



Prosperous Printing Company Limited
萬里印刷有限公司

(incorporated in Hong Kong with limited liability)

Stock Code: 8385



2020 FIRST
QUARTERLY
REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors of Prosperous Printing Company Limited (the “**Company**”) 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.prosperous-printing-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, *FCCA (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 22
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

HONG KONG LEGAL ADVISOR

Jimmie K.S. Wong & Partners
Unit 2413A, 24/F, Lippo Centre Tower One
89 Queensway, Admiralty
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

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2020 (together with the comparative unaudited figures for the corresponding period in 2019) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Note	Three months ended 31 March	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	72,910	93,680
Cost of sales		(51,783)	(65,880)
Gross profit		21,127	27,800
Other income		2,447	1,243
Distribution costs		(4,651)	(6,428)
Administration expenses		(17,208)	(18,507)
Other operating expenses		(2,191)	—
(Loss)/profit from operations		(476)	4,108
Finance costs		(1,840)	(1,858)
(Loss)/profit before taxation		(2,316)	2,250
Income tax	4	(436)	(1,572)
(Loss)/profit for the year		(2,752)	678
Attribution to:			
Equity shareholders of the Company		(2,752)	678
Non-controlling interests		—	—
(Loss)/profit for the year		(2,752)	678
(Loss)/profit per share:		HK cents	HK cents
Basic	5	(0.34)	0.08
Diluted	5	(0.34)	0.08

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Note	Three months ended 31 March	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss)/profit for the period		(2,752)	678
Other comprehensive expenses for the year, net of nil tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operation with functional currency other than Hong Kong dollars		(3,106)	10,649
Total comprehensive income for the period		(3,106)	10,649
Attributable to:			
Equity shareholders of the Company		(5,858)	11,327
Non-controlling interests		—	—
Total comprehensive (loss)/income for the period		(5,858)	11,327

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to equity shareholders of the Company				Total equity HK\$'000
	Share capital HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	
Balance at 1 January 2019	100,843	(9,176)	3,318	190,747	285,732
Change in equity for 2019:					
Profit for the period	—	—	—	678	678
Other comprehensive income for the period	—	10,649	—	—	10,649
Balance at 31 March 2019	100,843	1,473	3,318	191,425	297,059
Balance at 31 December 2019 and 1 January 2020	100,843	(13,415)	3,318	208,946	299,692
Change in equity for 2020:					
Loss for the period	—	—	—	(2,752)	(2,752)
Other comprehensive income for the period	—	(3,106)	—	—	(3,106)
Balance at 31 March 2020	100,843	(16,521)	3,318	206,194	293,834

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Prosperous Printing Company Limited (the “**Company**”) was incorporated in Hong Kong on 23 December 1992 with limited liability under the laws of Hong Kong. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited since 13 December 2017.

The address of the Company’s registered office is 3/F., Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong.

The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the production and trading of books and paper products.

2. BASIS OF PREPARATION

This quarterly financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. It was authorised for issue on 15 May 2020.

This financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual 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 requirements of the Companies Ordinance. This financial information is presented in Hong Kong dollars (“**HKS**”) and all values are rounded to the nearest thousand (“**HKS’000**”) except when otherwise indicated.

This quarterly 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 2019 annual financial statements. The condensed consolidated quarterly financial results and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The quarterly results are unaudited but have been reviewed by the audit committee of the Company.

The financial information relating to the financial year ended 31 December 2019 that is included in the quarterly 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 2019 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents the amounts received and receivable from sales of books and paper products and provision of sub-contracting services.

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

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (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	70,853	93,502
Revenue arising from provision of sub-contracting services	2,057	178
	72,910	93,680

(b) 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 maker, 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.

4. INCOME TAX

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
INCOME TAX		
Current tax — Hong Kong Profits Tax Provision for the year	156	93
Current tax — PRC Enterprise Income Tax Provision for the year	280	1,479
Deferred tax: Origination and reversal of temporary difference	—	—
	436	1,572

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX (CONTINUED)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

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

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any income tax in the jurisdiction.

For the three months ended 31 March 2020 and 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

5. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company of HK\$2,752,000 (for the three months ended 31 March 2019: HK\$678,000) and weighted average of 800,000,000 (2019: 800,000,000) ordinary shares of the Company in issue throughout the period.

(b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares during the three months ended 31 March 2020 and 2019, and therefore, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

6. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2020 (for the three months ended 31 March 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Unless otherwise stated, the capitalized terms used in this report shall have the same meaning as those used in the prospectus (“**Prospectus**”) dated 29 November 2017.

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. The Group’s revenue decreased by approximately 22.2% from approximately HK\$93.7 million for the three months ended 31 March 2019, to approximately HK\$72.9 million for the three months ended 31 March 2020 due to decrease in sales order. The Group recorded a loss of approximately HK\$2.8 million during the three months ended 31 March 2020, as compared to a profit of approximately HK\$0.7 million during the three months ended 31 March 2019, which was mainly due to decrease of sales orders and increase in other operating expenses of HK\$2.2 million during the three months ended 31 March 2020 (2019: Nil) which is mainly due to professional fee for the Group’s proposed transfer to Main Board and expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the three months ended 31 March 2020.

During the reporting period, the Group had entered into purchase agreements for the purchase of a binding machine and a printing machine for the Hong Kong Factory. For details of the purchase of the printing machine, please refer to the announcements of the Company dated 26 and 27 February 2020.

FUTURE PROSPECTS

Looking forward, there are certain risks that the Group will face in further development such as challenges from the uncertainty of economies by reason of, among others, the U.S.-China trade dispute, an increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, we remain cautiously optimistic of the prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build the Group’s competitive strengths so as to increase market share and profitability. To achieve its goal, the Group plans to implement the following business strategies: improving the its 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.

In light of the breakout of respiratory illness caused by a novel coronavirus (“**COVID-19**”) and since late-January 2020, the Group has implemented several measures including epidemic prevention and control, cancellation and rescheduling visits of customers in accordance with relevant national and local regulations on epidemic prevention and control, to ensure the health and safety of customers and employees and customer. The Group’s specific prevention measures include (i) rescheduled the date of resumption of work of the Shenzhen Factory after Chinese New Year to 17 February 2020; and (ii) requesting the employees who have been to Hubei Province since 22 January 2020 to report for duty upon further notice from the Group; (iii) requesting each employee to report his/her travel history and any symptoms; and (iv) maintaining a safe and hygienic workplace. The Board pays great attention to the development of the COVID-19 and makes every effort on epidemic prevention and control and daily operation management. Despite that the uncertainty of the COVID-19 still subsists, the Group’s Shenzhen Factory has resumed operation on 17 February 2020 and the Group is cautiously optimistic of the full-year performance in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

We generate 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.). Our revenue decreased by approximately 22.2% from approximately HK\$93.7 million for the three months ended 31 March 2019, to approximately HK\$72.9 million for the three months ended 31 March 2020. The decrease was primarily due to the decrease in sales orders.

Cost 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 decreased by approximately 21.4% from approximately HK\$65.9 million for the three months ended 31 March 2019 to approximately HK\$51.8 million for the three months ended 31 March 2020. The decrease was primarily attributable to the decrease in revenue.

Gross profit and gross profit margin

The gross profit was approximately HK\$27.8 million and HK\$21.1 million for the three months ended 31 March 2019 and 2020 respectively. The decrease in gross profit primarily due to the decrease in the sales order. The gross profit margin was 29.8% and 28.9% during the three months ended 31 March 2020 and 2019 respectively. The gross profit margin remained stable during the reporting period.

Other income

Other income mainly consists of the foreign exchange gain/loss, the profit arising from sales of scrap materials and government grants. The other income increased by approximately 100.0% from approximately HK\$1.2 million for the three months 31 March 2019 to HK\$2.4 million for the three months ended 31 March 2020. The increase was due to the government grant and income from sales of scrap materials recorded during the three months ended 31 March 2020.

Other operating expenses

Other operating expenses primarily consist of professional fee incurred for the proposed transfer of listing to the Main Board and Shenzhen Factory relocation expenses. Our other operating expenses amounted to nil for the three months ended 31 March 2019 and increased to HK\$2.2 million for three months ended 31 March 2020, which is mainly due to professional fee for the Group's proposed transfer to Main Board and expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the three months ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and depreciation. The administrative expenses decrease by approximately 5.4% from approximately HK\$18.5 million for the three months ended 31 March 2019 to HK\$17.2 million for the three months ended 31 March 2020 mainly due to decrease in office expenses such as printing and stationery, telephone expenses as well as utilities expenses.

Finance costs

The Group recorded finance costs of approximately HK\$1.9 million for the three months ended 31 March 2019 and HK\$1.8 million for the three months ended 31 March 2020. The finance costs remain stable for the reporting period.

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 for the three months ended 31 March 2019 and 2020. 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 a corporate income tax rate of 25.0%. The Group recorded income tax of approximately HK\$0.4 million for the three months ended 31 March 2020 and approximately HK\$1.6 million for the three months ended 31 March 2019. The decrease was primarily due to decrease in provision of PRC Corporate Income Tax due to the decrease in sales order during the reporting period.

(Loss)/Profit for the year

As a result of the foregoing, the three months ended 31 March 2020 recorded loss of approximately HK\$2.8 million as compared to profit of HK\$0.7 million for the three months ended 31 March 2019, which was mainly due to decrease in sales orders and increase in other operating expenses.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the reporting period that requires disclosure.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

Based on the final offer price of HK\$0.34 per Offer Share and 200,000,000 Shares offered by the Company, the net proceeds from the GEM Listing received by the Company, after deducting the underwriting fees and commissions and actual expenses paid by the Company in relation to the GEM Listing were 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.

The details of the proposed and actual use of the net proceeds of approximately HK\$34.7 million (which is in proportion to the proposed allocation as disclosed in the Prospectus) are as follows:

	Proposed use of net proceeds from the GEM Listing					
	From GEM Listing to 31 December 2019	From 1 January 2020 to 30 June 2020	From time to time in the financial years ended 31 December 2018, 2019 and 2020 (Note 1)	Total	Utilised net proceeds from the GEM Listing up to 31 March 2020	Remaining proceeds from GEM Listing as at 31 March 2020
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Improve our equipment and the level of automation	10.5	—	1.4	11.9	10.5	1.4
Repayment of bank borrowings	17.0	—	—	17.0	17.0	—
Expand customer base and strengthen sales and marketing coverages	1.3	0.3	1.9	3.5	1.0 (Note 2)	2.5
Attract and retain top talent in the industry	—	—	1.7	1.7	0.3	1.4
Additional working capital and other general corporate purposes	—	—	0.6	0.6	—	0.6
Total	28.8	0.3	5.6	34.7	28.8	5.9

Note 1: Based on the proposed use of net proceeds from the GEM Listing, the Group will utilise approximately HK\$5.6 million of its net proceeds from time to time from 2018 to 2020 for (i) improving the Group’s equipment and the level of automation; (ii) expanding customer base and strengthen sales and marketing coverages; and (iii) attracting and retaining top talent in the industry. The Board currently plans to follow the aforesaid initial plan to fully utilise the remaining amount in accordance with the schedule above.

Note 2: Based on the proposed use of net proceeds from the GEM Listing, approximately HK\$0.3 million was initially scheduled to be utilised during the six months ended 31 December 2019; however, the Board considered that the U.S.-based customers were pessimistic about the prospects of economy in the second half of 2019 in light of the uncertainty revolving around the U.S.-China Trade War, and might have been relatively cautious in placing orders to companies with manufacturing arm in the PRC as some tariffs were initially expected to take effect in September 2019 and December 2019. With a view to utilise the aforesaid HK\$0.3 million more efficiently and given that the U.S. and China had signed a trade deal in early January 2020 to ease tension of the U.S.-China Trade War, the Board decided to adjust the schedule for utilizing approximately HK\$0.3 million from the six months ended 31 December 2019 to the six months ended 30 June 2020. Save as disclosed, the Board does not expect further change of use of proceeds from the GEM Listing.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2020 (for the period ended 31 March 2019: 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 of 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 three months ended 31 March 2020, except the deviation from code provision A.2.1 of the CG Code 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 our Group through L & L Limited in December 1992. Since then he has been in charge of the overall business strategies and operation of our 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 three months ended 31 March 2020.

OTHER INFORMATION

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 three months ended 31 March 2020. No share option was outstanding as at 31 March 2020.

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 three months ended 31 March 2020.

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 31 March 2020, our Directors had the following interests and/or short positions in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV the SFO) which have been notified to our 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 have been 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 our Directors, been notified to our Company and the Stock Exchange:

(i) Interests in our Company

Name of Director	Capacity	Number of Shares (Note 1)	Percentage of interest in our Company
Mr. Lam (Notes 2 & 4)	Interest of controlled corporation	480,000,000 (L)	60%
Ms. Yao (Notes 3 & 4)	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, 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

- The Company was notified by First Tech Inc. (“**First Tech**”), a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its 72,000,000 Shares (the “**Charged Shares**”) in the issued share capital of the Company in favour of a third party (“**Lender**”) as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam Sam Ming, the chairman and controlling shareholder of the Company. As at 31 March 2019, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

Mr. Ong Chor Wei, our non-executive Director, is also a director of a Singapore listed company, Net Pacific Financial Holdings Limited. 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. 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 an associated corporation of our 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 31 March 2020, none of our Directors had any interests and/or short position in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to our 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 have been 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.

OTHER INFORMATION

(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 our Directors, as at 31 March 2020, the following persons (not being a Director or chief executive of our Company) had an interest or a short position in the Shares or underlying Shares which have been disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 our Group:

Name of substantial shareholder	Capacity	Number of Shares (Note 1)	Percentage of interest in our Company
First Tech (Notes 2 & 4)	Beneficial owner	480,000,000 (L)	60%
Fine Time (Notes 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.
4. The Company was notified by First Tech, a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its 72,000,000 Shares in the issued share capital of the Company in favour of the Lender as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam Sam Ming, the chairman and controlling shareholder of the Company. As at 31 March 2020, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

Save as disclosed above, so far as is known to our Directors, as at 31 March 2020, there are no other person (not being a Director or chief executive of our Company) who had an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the voting power at general meetings of any other members of our 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 31 March 2020, 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 three months ended 31 March 2020. 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

Hong Kong, 15 May 2020

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.