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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 2021**

**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 2021, together with comparative figures for the year ended 31 December 2020, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
REVENUE	4	146,673	156,022
Cost of sales		(115,406)	(125,000)
Gross profit		31,267	31,022
Other income and gains, net	5	1,765	2,424
Selling and distribution expenses		(11,247)	(9,171)
Administrative expenses		(17,125)	(19,134)
Other expenses, net		(2,954)	(831)
Finance costs	6	(561)	(558)
PROFIT BEFORE TAX	7	1,145	3,752
Income tax credit/(expense)	8	2,757	(763)
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		<u>3,902</u>	<u>2,989</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translation of foreign operations		872	3,415
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Revaluation surplus		–	5,214
Income tax effect		–	(1,304)
		–	3,910
Defined benefit plan			
– Actuarial gain		76	56
– Income tax effect		(13)	(10)
		63	46
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		63	3,956
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>935</u>	<u>7,371</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		<u>4,837</u>	<u>10,360</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10		
Basic and diluted ( <i>US cent</i> )		<u>0.35</u>	<u>0.27</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <i>US\$'000</i>	2020 <i>US\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>17,910</b>	20,613
Investment properties		<b>10,399</b>	10,069
Right-of-use assets		<b>19,560</b>	19,395
Intangible assets		<b>216</b>	108
Equity investment at fair value through other comprehensive income		<b>2</b>	2
Prepayments, deposits and other receivables		<b>1,338</b>	2,247
Financial assets at fair value through profit or loss		<b>4,344</b>	–
Deferred tax assets		<b>467</b>	742
Total non-current assets		<b>54,236</b>	53,176
<b>CURRENT ASSETS</b>			
Inventories		<b>38,827</b>	23,253
Trade receivables	<i>11</i>	<b>35,338</b>	26,405
Prepayments, deposits and other receivables		<b>8,623</b>	7,182
Financial assets at fair value through profit or loss		<b>3,073</b>	–
Income tax recoverable		<b>71</b>	71
Cash and bank balances		<b>50,613</b>	82,523
Total current assets		<b>136,545</b>	139,434
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>20,315</b>	14,249
Other payables and accruals		<b>13,433</b>	12,257
Lease liabilities		<b>2,254</b>	1,916
Income tax payables		<b>7,970</b>	11,529
Total current liabilities		<b>43,972</b>	39,951
<b>NET CURRENT ASSETS</b>		<b>92,573</b>	99,483
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>146,809</b>	152,659
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals		<b>186</b>	–
Defined benefit obligations		<b>510</b>	606
Lease liabilities		<b>5,284</b>	5,987
Deferred tax liabilities		<b>1,285</b>	1,261
Total non-current liabilities		<b>7,265</b>	7,854
Net assets		<b>139,544</b>	144,805
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
Issued capital		<b>1,436</b>	1,436
Reserves		<b>138,108</b>	143,369
Total equity		<b>139,544</b>	144,805

## 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 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 (“**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) an equity investment 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 2021. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendments to HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021  
(early adopted)*

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any significant impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any significant impact on the financial position and 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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
The United States of America (the "USA")	50,846	48,559
Mainland China	23,843	25,345
Belgium	14,766	19,389
Japan	11,146	13,764
Netherlands	10,775	13,503
Hong Kong	1,037	3,047
Others	34,260	32,415
	<u>146,673</u>	<u>156,022</u>

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

##### (b) Non-current assets

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Mainland China	20,166	22,815
Vietnam	11,593	12,832
Cambodia	11,096	9,803
Taiwan	3,773	3,692
Others	1,550	1,321
	<u>48,178</u>	<u>50,463</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 (2020: 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:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Customer A	40,422	41,681
Customer B	39,427	37,472
Customer C	37,825	35,590
	<u>          </u>	<u>          </u>

## 4. REVENUE

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

### Disaggregation of revenue

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
<b>By geographical markets</b>		
The USA	50,846	48,559
Mainland China	23,843	25,345
Belgium	14,766	19,389
Japan	11,146	13,764
Netherlands	10,775	13,503
Hong Kong	1,037	3,047
Others	34,260	32,415
	<u>          </u>	<u>          </u>
Total revenue from contracts with customers	<u>146,673</u>	<u>156,022</u>
<b>By product category or services</b>		
Sales of outdoor and sporting bags	115,361	111,293
Sales of functional bags	8,813	13,254
Sales of fashion and casual bags	21,506	26,582
Sales of other products	993	3,187
	<u>          </u>	<u>          </u>
Sales of goods	146,673	154,316
Subcontracting service income	–	1,706
	<u>          </u>	<u>          </u>
Total revenue from contracts with customers	<u>146,673</u>	<u>156,022</u>
<b>By timing of revenue recognition</b>		
Goods transferred at a point of time	146,673	154,316
Services transferred over time	–	1,706
	<u>          </u>	<u>          </u>
Total revenue from contracts with customers	<u>146,673</u>	<u>156,022</u>

## 5. OTHER INCOME AND GAINS, NET

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
<b>Other income</b>		
Bank interest income	410	428
Government grants*	103	264
Charges levied on customers	628	1,081
Gross rental income from investment property operating leases, fixed payment	914	587
Others	157	225
	<u>2,212</u>	<u>2,585</u>
<b>Losses, net</b>		
Foreign exchange losses, net	(751)	(296)
Gain on sale of scrap materials	304	135
	<u>(447)</u>	<u>(161)</u>
Other income and gains, net	<u><u>1,765</u></u>	<u><u>2,424</u></u>

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

## 6. FINANCE COSTS

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Factoring fee on certain designated trade receivables	19	21
Interest on lease liabilities	527	514
Others	15	23
	<u>561</u>	<u>558</u>



## 7. PROFIT BEFORE TAX

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Cost of inventories sold	112,496	117,170
Cost of services provided	–	2,565
Depreciation of property, plant and equipment	3,651	5,253
Less: Amount included in cost of sales	<u>(1,963)</u>	<u>(3,508)</u>
	<u>1,688</u>	<u>1,745</u>
Depreciation of right-of-use of assets	2,783	2,597
Less: Amount included in cost of sales	<u>(1,756)</u>	<u>(1,756)</u>
	<u>1,027</u>	<u>841</u>
Amortisation of intangible assets*	189	444
Less: Amount included in cost of sales	<u>(3)</u>	<u>(1)</u>
	<u>186</u>	<u>443</u>
Lease payments not included in the measurement of lease liabilities	310	429
Gain on termination of a lease	–	(1)
Auditor's remuneration	284	294
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	47,179	50,692
Defined contribution scheme contributions	2,815	947
Net benefit expense of a defined benefit plan	<u>9</u>	<u>(78)</u>
	<u>50,003</u>	<u>51,561</u>
Less: Amount included in cost of inventories sold	<u>(34,417)</u>	<u>(35,913)</u>
	<u>15,586</u>	<u>15,648</u>
Changes in fair value of investment properties	(93)	167
Research and development costs	2,674	2,529
Impairment/(reversal of impairment) of obsolete inventories***	(812)	1,120
Write-off of intangible assets**	86	–
Write-back of impairment of trade receivables**	(30)	(77)
Loss on disposal/write-off of items of property, plant and equipment, net**	18	28
Changes in fair value of financial assets at fair value through profit or loss**	<u>2,300</u>	<u>–</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:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Cost of sales	3	1
Selling and distribution expenses	5	82
Administrative expenses	<u>181</u>	<u>361</u>
	<u><u>189</u></u>	<u><u>444</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.

## 8. INCOME TAX

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Current:		
Charge for the year	442	1,321
Underprovision/(overprovision) in prior years*	<u>(3,388)</u>	<u>27</u>
	<u>(2,946)</u>	1,348
Deferred tax	<u>189</u>	<u>(585)</u>
Total tax expense/(credit) for the year	<u><u>(2,757)</u></u>	<u><u>763</u></u>

\* During the year ended 31 December 2018, the Inland Revenue Department of Hong Kong (“**IRD**”) issued notices of assessment to the Group for the years of assessment 2015/2016 and 2016/2017 following queries in connection with the offshore claim position of a subsidiary. The Group had lodged an objection against these tax assessments and had applied to hold over the tax demanded. The IRD had agreed to the holdover of the additional tax demanded, subject to the purchase of tax reserve certificates. The latest response to IRD queries was made during the year ended 31 December 2021. Subsequent to the end of the reporting period and in March 2022, IRD has issued revised tax assessments for the years of assessment 2015/16 and 2016/17 which stated no assessable profits in Hong Kong, and accordingly, income tax provision of US\$3,270,000 was written back.

## 9. DIVIDENDS

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Dividends paid during the year:		
Final dividend for 2020 – HK1 cents (equivalent to approximately US0.13 cents) per ordinary share (2019: Nil)	1,443	–
Special dividend for 2020 – HK6 cents (equivalent to approximately US0.77 cents) per ordinary share (2019: Nil)	<u>8,655</u>	<u>–</u>
	<u><b>10,098</b></u>	<u>–</u>
Proposed final dividend – HK1 cent (equivalent to approximately US0.13 cents) (2020: HK1 cent (equivalent to approximately US0.13 cents)) per ordinary share	1,436	1,445
Proposed special dividend – HK2.5 cents (equivalent to approximately US0.32 cents) (2020: HK6 cents (equivalent to approximately US0.77 cents)) per ordinary share	<u>3,591</u>	<u>8,671</u>
	<u><b>5,027</b></u>	<u>10,116</u>

## 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\$3,902,000 (2020: US\$2,989,000), and the number of ordinary shares in issue of 1,120,000,000 (2020: 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 2021 and 2020 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during each of these years.

## 11. TRADE RECEIVABLES

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Trade receivables	35,762	27,477
Impairment	<u>(424)</u>	<u>(1,072)</u>
	<u><b>35,338</b></u>	<u>26,405</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:

	<b>2021</b> <i>US\$'000</i>	2020 <i>US\$'000</i>
Within 1 month	<b>32,494</b>	19,072
1 to 2 months	<b>2,799</b>	6,304
2 to 3 months	<b>19</b>	949
Over 3 months	<b>26</b>	80
	<hr/> <b>35,338</b> <hr/>	<hr/> 26,405 <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:

	<b>2021</b> <i>US\$'000</i>	2020 <i>US\$'000</i>
Within 1 month	<b>14,809</b>	12,552
1 to 2 months	<b>5,253</b>	1,422
2 to 3 months	<b>221</b>	143
Over 3 months	<b>32</b>	132
	<hr/> <b>20,315</b> <hr/>	<hr/> 14,249 <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 multi-regional manufacturing platform consisting of three production facilities 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 2021 (the “Year”), the impact of COVID-19 pandemic seemed to moderate and the economic activities across the globe showed signs of recovery, alongside with mass vaccination campaigns and the resumption of major sports events. After a slow start in the first half of the Year, the Group’s customer orders rebounded noticeably in the second half of the Year. However, at the same time, prevailing pandemic situation in Vietnam caused interruption at our Vietnam production base. To comply with the anti-epidemic control measures implemented by the local government, the Group’s Vietnam production base was temporarily closed for a period in the third quarter of 2021. While the disruption in Vietnam production base inevitably had a negative impact on the Group’s performance for the Year, it is encouraging to see the production efficiency in our Cambodia production base has improved during the Year. The gross profit margin for the Year improved to 21.3%, up from 19.9% from last year.

### **OUTLOOK AND PROSPECTS**

Looking ahead, the Group is cautiously optimistic about the global economic recovery amid the COVID-19 pandemic. Risks associated with labour supply under the Pandemic and rising global shipping costs are expected to remain in the foreseeable future. The Group will continue to monitor the situation and work closely with our partners to mitigate the impact accordingly.

With the gradual resumption of operation of the Group’s Vietnam production base, the short-term focus of the Group will be ramping up its production capacity and reducing the lead time in fulfilling customer orders. The Group will also seek to expand its customer base to attract renowned brand owners focus on making the best use of the existing capacity and streamlining the production procedures with the aim to achieve optimal efficiency, and hence improving the profitability, and continue to leverage through its multi-regional manufacturing platform to achieve a sustainable business growth.

## FINANCIAL REVIEW

During the Year, the Group's revenue was generated from sales of bags and packs manufactured for brand owner customers. Despite the rebound in customer orders, the temporary closure of the Group's Vietnam production base interrupted our production schedule and caused longer lead time in fulfilling the customer orders. As a result, total revenue for the Year declined to approximately US\$146.7 million, representing a decrease of approximately US\$9.3 million or 6.0% from approximately US\$156.0 million as recorded in 2020. Total sales quantity decreased from approximately 18.7 million pieces for the year ended 31 December 2020 to approximately 16.9 million pieces for the Year, representing a decrease of approximately 1.8 million pieces or 9.6%. The average selling price per piece declined and the sales mix of different product category continued to concentrate more towards outdoor & sporting bags and packs while shifting away from functional bags and packs in order to better utilise production capacity of the Group's multi-regional manufacturing platform. The breakdown of the revenue, sales quantity and average selling price by product category are set out as below:

Product category or services	2021				2020			
	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	115,361	78.6	12,615	9.1	111,293	71.3	11,598	9.6
Functional	8,813	6.0	557	15.8	13,254	8.5	860	15.4
Fashion & casual	21,506	14.7	3,625	5.9	26,582	17.1	4,522	5.9
Others	993	0.7	101	9.8	3,187	2.0	255	12.5
Subtotal	<u>146,673</u>	<u>100</u>	<u>16,898</u>	<u>8.7</u>	<u>154,316</u>	<u>98.9</u>	<u>17,235</u>	<u>9.0</u>
Subcontracting services	-	-	-	-	1,706	1.1	1,492	1.1
Total	<u>146,673</u>	<u>100</u>	<u>16,898</u>	<u>8.7</u>	<u>156,022</u>	<u>100</u>	<u>18,727</u>	<u>8.3</u>

The Group's cost of sales for the Year amounted to approximately US\$115.4 million, representing a decrease of approximately US\$9.6 million or 7.7% from approximately US\$125.0 million for 2020. The decrease is mainly due to the decrease in sale quantity for the Year. The Group's gross profit margin for the Year improved to 21.3% from 19.9% for 2020 despite the temporary suspension of operation in the Group's production base in Vietnam. The improvement in gross profit margin was mainly a result of improved production efficiency in the Group's production bases, in particular, the Cambodia production base.

The Group's administrative expenses for the Year amounted to approximately US\$17.1 million, decreased by approximately US\$2.0 million or 10.5% from approximately US\$19.1 million for 2020 as a result of the more stringent cost control measures and the closure of its retail business since the outbreak of the COVID-19 pandemic.

Selling and distribution expenses for the Year amounted to approximately US\$11.2 million, increased by approximately US\$2.0 million or 21.7% despite the decrease in quantity shipped. This is mainly due to the continuing surge of global shipping cost since the outbreak of the pandemic.

Other expenses for the Year increased significantly as compared to 2020, largely due to the decrease in fair value of approximately US\$2.3 million on 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\$0.9 million or 30.5% to approximately US\$3.9 million for the Year, compared with approximately US\$3.0 million. Earnings per share for the Year amounted 0.35 US cents as compared to 0.27 US cents for 2020.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURE**

The Group's financial position remained solid. As at 31 December 2021 the Group had cash and cash equivalents of approximately US\$50.6 million and no external borrowings. As a result, the gearing ratio of the Group was zero (31 December 2020: zero) as at 31 December 2021, calculated as total debt, excluding lease liabilities, divided by total equity.

During the Year, the Group incurred capital expenditure of US\$0.9 million, mainly attributable to the acquisition of property, plant and equipment.

## **CONTINGENT LIABILITIES**

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

## **EMPLOYEE INFORMATION AND REMUNERATION POLICY**

As at 31 December 2021, the Group had approximately 7,300 employees (2020: approximately 7,900 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, no share options were granted to employees of the Group.

## **SIGNIFICANT INVESTMENTS HELD**

As at 31 December 2021, there were no significant investments held by the Group (31 December 2020: Nil).

## CHARGE ON THE GROUP'S ASSETS

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

## FOREIGN CURRENCY EXPOSURE

The Group's purchases and operating costs are mainly denominated in Renminbi, Vietnamese Dong 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 HK1 cent per share (the "**Final Dividend**") and a special dividend of HK2.5 cents per share (the "**Special Dividend**") (2020: final dividend of HK1 cent and special dividend of HK6 cents) to the Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on Monday, 27 June 2022.

The proposed Final Dividend and Special Dividend are subject to the approval by the Shareholders at the annual general meeting to be held on Friday, 17 June 2022 (the "**2022 AGM**"). It is expected that the Final Dividend and the Special Dividend would be paid to the Shareholders on Friday, 8 July 2022.

## CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility of the Shareholders to attend the 2022 AGM, the Register of Members will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, during which no transfer of shares will be effected. In order to be entitled to attend and vote at the 2022 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 Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 June 2022.

For the purpose of ascertaining Shareholder's entitlement for the Final Dividend and the Special Dividend, the Register of Members will be closed from Thursday, 23 June 2022 to Monday, 27 June 2022, both days inclusive. To qualify for the Final Dividend and the Special 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 Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 June 2022.

## SHARE CAPITAL

As of 31 December 2021, 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 2021. 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 2021.

## **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 2021. 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 2021 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](http://www.hkexnews.hk) and on the website of the Company at [www.pihl.hk](http://www.pihl.hk), respectively. The 2021 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 2022

*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. Chau Chi Ming and Mr. Tsai Nai-Yung as non-executive Directors and Mr. Chiu Che Chung Alan, Mr. Ko Siu Tak and Mr. Yip Kwok Cheung as independent non-executive Directors.*