# Prosperous Printing Company Limited
# 萬里印刷有限公司

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8385)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Prosperous Printing Company Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2019.

This announcement, containing the financial highlights and the full text of the 2019 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") in relation to the information to accompany preliminary announcements of interim results. Printed version of the 2019 Interim Report of the Company containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and available for viewing on the GEM website at www.hkgem.com on the "Latest Company Announcements" page and on the Company's website at www.prosperous-printing-group.com.hk.

By Order of the Board
**Prosperous Printing Company Limited**
**Mr. Lam Sam Ming**
*Chairman and Executive Director*

Hong Kong, 13 August 2019

*As at the date of this announcement, the executive Directors are Mr. Lam Sam Ming, Ms. Chan Sau Po and Ms. Yao Yuan; the non-executive Director is Mr. Ong Chor Wei; and the independent non-executive Directors are Ms. Cheung Yin, Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gene.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website (www.hkgem.com) on the "Latest Company Announcements" page for at least seven days from the day of its posting. This announcement will also be published on the Company's website at www.prosperous-printing-group.com.hk.*

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*This report, for which the directors (each, a "**Director**") of Prosperous Printing Company Limited (the "**Company**" together with its subsidiaries, collectively, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of publication and on the website of the Company at www.prosperousprinting-group.com.hk.*

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lam Sam Ming *(Chairman)*
Ms. Yao Yuan
Ms. Chan Sau Po

### Non-executive Director

Mr. Ong Chor Wei

### Independent non-executive Directors

Ms. Cheung Yin
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

## AUDIT COMMITTEE

Ms. Cheung Yin *(Chairman)*
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

## REMUNERATION COMMITTEE

Mr. Wong Hei Chiu *(Chairman)*
Ms. Cheung Yin
Mr. Lam Sam Ming

## NOMINATION COMMITTEE

Mr. Lam Sam Ming *(Chairman)*
Mr. Wong Hei Chiu
Ms. Cheung Yin

## RISK MANAGEMENT COMMITTEE

Mr. Lam Sam Ming *(Chairman)*
Ms. Chan Sau Po
Ms. Yao Yuan

## COMPANY SECRETARY

Mr. Ho Tai Wai David, *FCPA (Practising), ACIS*

## AUTHORISED REPRESENTATIVES

Mr. Lam Sam Ming
Ms. Chan Sau Po

## COMPLIANCE OFFICER

Ms. Chan Sau Po

## REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, Yip Cheung Centre
10 Fung Yip Street
Chai Wan
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

## COMPLIANCE ADVISER

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

## AUDITOR

Crowe (HK) CPA Limited
9/F Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

## COMPANY'S WEBSITE

www.prosperous-printing-group.com.hk.

## STOCK CODE

8385

# Highlights

## HIGHLIGHTS

- The revenue of the Group was approximately HK$221.2 million for the six months ended 30 June 2019 representing an increase of approximately 11.5% from approximately HK$198.4 million for the same period ended 30 June 2018. Such increase was mainly due to increase of sales order.

- The gross profit was approximately HK$58.4 million for the six months ended 30 June 2019, representing a decrease of approximately 1.8% as compared to HK$59.5 million for the six months ended 30 June 2018 primarily due to the increase in the cost of sales, driven by increase in price of paper raw materials and intense market competition.

- The profit for the period was approximately HK$5.3 million for the six months ended 30 June 2019, as compared to the net profit of approximately HK$5.2 million recorded for the same period ended 30 June 2018 representing an increase of 1.9%, which was mainly due to increase in sales order.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the same period ended 30 June 2018: nil).

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2019 (together with the comparative unaudited figures for the corresponding period in 2018) as follows:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the six months ended 30 June 2019*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **HK$'000** | HK$'000 |
| | Note | **(unaudited)** | (unaudited) |
| **Revenue** | 3 | **221,195** | 198,398 |
| Cost of sales | | **(162,792)** | (138,914) |
| **Gross profit** | | **58,403** | 59,484 |
| Other income | | **4,218** | 2,958 |
| Distribution costs | | **(14,559)** | (14,402) |
| Administration expenses | | **(36,445)** | (38,294) |
| **Profit from operations** | | **11,617** | 9,746 |
| Finance costs | | **(4,372)** | (3,560) |
| **Profit before taxation** | | **7,245** | 6,186 |
| Income tax | 4 | **(1,993)** | (1,033) |
| **Profit for the period** | | **5,252** | 5,153 |
| **Other comprehensive (expense)/income for the period, net of nil tax** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **(191)** | 4,642 |
| **Total comprehensive income for the period** | | **5,061** | 9,795 |
| **Earnings per share:** | | **HK Cents** | HK Cents |
| Basic | 5 | **0.66** | 0.84 |
| Diluted | 5 | **0.66** | 0.84 |

*Note:*

The Group has initially applied Hong Kong Financial Reporting Standards (the "**HKFRS**") 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. See Note 2.

# Condensed Consolidated Statement Of Financial Position

*As at 30 June 2019*

| | Note | 30 June 2019 HK$'000 (Unaudited) | 31 December 2018 HK$'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **261,999** | 252,951 |
| Intangible assets | | **697** | 755 |
| Financial assets at fair value through profit or loss | | **2,433** | 2,433 |
| Investments in key management insurance policies | | **8,343** | 8,343 |
| | | **273,472** | 264,482 |
| **Current assets** | | | |
| Inventories | | **84,385** | 86,318 |
| Trade and other receivables | 8 | **179,847** | 143,789 |
| Pledged bank deposits | | **8,952** | 6,843 |
| Cash and cash equivalents | | **12,785** | 35,448 |
| | | **285,969** | 272,398 |
| **Total assets** | | **559,441** | 536,880 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | **100,843** | 100,843 |
| Reserves | | **189,950** | 184,889 |
| **Total equity** | | **290,793** | 285,732 |

# Condensed Consolidated Statement Of Financial Position

*As at 30 June 2019*

| | Note | 30 June 2019 HK$'000 (Unaudited) | 31 December 2018 HK$'000 (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | 24,243 | 30,243 |
| Lease liabilities | 2(d) | 13,665 | 7,045 |
| Deferred tax liabilities | | 5,674 | 5,674 |
| | | 43,582 | 42,962 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | 68,101 | 58,961 |
| Borrowings | | 143,064 | 142,470 |
| Lease liabilities | 2(d) | 13,097 | 5,282 |
| Tax payable | | 804 | 1,473 |
| | | 225,066 | 208,186 |
| **Total liabilities** | | 268,648 | 251,148 |
| **Total equity and liabilities** | | 559,441 | 536,880 |

*Note:*

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. See Note 2.

# Condensed Consolidated Statement Of Changes In Equity

*For the six months ended 30 June 2019*

| | Share capital HK$'000 | Exchange reserve HK$'000 | Capital reserve HK$'000 | Fair value reserve HK$'000 | Retained profits HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 100,843 | (2,625) | 3,318 | (97) | 167,168 | 268,607 |
| **Changes in equity for the six months ended 30 June 2018:** | | | | | | |
| Profit for the period | — | — | — | — | 5,153 | 5,153 |
| Other comprehensive income for the period | — | 4,642 | — | — | — | 4,642 |
| **Balance at 30 June 2018 (unaudited)** | 100,843 | 2,017 | 3,318 | (97) | 172,321 | 278,402 |
| **Balance at 31 December 2018 and 1 January 2019** | 100,843 | (9,176) | 3,318 | — | 190,747 | 285,732 |
| **Changes in equity for the six months ended 30 June 2019:** | | | | | | |
| Profit for the period | — | — | — | — | 5,252 | 5,252 |
| Other comprehensive expense for the period | — | (191) | — | — | — | (191) |
| **Balance at 30 June 2019 (unaudited)** | 100,843 | (9,367) | 3,318 | — | 195,999 | 290,793 |

*Note:*

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. See Note 2.

# Condensed Consolidated Statement Of Cash Flows

*For the six months ended 30 June 2019*

| | (Unaudited) Six months ended 30 June 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Net cash used in operating activities** | **(4,805)** | (22,723) |
| **Investing activities** | | |
| Payment for purchase of property, plant and equipment | **(381)** | (9,179) |
| Proceeds from disposal of property, plant and equipment | — | 500 |
| Increase in pledged bank deposits | **(2,109)** | (51) |
| Upfront payment of investments in key management insurance policies | — | (29) |
| Payment for deposit for acquisition of property, plant and equipment | — | 300 |
| Interest received | **200** | 218 |
| **Net cash used in investing activities** | **(2,290)** | (8,241) |
| **Financing activities** | | |
| Proceeds from new bank loans | **535,310** | 229,639 |
| Repayment of bank loans | **(545,710)** | (239,381) |
| Capital element of lease rentals paid | **(1,048)** | (820) |
| Interest element of lease rentals paid | **(451)** | (413) |
| Interest and other borrowing costs paid | **(3,669)** | (3,147) |
| **Net cash used in financing activities** | **(15,568)** | (14,122) |
| **Net decrease in cash and cash equivalents** | **(22,663)** | (45,086) |
| **Cash and cash equivalents at 1 January** | **35,448** | 49,375 |
| **Cash and cash equivalents at 30 June** | **12,785** | 4,289 |

*Note:*

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. See Note 2.

# Notes To The Condensed Consolidated Financial Statements

## 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 13 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Company's audit committee.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### *(a) Changes in the accounting policies*

##### *(i) New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) *Lessee accounting*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 7.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value;

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**(b) *Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies***

*(i) Classification of interest in leasehold land and buildings held for own use*

In accordance with HKAS 16, *Property, plant and equipment*, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies.

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation. They may contain termination or extension clauses.

*(ii) Determining the lease term*

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

*(c) Transitional impact*

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.65%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 13 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

| | **1 January 2019 HK$'000** |
|---|---|
| Operating lease commitments at 31 December 2018 | **13,929** |
| Less: commitments relating to leases exempt from capitalisation: | |
| — short-term leases and other leases with remaining lease term ending on or before 31 December 2019 | **(9,454)** |
| Less: total future interest expenses | **(135)** |
| Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 | **4,340** |
| Add: finance lease liabilities recognised as at 31 December 2018 | **12,327** |
| Total lease liabilities recognised at 1 January 2019 | **16,667** |

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

| | **Carrying amount at 31 December 2018** | **Capitalisation of operating lease contracts** | **Carrying amount at 1 January 2019** |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:** | | | |
| Property, plant and equipment | 252,951 | 4,340 | 257,291 |
| **Total non-current assets** | **264,482** | **4,340** | **268,822** |
| Lease liabilities (current) | 5,282 | 3,033 | 8,315 |
| **Current liabilities** | **208,186** | **3,033** | **211,219** |
| **Net current assets** | **64,212** | **(3,033)** | **61,179** |
| **Total assets less current liabilities** | **328,694** | **1,307** | **330,001** |
| Lease liabilities (non-current) | 7,045 | 1,307 | 8,352 |
| **Total non-current liabilities** | **42,962** | **1,307** | **44,269** |
| **Net assets** | **285,732** | **—** | **285,732** |

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

| | At 30 June 2019 HK$'000 | At 1 January 2019 HK$'000 |
|---|---|---|
| Included in "Property, plant and equipment": | | |
| Ownership interests in leasehold land and buildings held for own use, carried at cost | **118,544** | 120,817 |
| Other properties leased for own use, carried at depreciated cost | **16,913** | 4,340 |
| Plant and machinery and motor vehicles, carried at depreciated cost | **13,452** | 14,230 |
| | **148,909** | 139,387 |

### *(d) Lease liabilities*

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

| | At 30 June 2019 | | At 1 January 2019 | |
|---|---|---|---|---|
| | **Present value of the minimum lease payments HK$'000** | **Total minimum lease payments HK$'000** | Present value of the minimum lease payments HK$'000 | Total minimum lease payments HK$'000 |
| Within 1 year | **13,097** | **14,002** | 9,105 | 9,657 |
| After 1 year but within 2 years | **9,426** | **9,811** | 6,820 | 7,024 |
| After 2 years but within 5 years | **4,239** | **4,305** | 1,532 | 1,545 |
| | **13,665** | **14,116** | 8,352 | 8,569 |
| | **26,762** | **28,118** | 17,457 | 18,226 |
| Less: total future interest expenses | | **(1,356)** | | (769) |
| Present value of lease liabilities | | **26,762** | | 17,457 |

### (e) *Impact on the financial result and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

## 3. REVENUE AND SEGMENT REPORTING

HKFRS 8 "Operating Segments" requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company's executive directors, being the Group's chief operating decision makers ("**CODM**"), for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the production and sale of books and paper products.

### (a) Disaggregation of revenue

Revenue represents the amounts received and receivable from sales of books and paper products and provision of sub-contracting services, which are recognised at a point in time.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by major products or service lines | | |
| Revenue arising from sales of books and paper products | **217,740** | 180,919 |
| Revenue arising from provision of sub-contracting services | **3,455** | 17,479 |
| | **221,195** | 198,398 |

Disaggregation of revenue from contracts with customers by geographical areas is disclosed in Note 3(b).

### (b) Information about geographical areas

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location of external customers.

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Hong Kong (place of domicile) | **123,181** | 92,041 |
| Mainland China | **3,455** | 17,479 |
| United States | **85,878** | 60,480 |
| United Kingdom | **3,778** | 18,071 |
| Australia | **841** | 3,190 |
| Other countries | **4,062** | 7,137 |
| | **221,195** | 198,398 |

Revenue from the individual countries included in other countries is not significant.

## 4. INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **INCOME TAX** | | |
| Current tax — Hong Kong Profits Tax | **279** | 229 |
| Current tax — People's Republic of China ("**PRC**") Enterprise Income Tax | **1,714** | — |
| Deferred tax | **—** | 804 |
| | **1,993** | 1,033 |

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for the PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% of the estimated taxable profits for the reporting period.

## 5. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$5,252,000 (six months ended 30 June 2018: HK$5,153,000) and the weighted average of 800,000,000 (six months ended 30 June 2018: 610,411,000) ordinary shares of the Company in issue during the interim period.

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2019 and 2018, and therefore, diluted earnings per share is the same as the basic earnings per share.

## 6. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2019 (the six months ended 30 June 2018: Nil).

## 7. PROPERTY, PLANT AND EQUIPMENT

### (a) Right-of-use assets

As discussed in Note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in property, plant and equipment is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of office premises and factory plant, and therefore recognised the additions to right-of-use assets of approximately HK$15,387,000.

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019 and 2018, no material items of property, plant and equipment were acquired or disposed by the Group.

## 8. TRADE AND OTHER RECEIVABLES

| | 30 June 2019 HK$'000 (Unaudited) | 31 December 2018 HK$'000 (Audited) |
|---|---|---|
| Trade receivables | 160,899 | 147,854 |
| Less: loss allowance | (12,423) | (12,423) |
| | 148,476 | 135,431 |
| Advance to a sub-contractor | 18,732 | — |
| Other receivables | 6,860 | 643 |
| Financial assets measured at amortised cost | 174,068 | 136,074 |
| Prepayments | 3,776 | 4,356 |
| Utility and other deposits | 441 | 593 |
| Other tax recoverable | 1,562 | 2,766 |
| | 179,847 | 143,789 |

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:

| | 30 June 2019 HK$'000 (Unaudited) | 31 December 2018 HK$'000 (Audited) |
|---|---|---|
| Within 1 month | 42,120 | 44,197 |
| 1 to 3 months | 56,083 | 40,984 |
| 3 to 6 months | 21,582 | 31,407 |
| 6 to 12 months | 28,691 | 16,095 |
| Over 1 year | — | 2,748 |
| | 148,476 | 135,431 |

Trade debtors and bills receivable are due within 180 days from the date of billing.

## 9. TRADE AND OTHER PAYABLES

| | 30 June 2019 HK$'000 (Unaudited) | 31 December 2018 HK$'000 (Audited) |
|---|---|---|
| Trade creditors | 45,030 | 37,582 |
| Other payables and accruals | 23,071 | 21,379 |
| | 68,101 | 58,961 |

*Note:*

On the date of transition to HKFRS 16, accrued lease payments of approximately HK$970,000 previously included in "Other payables and accruals" were adjusted to right-of-use assets recognised at 1 January 2019. See Note 2.

An ageing analysis of the trade creditors (which are included in trade and other payables) as at the end of the reporting period, based on the invoice date, is as follows:

| | 30 June 2019 HK$'000 (Unaudited) | 31 December 2018 HK$'000 (Audited) |
|---|---|---|
| Within 1 month | 13,758 | 10,114 |
| 1 to 3 months | 26,061 | 22,371 |
| 3 to 6 months | 4,518 | 4,837 |
| 6 to 12 months | 452 | 197 |
| Over 1 year | 241 | 63 |
| | 45,030 | 37,582 |

## 10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (i) Financial assets and liabilities measured at fair value

***Fair value hierarchy***

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

| | | Fair value measurements at 30 June 2019 categorised into | | |
|---|---|---|---|---|
| | Fair value | Level 1 | Level 2 | Level 3 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Recurring fair value measurements** | | | | |
| Assets: | | | | |
| — Investment funds in Hong Kong | 2,433 | 2,433 | — | — |

| | | Fair value measurements at 31 December 2018 categorised into | | |
|---|---|---|---|---|
| | Fair value | Level 1 | Level 2 | Level 3 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Recurring fair value measurements** | | | | |
| Assets: | | | | |
| — Investment funds in Hong Kong | 2,433 | 2,433 | — | — |

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

### (ii) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2019 and 31 December 2018.

## 11. COMMITMENTS

### (a) Capital commitments outstanding as at 30 June 2019 not provided for in the interim financial report were as follows:

| | At 30 June 2019 HK$'000 | At 31 December 2018 HK$'000 |
|---|---|---|
| Contracted for: | | |
| — purchase of plant and machinery | 7,456 | — |

### (b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | Land and buildings HK$'000 |
|---|---|
| Within 1 year | 9,832 |
| After 1 year but within 5 years | 4,097 |
| | 13,929 |

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2.

## 12. CONTINGENT LIABILITIES

### (a) Counterclaim from a former customer

The Group is a party to a number of legal proceedings where the Group, as plaintiff, claims for unpaid fees with respect to the Group's printing services, all of which arose during the ordinary course of the Group's business. Among such legal proceedings, the Group has been subject to a counterclaim by the Group's former customer in one legal proceeding as at 30 June 2019. Details of this counterclaim are set forth below:

The customer in France (the "**French Publisher**") counterclaims (1) approximately US$318,000 as copyright payments (the "**Copyright Claim**") in respect of certain books and other printing products printed by the Group under the relevant printing arrangement, which is the underlying cause of the Copyright Claim; (2) approximately US$100,000 for alleged payments (the "**Alleged Payment Claim**") to the Group or the Group's affiliate which shall partially off-set against the Group's original claim of approximately US$752,000 and Euros 180,000 (approximately equivalent to HK$7.35 million in aggregate) in respect of non-payment of printing products against the French Publisher (the "**French Original Claim**"), where it alleged to have made a payment of such amount to a print broker based in Germany with the authorisation of a third party alleged to be the Group's agent; (3) approximately Euros 1,400,000 being the primary claim on the grounds of late deliveries of print products (the "**Late Delivery Primary Claim**"); (4) approximately US$501,000, Euros 584,000, 2,000 Australian Dollars and 2,000 Pounds Sterling being the secondary claim (the "**Late Delivery Secondary Claim**") if the Late Delivery Primary Claim fails, plus legal interests from the date of the judgement; and (5) Euros 100,000 of moral damages on the grounds for damaged reputation (the "**Damaged Reputation Claim**"), where it alleged to have suffered damage to its reputation and brand as a result of late and/or faulty deliveries. The Copyright Claim and the Alleged Payment Claim were first filed on 17 December 2014 and 30 April 2016 respectively, while the Late Delivery Primary Claim, the Late Delivery Secondary Claim and the Damaged Reputation Claim were filed on 5 October 2016.

On 27 June 2018, the Paris Commercial Court in Paris, France (the "**Paris Commercial Court**") issued the judgement (the "**Judgement**") with respect to the following: (a) with respect to the claim by the Group against the French Publisher, the Group would be entitled to an award of approximately US$765,000 and approximately Euros 176,000 as award under the French Original Claim, (b) with respect to the counter-claim by the French Publisher against the Group, the French Publisher would be entitled to an award of approximately US$318,000 under the Copyright Claim and Euros 480,000 under the Late Delivery Primary Claim and Late Delivery Secondary Claim while the Damaged Reputation Claim was rejected, and (c) after off-set of (a) and (b), the Group would be entitled to approximately US$100,000 against the French Publisher.

On 16 August 2018, the French Publisher lodged an appeal to Paris Court of Appeal in Paris, France (the "**Paris Court of Appeal**") against the Judgment (the "**Appeal Claim**"). Up to the date of issue of these interim financial statements, the Appeal Claim was still in progress. Based on currently available documents and the legal advice, the directors of the Company are of the opinion that the Appeal Claim is not expected to have a significant impact on the consolidated financial statements. Accordingly, no provision has been made in respect of the Appeal Claim.

### (b) Claim from a former employee

In September 2018, a subsidiary of the Company received a notice that it is being sued by a former employee in respect of a personal injury purported to have been suffered during her employment with that company. If the subsidiary is found to be liable, the total expected monetary compensation may amount to less than HK$3 million (the "**Compensation**"). Under the subsidiary's employee's compensation insurance policy, it is probable that in such circumstances the subsidiary could recover the Compensation in full from the insurer. The subsidiary continues to deny any liability in respect of the injury and, based on the legal advice, the directors of the Company do not believe it probable that the court will find against them. No provision has therefore been made in respect of this claim.

## 13. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

# Management Discussion And Analysis

## BUSINESS REVIEW

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States of America (the "**U.S.**"), the United Kingdom (the "**U.K.**"), Australia and Europe (excluding U.K.). The products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials of the Group. The two production sites were the Shenzhen Factory and the Hong Kong Factory. Each of these factories is a self-functioning printing and production arm of the Group, and they share the printing workload allocated by the management. Notwithstanding the intense market competition, the Group achieved a slight increase in revenue as a result of increase of sales order during six months ended 30 June 2019. We experienced Labour Strike during the reporting period and the participating workers have incrementally resumed duty afterwards. For further details, please refer to the announcements dated 25 June 2019 and 15 July 2019 respectively.

## FUTURE PROSPECTS

Looking forward, there are certain risk that the Group will face in further development such as challenges from increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, the Group remains cautiously optimistic of the second half of 2019 prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build the competitive strengths so as to increase market share and profitability. To achieve the goal, the Group plans to implement the following business strategies: improving the equipment and the level of automation, expanding customer base and strengthening sales and marketing coverage, and continuing to attract and retain top talent in the industry.

## FINANCIAL REVIEW

### Revenue

The Group generates revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The revenue increased by approximately 11.5% from approximately HK$198.4 million for the six months ended 30 June 2018, to approximately HK$221.2 million for the six months ended 30 June 2019 due to increase in sales order.

### Costs of sales

The cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. The cost of sales increased by approximately 17.2% from approximately HK$138.9 million for the six months ended 30 June 2018 to approximately HK$162.8 million for the six months ended 30 June 2019 which is driven by increase in price of paper raw materials and intense market competition.

# Management Discussion And Analysis

## Gross profit and gross profit margin

The gross profit was approximately HK$59.5 million and HK$58.4 million for the six months ended 30 June 2018 and 2019 respectively. The gross profit margin was 30.0% and 26.4% respectively. The decrease in gross profit was primarily due to the increase the cost of sales, driven by increase in price of paper raw materials and intense market competition.

## Other income

Other income mainly consists of the gain on disposal of property, plant and equipment, exchange gain/loss, the profit arising from sale of paper and scrap materials and income received from government subsidies. The Group recorded other income of approximately HK$3.0 million during the six months ended 30 June 2018 and HK$4.2 million during the six months ended 30 June 2019. The increase was due to the increase of sale of paper and scrap materials.

## Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and rental and rates. The administrative expenses decreased from approximately HK$38.3 million during the six months ended 30 June 2018 to HK$36.4 million during the six months ended 30 June 2019 mainly due to decrease in staff and office expenses.

## Finance costs

The Group recorded finance costs of approximately HK$3.6 million during the six months ended 30 June 2018 and HK$4.4 million during the six months ended 30 June 2019. The finance costs increased by approximately 22.8% in the six months ended 30 June 2019 as compared to the same period in 2018. The increase in finance costs was primarily due to increase bank loan.

## Income tax

Income tax represents income tax paid or payable by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction the Group operates or domiciles. The Group had no tax payable in other jurisdiction other than Hong Kong and the PRC during the six months ended 30 June 2018 and 2019. The operations in Hong Kong are subject to the two-tiered profits tax rate regime, which the first HK$2 million of profits of qualifying entity will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. The operations in the PRC are subject to an enterprise income tax rate of 25.0%. The Group recorded income tax of approximately HK$2.0 million during the six months ended 30 June 2019 (2018: HK$1.0 million).

# Management Discussion And Analysis

### Profit for the period

As a result of the foregoing, the profit for the period increased from approximately HK$5.2 million during the six months ended 30 June 2018 to approximately HK$5.3 million during the six months ended 30 June 2019, representing an increase of 1.9%, which was mainly due to increase in sales order.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had net current assets of approximately HK$60.9 million (as at 31 December 2018: approximately HK$64.2 million), of which the cash and cash equivalents were approximately HK$12.8 million. The Group's current ratio as at 30 June 2019 is 1.3 (as at 31 December 2018: 1.3). The gearing ratio as at 30 June 2019 was 0.67 (as at 31 December 2018: 0.65) which is calculated on the basis of the Group's total bank loans, overdrafts and lease liabilities over the total equity.

Total bank borrowings, overdrafts and lease liabilities for the Group amounted to approximately HK$194.1 million as at 30 June 2019 (as at 31 December 2018: approximately HK$185.0 million). As at 30 June 2019, bank loans and overdrafts in the amounts of approximately HK$143.1 million within one year while the amounts of approximately HK$24.2 million are due after one year.

The Group adopts centralized financing and treasury policies in order to ensure the Group funding is utilized efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

## CAPITAL STRUCTURE

The Company's Shares were successfully listed on GEM on 13 December 2017 (the "**Listing Date**"). There has been no change in the capital structure of the Group since the Listing Date and up to 30 June 2019.

## CAPITAL EXPENDITURE

The capital expenditure primarily comprised of purchase of property, plant and equipment such as machinery for production. The capital expenditure was funded by net proceeds from the Listing, internal resources, finance leases and bank borrowings during the six months ended 30 June 2019.

# Management Discussion And Analysis

The following sets forth the Group's capital expenditure as at the dates indicated:

| | As at 30 June 2019 HK$'000 (Unaudited) | As at 31 December 2018 HK$'000 (Audited) |
|---|---|---|
| Property, plant and equipment | **261,999** | 252,951 |
| Intangible assets | **697** | 755 |
| | **263,696** | 253,706 |

## CONTINGENT LIABILITIES

Please refer to note 12 to the Condensed Consolidated Financial Statements.

## COMMITMENTS

Please refer to note 11 to the Condensed Consolidated Financial Statements.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 886 employees in total (as at 31 December 2018: 919).

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

## MATERIAL EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the reporting period that requires disclosure, save and except the entering into of the Compensation Agreements (as defined in the announcement of the Company dated 29 July 2019). Please refer to the announcement of the Company dated 29 July 2019 and the supplemental announcement of the Company dated 7 August 2019 for details.

# Management Discussion And Analysis

## ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

| Business objectives | Implementation plans | Actual business progress up to 30 June 2019 |
|---|---|---|
| Improve our equipment and the level of automation | Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency. | Purchased software and accessory for machinery to improve production efficiency |
| Expand customer base and strengthen sales and marketing coverages | Attend London Book Fair and BookExpo America and promote brand awareness among international publishers by placing advertisement and/or circulating pamphlets;<br><br>Implement the following measures from time to time:<br><br>— conduct site visits (through internal sales team or sales representatives) to at least ten potential international publishers and/or print brokers for business development in every calendar year;<br><br>— conduct site visits (through internal sales team or sales representatives) to at least half of the top twenty customers to obtain after-sales feedback and maintain business contacts in every calendar year;<br><br>— maintain and enhance website to include more information of printing capabilities; and<br><br>— increase exposure on the various online search platforms. | Attended book fair and placed advertisement/pamphlets<br><br>Conducted site visits to existing and potential customers |

## USE OF PROCEEDS

Based on the Offer Price (as defined in the prospectus of the Company dated 29 November 2017 (the "**Prospectus**")) of HK$0.35 per Offer Share (as defined in the Prospectus) and 200,000,000 Shares offered by the Company, the net proceeds from the Share Offer (as defined in the Prospectus) to be received by the Company, after deducting the underwriting fees and commissions and estimated expenses paid and payable by the Company in relation to the Share Offer, are approximately HK$34.7 million. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Use of Proceeds" in the Prospectus.

An analysis of the utilisation of the net proceeds from 1 January 2019 up to 30 June 2019 is set out below:

| | Planned use of the net proceeds from 1 January 2019 to 30 June 2019 (HK$ million) | Actual use of the net proceeds from 1 January 2019 to 30 June 2019 (HK$ million) |
|---|---|---|
| Expand customer base and strengthen sales and marketing coverages | 0.3 | 0.3 |
| **Total:** | 0.3 | 0.3 |

The business objectives, implementation plans and planned use of proceeds were based on the estimation and assumption of future market conditions made by the Group for the purpose of Listing. The actual use of proceeds was based on the Group's business operations and development.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the period ended 30 June 2018: Nil).

# Other Information

## CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

The Company has complied with the principles and applicable code provisions of the CG Code for the six months ended 30 June 2019, except the deviation from CG Code provision A.2.1 as set out below.

### Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lam Sam Ming ("**Mr. Lam**") is the chairman and the chief executive officer of the Company. Mr. Lam has over 36 years of experience in the printing industry. Mr. Lam established the Group through L & L Limited in December 1992. Since then he has been in charge of the overall business strategies and operation of the Group. The Directors are of the view that it would be in the Group's best interest for Mr. Lam to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the six months ended 30 June 2019.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**"), the principal terms of which are summarised in the sub-section headed "Appendix V — Statutory and General Information — D. Share Option Scheme" in the Prospectus.

No share option has been granted or exercised under the Scheme during the six months ended 30 June 2019. No share option was outstanding as at 30 June 2019.

# Other Information

## PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the six months ended 30 June 2019.

## DISCLOSURE OF INTERESTS

### (a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations

As at 30 June 2019, the Directors had the following interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were required to be notified to the Company and the Stock Exchange:

#### *(i) Interests in the Company*

| Name of Director | Capacity | Number of Shares *(Note 1)* | Percentage of interest in the Company |
|---|---|---|---|
| Mr. Lam *(Note 2)* | Interest of controlled corporation | 480,000,000 (L) | 60% |
| Ms. Yao *(Note 3)* | Interest of spouse | 480,000,000 (L) | 60% |

*Notes:*

1. The letter "L" denotes the person's long positions in the Shares.

2. These 480,000,000 Shares are held by First Tech Inc. ("**First Tech**"), which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 480,000,000 Shares under the SFO.

3. Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.

# Other Information

Mr. Ong Chor Wei, a non-executive Director, is also a director of a Singapore listed company, Net Pacific Financial Holdings Limited. According to the annual report of Net Pacific Financial Holdings Limited for the financial year ended 31 December 2018, Mr. Ong Chor Wei is deemed to be interested in the shares held by Quad Sky Limited by virtue of him owning 100% of the equity interest in Head Quator Limited which in turn owns 50% of the equity interest in Quad Sky Limited, which owns approximately 10.22% of the issued share capital of Net Pacific Financial Holdings Limited. Together with the 0.60% of the issued share capital of Net Pacific Financial Holdings Limited directly owned by him, Mr. Ong Chor Wei has an approximately 10.82% deemed interest in the issued share capital of Net Pacific Financial Holdings Limited. Net Pacific Financial Holdings Limited wholly-owns Net Pacific Finance Group Limited.

Net Pacific Finance Group Limited has subscribed for 10,000,000 class A shares in Fine Time Concept Limited ("**Fine Time**"). Holders of class A shares in Fine Time do not have voting rights at general meetings of Fine Time but all shareholders of Fine Time share the profits and risks of Fine Time according to their respective total contribution in debt and equity to Fine Time. As Net Pacific Finance Group Limited contributed HK$10,000,000 out of the total debt and equity contribution received by Fine Time of HK$22,000,000, Net Pacific Finance Group Limited holds 45.4% of the economic interest in Fine Time. However, Net Pacific Finance Group Limited does not hold any voting rights in Fine Time and accordingly, Net Pacific Finance Group Limited is not the controlling shareholder of Fine Time.

*(ii) Interests in associated corporation of the Company*

| Name of Director | Name of associated corporation | Capacity | Number of shares held | Percentage of shareholding interest |
|---|---|---|---|---|
| Mr. Lam | First Tech | Beneficial owner | 50,000 | 100% |

Save as disclosed above, as at 30 June 2019, none of the Directors had any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

### (b) Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, as at 30 June 2019, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were interested in 10% or more of the total number of issued Shares of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

| Name of substantial shareholder | Capacity | Number of Shares *(Note 1)* | Percentage of interest in the Company |
|---|---|---|---|
| First Tech *(Note 2)* | Beneficial owner | 480,000,000 (L) | 60% |
| Fine Time *(Note 3)* | Beneficial owner | 120,000,000 (L) | 15% |

*Notes:*

1. The letter "L" denotes the person's long positions in the Shares.

2. First Tech is a company incorporated in the BVI which is wholly and beneficially owned by Mr. Lam, an executive Director.

3. For information regarding the shareholding structure of Fine Time, please refer to the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment — Information regarding Fine Time* " in the Prospectus.

Save as disclosed above, so far as is known to the Directors, as at 30 June 2019, there are no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were interested in 10% or more of the voting power at general meetings or any other members of the Group.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

# Other Information

## INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited ("**Kingsway**"), as at 30 June 2019, save as (1) Kingsway's participation as the sole sponsor in relation to the Listing; (2) Kingsway's affiliated company, Kingsway Financial Services Group Limited as one of the joint bookrunners and joint lead managers in relation to the Listing; and (3) the compliance adviser agreement entered into between the Company and Kingsway Capital Limited, neither Kingsway nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 15 November 2017 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited consolidated financial results of the Group for the six months ended 30 June 2019. The Audit Committee is of the opinion that such financial results comply with the applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board of
**Prosperous Printing Company Limited**
**Lam Sam Ming**
*Chairman and Executive Director*

Hong Kong, 13 August 2019

*As at the date of this report, the executive Directors are Mr. Lam Sam Ming, Ms. Chan Sau Po and Ms. Yao Yuan; the non-executive Director is Mr. Ong Chor Wei; and the independent non-executive Directors are Ms. Cheung Yin, Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gene.*