comparable valuation technique, namely comparable transactions approach. The valuation requires the directors to determine market information of recent transactions (such as recent fund raising transactions undertaken by the investees). The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

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

	Fair value measured using			Total (Unaudited) US\$'000
	Quoted prices in active markets (Level 1) (Unaudited) US\$'000	Significant observable inputs (Level 2) (Unaudited) US\$'000	Significant unobservable inputs (Level 3) (Unaudited) US\$'000	
At 30 June 2023				
Equity investments at fair value through other comprehensive income	–	–	2,102	2,102
Trade receivables	–	5,631	–	5,631
Financial assets at fair value through profit or loss	773	–	–	773
	773	5,631	2,102	8,506

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy (continued)

	Quoted prices in active markets (Level 1) (Audited) US\$'000	Fair value measured using		Total (Audited) US\$'000
		Significant observable inputs (Level 2) (Audited) US\$'000	Significant unobservable inputs (Level 3) (Audited) US\$'000	
At 31 December 2022				
Equity investments at fair value through other comprehensive income	–	–	2,102	2,102
Trade receivables	–	928	–	928
Financial assets at fair value through profit or loss	4,592	–	–	4,592
	4,592	928	2,102	7,622

During the period, there were no movement of equity investments at fair value through other comprehensive income.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities (2022: Nil).

16. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 28 August 2023.

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 2023 (the “**Period**”), the Group’s revenue was generated from sales of bags and packs manufactured for brand owner customers.

After a strong rebound in customer orders in 2022, high retailer inventory level in our end-consumer markets has led to a softer customer demand to start 2023. During the Period, the performance of the Group was affected by the ongoing inventory destocking cycle by our customers, as a result, revenue recorded for the Period has declined as compared to that of the six months ended 30 June 2022 (the “**Corresponding Period**”). Meanwhile, the Group continued to reallocate its production capacity from the PRC to Vietnam and Cambodia for catering the customer orders from overseas, as customer orders from the PRC markets continued to shrink during the Period. The Group’s Vietnam and Cambodia production bases accounted for more than 90% of the Group’s total production capacity for the Period.

OUTLOOK AND PROSPECTS

Entering the second half of 2023, order visibility continued to be limited amidst the ongoing inventory destocking cycle, persistent inflationary pressure, and rising interest rates. The Group remained cautiously optimistic about the long-term growth in its manufacturing business. To achieve a sustainable business growth in the ever-changing industry, the Group will continue to monitor the development in the macroeconomic environment, streamline its production procedures and leverage through its multi-regional manufacturing platform to strive for optimal efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total revenue of the Group for the Period was approximately US\$115.3 million, representing a decrease of approximately US\$9.2 million or 7.4% from approximately US\$124.5 million as recorded for the Corresponding Period. Sales quantity also decreased from approximately 12.1 million pieces for the Corresponding Period to approximately 10.9 million for the Period, representing a decline of approximately 1.2 million pieces or 9.9%. The revenue decrease was mainly caused by the softer customer demand amidst the inventory destocking cycle in the end-consumer markets. For the sales mix of different product category, outdoor and sporting category remained our core category which contributed more than 73% of the total revenue. The average selling price per piece improved from US\$10.3 to US\$10.6. The breakdown of the revenue, sales quantity and average selling price by product category are set out below:

Product category	Six months ended 30 June 2023				Six months ended 30 June 2022			
	Revenue		Sales	Average	Revenue		Sales	Average
	US\$'000	%	quantity	selling	US\$'000	%	quantity	selling
		Pc'000	price			Pc'000	price	
			US\$/pc				US\$/pc	
Outdoor & sporting	84,428	73.2	7,394	11.4	86,025	69.1	8,254	10.4
Functional	5,258	4.6	323	16.3	6,452	5.2	408	15.8
Fashion & casual	24,424	21.2	3,076	7.9	28,583	23.0	3,156	9.1
Others	1,229	1.0	110	11.2	3,480	2.7	293	11.9
Total	115,339	100	10,903	10.6	124,540	100	12,111	10.3

The Group's cost of sales for the Period amounted to approximately US\$92.3 million, representing a decrease of approximately US\$7.9 million or 7.9% from approximately US\$100.2 million for the Corresponding Period. The decrease is mainly due to the decrease in sales quantity and is generally in line with the decrease in revenue for the Period. Gross profit for the Period amounted to approximately US\$23.0 million, decreased from approximately US\$24.3 million for the Corresponding period, while the gross profit margin for the Period improved slightly from 19.5% to 20.0%.

Administrative expenses for the Period amounted to approximately US\$8.7 million, which was maintained at similar level as compared to the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses for the Period amounted to approximately US\$5.5 million, representing a decrease of approximately US\$1.5 million or 21.6% from approximately US\$7.0 million for the Corresponding Period. The decrease is primarily due to the decrease in quantity shipped as well as the general decrease in freight costs across the globe during the Period.

Other expenses for the Period decreased significantly as compared to the Corresponding Period, largely due to the reduction in fair value loss of certain of the Group's investment in corporate bonds which are carried at fair value through profit and loss.

Profit attributable to shareholders of the Company increased by approximately US\$2.5 million or 33.1% to approximately US\$9.9 million for the Period, compared with approximately US\$7.4 million for the Corresponding Period. Earnings per share for the Period increased by 0.22 US cent to 0.88 US cent as compared to 0.66 US cent for the Corresponding Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURE

The Group's financial position remained solid. As at 30 June 2023, the Group had cash and cash equivalents of approximately US\$52.5 million. The Group has no external borrowings as at 30 June 2023. As a result, the gearing ratio of the Group was zero (31 December 2022: zero), calculated as total debt, excluding lease liabilities, divided by total equity.

During the Period, the Group incurred capital expenditure of US\$0.8 million (2022: US\$1.0 million), mainly for acquisition of property, plant and equipment and intangible assets.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

CAPITAL COMMITMENT

As at 30 June 2023, the Group did not have any significant capital commitments (31 December 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, the Group had approximately 7,400 employees. Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. During the Period, no share options were granted by the Group to employees of the Group.

SIGNIFICANT INVESTMENTS HELD/FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2023, there were no material investments held by the Group or future plans for significant investments or capital assets, and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at 30 June 2023.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2023, the Group did not have any charges on its assets (31 December 2022: 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.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE OF CONDUCT OF DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ transactions in securities of the Company (the “**Company’s Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”). After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code during the Period.

CHANGES TO DIRECTORS AND CHIEF EXECUTIVE’S INFORMATION

Save as disclosed below, the Company is not aware of any changes in the Directors and chief executive’s information which are required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules:

1. Mr. Chau Chi Ming, a non-executive Director of the Company, resigned as the company secretary of Yue Yuen (as defined below), a company listed on the Stock Exchange (stock code: 551), with effect from 11 August 2023.
2. Mr. Chiu Che Chung Alan, an independent non-executive Director of the Company, ceased to serve as a senior investment manager in Springland (Hong Kong) Limited and now serves as a business development manager of City Joiner Limited.

OTHER INFORMATION

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, lapsed or cancelled under the Scheme up to the date of this report and there was no outstanding share option as at the date of this report.

The number of options available for grant under the Scheme mandate at the beginning and the end of the Reporting Period are both 112,000,000.

OTHER INFORMATION

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

As at 30 June 2023, 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 2023, the total number of issued shares of Prosperous BVI was 100.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

So far as known to the Directors or chief executive of the Company, as at 30 June 2023, 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 (deceased) ("Mrs. Yeung") ⁽¹⁾	Interest in a controlled corporation	588,000,000	52.5%
Great Pacific Investment Limited ("Great Pacific") ⁽²⁾	Beneficial Owner	252,000,000	22.5%
Pou Hing Industrial Co. Limited ("Pou Hing") ⁽²⁾	Interest in a controlled corporation	252,000,000	22.5%
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") ⁽²⁾	Interest in a controlled corporation	252,000,000	22.5%
Wealthplus Holdings Limited ⁽³⁾	Interest in a controlled corporation	252,000,000	22.5%
Pou Chen Corporation ⁽³⁾	Interest in a controlled corporation	252,000,000	22.5%

OTHER INFORMATION

Notes:

- (1) Prosperous BVI was owned as to 29% by Mr. Yeung, 29% by Mrs. Yeung, 12% by Mr. Yeung Shu Kin, 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 as at 30 June 2023. 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 were deemed to be interested in all of the shares of the Company held by Prosperous BVI. Mrs. Yeung deceased on 20 July 2023. Mr. Yeung was appointed as the executor of the estate of Mrs. Yeung. Mr. Yeung will acquire all interest of Mrs. Yeung in Prosperous BVI under her Will.
- (2) Great Pacific is a wholly-owned subsidiary of Yue Yuen and the beneficial owner of 252,000,000 shares of the Company. By virtue of the SFO, Yue Yuen is deemed to be interested in all of the shares of the Company held by Great Pacific as Great Pacific is a wholly-owned subsidiary of Pou Hing and Pou Hing is a wholly-owned subsidiary of Yue Yuen. Yue Yuen is a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange.
- (3) Yue Yuen is indirectly controlled by Pou Chen Corporation as to 51.11% through its two wholly-owned subsidiaries, Wealthplus Holdings Limited (interested as to 47.95% of Yue Yuen) and Win Fortune Investments Limited (interested as to 3.16% of Yue Yuen). By virtue of the SFO and with reference to note (2), Pou Chen Corporation is deemed to be interested in the shares of the Company held by Great Pacific. Pou Chen Corporation is incorporated in Taiwan and is listed on the Taiwan Stock Exchange of the Taiwan Stock Exchange Corporation (stock code: 9904 TSE).

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS

Pursuant to Rule 3.21 of the Listing Rules, the Company established an audit committee (the "**Audit Committee**") with written terms of reference aligned with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Ms. Sze Tak On, Mr. Chiu Che Chung Alan and Mr. Yip Kwok Cheung. The Audit Committee is chaired by Ms. Sze Tak On 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 2023, 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

28 August 2023