



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

(incorporated in Hong Kong with limited liability)

Stock Code: 8385

**2020** INTERIM  
REPORT

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

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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This report, for which the directors (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](http://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](http://www.prosperousprinting-group.com.hk).

## CONTENTS

Corporate Information	3
Highlights	4
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Financial Statements	10
Management Discussion and Analysis	20
Other Information	28

# 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

## 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](http://www.prosperous-printing-group.com.hk)

## STOCK CODE

8385

# HIGHLIGHTS

## HIGHLIGHTS

- The revenue of the Group was approximately HK\$164.6 million for the six months ended 30 June 2020 representing a decrease of approximately 25.6% from approximately HK\$221.2 million for the same period ended 30 June 2019. Such decrease was mainly due to decrease of sales order due to COVID-19 and overall global economy uncertainty.
- The gross profit was approximately HK\$43.6 million for the six months ended 30 June 2020, representing a decrease of approximately 25.3% as compared to HK\$58.4 million for the six months ended 30 June 2019 primarily due to the decrease in the sales order due to COVID-19 and overall global economy uncertainty.
- The loss for the period was approximately HK\$0.5 million for the six months ended 30 June 2020, as compared to the net profit of approximately HK\$5.3 million recorded for the same period ended 30 June 2019, which was mainly due to decrease in sales order and increase of other operating expenses in the amount of HK\$5.4 million which is mainly due to expenses relating to relocation of the factory in Shenzhen recorded as other operating expenses during the six months ended 30 June 2020 and professional fee for the Group's proposed transfer from GEM to Main Board of the Stock Exchange.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the same period ended 30 June 2019: 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 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 six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>164,587</b>	221,195
Cost of sales		(120,975)	(162,792)
<b>Gross profit</b>		<b>43,612</b>	58,403
Other income		6,430	4,218
Distribution costs		(10,492)	(14,559)
Administration expenses		(29,706)	(36,445)
Other operating expenses		(5,400)	—
<b>Profit from operations</b>		<b>4,444</b>	11,617
Finance costs		(3,930)	(4,372)
<b>Profit before taxation</b>		<b>514</b>	7,245
Income tax	5	(1,040)	(1,993)
<b>(Loss)/profit for the period</b>		<b>(526)</b>	5,252
<b>Other comprehensive income for the period, net of nil tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(3,113)	(191)
<b>Total comprehensive (expense)/income for the period</b>		<b>(3,639)</b>	5,061
(Loss)/earnings per share:		HK Cents	HK Cents
Basic and diluted	6	(0.07)	0.66

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	240,867	236,326
Intangible assets		562	627
Financial assets at fair value through profit or loss		2,407	2,407
Investments in key management insurance policies		8,536	8,536
Deposits for acquisition of property, plant and equipment		—	2,369
Deferred tax assets		618	625
		<b>252,990</b>	<b>250,890</b>
<b>Current assets</b>			
Inventories		86,112	73,030
Trade and other receivables	9	194,873	179,227
Pledged bank deposits		8,882	8,908
Cash and cash equivalents		6,110	29,116
		<b>295,977</b>	<b>290,281</b>
<b>Total assets</b>		<b>548,967</b>	<b>541,171</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		100,843	100,843
Reserves		195,210	198,849
<b>Total equity</b>		<b>296,053</b>	<b>299,692</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans		18,009	20,227
Lease liabilities		25,705	9,327
Deferred tax liabilities		6,761	7,305
		<b>50,475</b>	36,859
<b>Current liabilities</b>			
Trade and other payables	10	38,603	44,563
Bank loans and overdrafts		143,191	138,059
Lease liabilities		16,172	13,543
Tax payable		4,473	8,455
		<b>202,439</b>	204,620
<b>Total liabilities</b>		<b>252,914</b>	241,479
<b>Total equity and liabilities</b>		<b>548,967</b>	541,171



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2019</b>	100,843	(9,176)	3,318	190,747	285,732
<b>Changes in equity for the six months ended 30 June 2019:</b>					
Profit for the period	—	—	—	5,252	5,252
Other comprehensive expense for the period	—	(191)	—	—	(191)
<b>Balance at 30 June 2019 (unaudited)</b>	100,843	(9,367)	3,318	195,999	290,793
<b>Balance at 31 December 2019 and 1 January 2020</b>	100,843	(13,415)	3,318	208,946	299,692
<b>Changes in equity for the six months ended 30 June 2020:</b>					
Loss for the period	—	—	—	(526)	(526)
Other comprehensive expense for the period	—	(3,113)	—	—	(3,113)
<b>Balance at 30 June 2020 (unaudited)</b>	100,843	(16,528)	3,318	208,420	296,053

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<b>Net cash used in operating activities</b>	<b>(18,886)</b>	<b>(4,805)</b>
<b>Investing activities</b>		
Payment for purchase of property, plant and equipment	(114)	(381)
Decrease/(increase) in pledged bank deposits	26	(2,109)
Interest received	160	200
<b>Net cash generated from/(used in) investing activities</b>	<b>72</b>	<b>(2,290)</b>
<b>Financing activities</b>		
Proceeds from new bank loans	231,144	535,310
Repayment of bank loans	(221,549)	(545,710)
Capital element of lease rentals paid	(1,072)	(1,048)
Interest element of lease rentals paid	(675)	(451)
Interest and other borrowing costs paid	(3,254)	(3,669)
<b>Net cash generated from/(used in) financing activities</b>	<b>4,594</b>	<b>(15,568)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(14,220)</b>	<b>(22,663)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>13,486</b>	<b>35,448</b>
<b>Cash and cash equivalents at 30 June</b>	<b>(734)</b>	<b>12,785</b>

# 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 Hong Kong Companies Ordinance. The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 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 interim financial report has been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules, 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 14 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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 2019 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 2019 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 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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these 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.

## 4. 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
Revenue arising from sales of books and paper products	158,539	217,740
Revenue arising from provision of sub-contracting services	6,048	3,455
	<b>164,587</b>	<b>221,195</b>

Disaggregation of revenue from contracts with customers by geographical areas is disclosed in Note 4(b).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong (place of domicile)	86,077	123,181
Mainland China	6,048	3,455
United States	71,241	85,878
United Kingdom	924	3,778
Australia	—	841
Other countries	297	4,062
	<b>164,587</b>	<b>221,195</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. INCOME TAX

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>INCOME TAX</b>		
Current tax — Hong Kong Profits Tax	638	279
Current tax — People's Republic of China ("PRC") Corporate Income Tax	946	1,714
Deferred tax	(544)	—
	<b>1,040</b>	<b>1,993</b>

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 six months ended 30 June 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%.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic loss per share (2019: earnings per share) is based on the loss attributable to ordinary equity shareholders of the Company of HK\$526,000 (six months ended 30 June 2019: profit of HK\$5,252,000) and the weighted average of 800,000,000 (six months ended 30 June 2019: 800,000,000) ordinary shares of the Company in issue during the interim period.

### (b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2020 and 2019, and therefore, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

## 7. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil).

## 8. PROPERTY, PLANT AND EQUIPMENT

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

During the six months ended 30 June 2020, 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\$20,920,000.

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

During the six months ended 30 June 2020 and 2019, no material items of property, plant and equipment were acquired or disposed by the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9. TRADE AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	191,517	175,899
Less: loss allowance	(14,022)	(14,022)
Trade receivable, net of loss allowance	177,495	161,877
Other receivables	2,182	2,209
Financial assets measured at amortised cost	179,677	164,086
Prepayments	12,126	10,802
Utility and other deposits	1,413	1,487
Other tax recoverable	1,657	2,852
	<b>194,873</b>	<b>179,227</b>

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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 month	28,894	34,207
1 to 3 months	41,560	65,263
3 to 6 months	20,500	41,832
6 to 12 months	80,563	12,679
Over 1 year	5,978	7,896
	<b>177,495</b>	<b>161,877</b>

Trade receivable are normally due within 180 days from the date of billing.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. TRADE AND OTHER PAYABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade creditors	<b>21,498</b>	18,573
Other payables and accruals	<b>17,105</b>	25,990
	<b>38,603</b>	44,563

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:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within 1 month	<b>5,808</b>	6,286
1 to 3 months	<b>13,499</b>	9,773
3 to 6 months	<b>2,030</b>	2,322
6 to 12 months	<b>161</b>	49
Over 1 year	<b>—</b>	143
	<b>21,498</b>	18,573

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. 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 2020 categorised into			
	Fair value HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Assets:				
— Investment funds in Hong Kong	2,407	2,407	—	—

	Fair value measurements at 31 December 2019 categorised into			
	Fair value HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Assets:				
— Investment funds in Hong Kong	2,407	2,407	—	—

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (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 2020 and 31 December 2019.

## 12. COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report were as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Contracted for:		
— purchase of plant and machinery	—	1,988

## 13. CONTINGENT LIABILITIES

### 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 2020. Details of this counterclaim are set forth below:

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. CONTINGENT LIABILITIES (CONTINUED)

### Counterclaim from a former customer (Continued)

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 counterclaim 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 after the last mediation was held in May 2020. It is expected that the court will render ruling in September 2020. Based on currently available documents and the legal advice, the Directors 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.

# 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 factory in Shenzhen (the “**Shenzhen Factory**”) and the factory in Hong Kong (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 25.6% from approximately HK\$221.2 million for the six months ended 30 June 2019, to approximately HK\$164.6 million for the six months ended 30 June 2020 due to decrease in sales order due to COVID-19 and overall global economy uncertainty. The Group recorded a loss of approximately HK\$0.5 million during the six months ended 30 June 2020, as compared to a profit of approximately HK\$5.3 million during the six months ended 30 June 2019, which was mainly due to decrease of sales orders due to COVID-19 and overall global economy uncertainty and increase in other operating expenses of HK\$5.4 million during the six months ended 30 June 2020 (2019: Nil) which is mainly due to expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the six months ended 30 June 2020 and professional fee for the Group’s proposed transfer from GEM to Main Board of the Stock Exchange.

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.

On 29 May 2020, the Group entered into a lease agreement to rent a warehouse in Shenzhen (the “**New Shenzhen Warehouse**”) with effect from 1 June 2020. The New Shenzhen Warehouse will be mainly for use as warehouse since the Group’s existing tenancy of the then warehouse in Shenzhen expired on 31 May 2020. For details, please refer to the announcements dated 29 May 2020 and 5 June 2020.

The Group’s application for transfer of listing from GEM to Main Board lapsed during the reporting period, and the Directors will evaluate the re-submission of application as and when appropriate.

## 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, COVID-19, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

In light of the breakout of respiratory illness caused by a novel coronavirus (“COVID-19”) 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) rescheduling 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.

## 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 decreased by approximately 25.6% from approximately HK\$221.2 million for the six months ended 30 June 2019, to approximately HK\$164.6 million for the six months ended 30 June 2020 due to decrease in sales order due to COVID-19 and overall global economy uncertainty.

### 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 decreased by approximately 25.7% from approximately HK\$162.8 million for the six months ended 30 June 2019 to approximately HK\$121.0 million for the six months ended 30 June 2020 which is driven by the decrease in revenue.

### Gross profit and gross profit margin

The gross profit was approximately HK\$58.4 million and HK\$43.6 million for the six months ended 30 June 2019 and 2020 respectively. The gross profit margin was 26.4% and 26.5% respectively. The decrease in gross profit was primarily due to the decrease in the sales order due to COVID-19 and overall global economy uncertainty. 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 sale of paper and scrap materials and income received from government subsidies. The Group recorded other income of approximately HK\$6.4 million during the six months ended 30 June 2020 and HK\$4.2 million during the six months ended 30 June 2019. The increase was due to increase in the government grant and income from of sale of scrap materials recorded during the six months ended 30 June 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other expenses

Other operating expenses primarily consist of professional fee incurred for the proposed transfer of listing from GEM to the Main Board of the Stock Exchange and expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the six months ended 30 June 2020. Our other operating expenses amounted to nil for the six months ended 30 June 2019 and increased to HK\$5.4 million for six months ended 30 June 2020, which is mainly due to expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the six months ended 30 June 2020 and professional fee for the Group's proposed transfer from GEM to Main Board of the Stock Exchange.

## Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and depreciation. The administrative expenses decreased from approximately HK\$36.4 million during the six months ended 30 June 2019 to HK\$29.7 million during the six months ended 30 June 2020 mainly due to decrease in staff and office expenses.

## Finance costs

The Group recorded finance costs of approximately HK\$4.4 million during the six months ended 30 June 2019 and HK\$3.9 million during the six months ended 30 June 2020. The finance costs decrease by approximately 10.1% in the six months ended 30 June 2020 as compared to the same period in 2019. The decrease in finance costs was primarily due to decrease in 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 for the six months ended 30 June 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\$1.6 million for the six months ended 30 June 2020 and approximately HK\$2.0 million for the six months ended 30 June 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 period

As a result of the foregoing, the six months ended 30 June 2020 recorded loss approximately HK\$0.5 million as compared to profit of approximately HK\$5.3 million for the six months ended 30 June 2019, which was mainly due to decrease in sales order and increase in other operation expenses in the amount of HK\$5.4 million which is mainly due to expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the six months ended 30 June 2020 and professional fee for the Group's proposed transfer from GEM to Main Board of the Stock Exchange.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had net current assets of approximately HK\$93.5 million (as at 31 December 2019: approximately HK\$85.7 million), of which the cash and cash equivalents were approximately HK\$6.1 million. The Group's current ratio as at 30 June 2020 is 1.5 (as at 31 December 2019: 1.4). The gearing ratio as at 30 June 2020 was 0.69 (as at 31 December 2019: 0.60) 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\$203.1 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$181.2 million). As at 30 June 2020, bank loans and overdrafts in the amounts of approximately HK\$143.2 million within one year while the amounts of approximately HK\$18.0 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.

## FOREIGN CURRENCY MANAGEMENT

The Group is exposed to currency risk primarily through its sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Renminbi, Great British Pounds and Japanese Yen. The Group has not entered into or transacted any other financial instruments for hedging purpose during the six months ended 30 June 2020. The Directors will determine by reference to the currency risk management policies, assess the exposure to foreign exchange risk, consider whether or not and to what extent the Group should enter into similar forward foreign exchange contracts and monitor them in line with the Group's currency risk management policies.

## CHARGE ON GROUP ASSETS

As at 30 June 2020, the bank facilities were secured by bank deposits of the Group, financial assets at fair value through profit or loss, the Group's trade receivables, the Group's property, plant and equipment, the assignment of rental proceeds of the Group's properties situated in Hong Kong, benefits of key management insurance policies and corporate guarantees from the Company and certain subsidiaries. These banking facilities amounted to HK\$329,781,000 (2019: HK\$329,781,000) as at 30 June 2020. These facilities were utilized to the extent of HK\$158,286,000 (2019: HK\$158,000,000) as at 30 June 2020. Pledged bank deposits are approximately HK\$8.9 million as at 30 June 2020 (2019: HK\$8.9). As at 30 June 2020, the Group's properties and machinery (as included in plant and equipment) with carrying amounts of HK\$113,999,000 (2019: HK\$118,544,000) and HK\$5,139,000 (2019: HK\$5,882,000), respectively, were pledged as collateral for the Group's banking facilities.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM (the "Listing") 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 2020.

## 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 2020.

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

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2019 HK\$'000 (Audited)</b>
Property, plant and equipment	<b>240,867</b>	236,326
Intangible assets	<b>562</b>	627
Deposit for acquisition of property, plant and equipment	<b>—</b>	2,369
	<b>241,429</b>	239,322

## CONTINGENT LIABILITIES

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 ("Appeal Claim") by the Group's former customer in one legal proceeding as at 30 June 2020. 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 interim financial report. No provision has been made in respect of the Appeal Claim and the mediation. For details, please refer to note 13 to the Condensed Consolidated Financial Statements.

## COMMITMENTS

The capital commitments outstanding as at 30 June 2020 not provided for in the financial statements were nil (31 December 2019: HK\$2.0 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 669 employees in total (as at 31 December 2019: 781).

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.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

During the six months ended 30 June 2020, save and except as disclosed in the section headed “Business Review” above, the Group does not have any significant investments, nor any material acquisitions or disposals. As at 30 June 2020, the Group does not have any future plans for any significant investments or capital assets.

## MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

<b>Business objectives</b>	<b>Implementation plans</b>	<b>Actual business progress up to 30 June 2020</b>
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;  Implement the following measures from time to time: <ul style="list-style-type: none"><li>— 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;</li><li>— 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;</li><li>— maintain and enhance website to include more information of printing capabilities; and</li><li>— increase exposure on the various online search platforms.</li></ul>	Attended book fair and placed advertisement/pamphlets  Conducted site visits to existing and potential customers

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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				Utilised net proceeds from the GEM Listing up to 30 June 2020	Remaining proceeds from GEM Listing as at 30 June 2020
	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		
	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	2.5
					(Note 2)	
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
<b>Total</b>	<b>28.8</b>	<b>0.3</b>	<b>5.6</b>	<b>34.7</b>	<b>28.8</b>	<b>5.9</b>

*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 an interim dividend for the six months ended 30 June 2020 (for the period ended 30 June 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 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 2020, 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 2020.

### 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 2020. No share option was outstanding as at 30 June 2020.

## OTHER INFORMATION

### UPDATE OF INFORMATION OF A DIRECTOR

The Board has been informed by Mr. Leung Vincent Gar-Gene (“**Mr. Leung**”), an independent non-executive Director, that with effect from 17 July 2020, Mr. Leung had become an independent non-executive director of Samson Paper Holdings Limited (“**Samson**”), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 731). For details, please refer to the announcement dated 20 July 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 six months ended 30 June 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 30 June 2020, 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 & 4)	Interest of controlled corporation	480,000,000 (L)	60%
Ms. Yao Yuan (“ <b>Ms. Yao</b> ”) (Note 3 & 4)	Interest of spouse	480,000,000 (L)	60%

Notes:

- The letter “L” denotes the person’s long positions in the shares.
- 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 held by First Tech under the SFO.

## OTHER INFORMATION

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.
4. 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 Infinity Credits Co., Limited, a third party (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 30 June 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.

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 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*

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

Save as disclosed above, as at 30 June 2020, 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.

## 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 the Directors, as at 30 June 2020, 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 & 4)	Beneficial owner	480,000,000 (L)	60%
Fine Time (Note 3)	Beneficial owner	120,000,000 (L)	15%
Infinity Credits Co., Limited (Note 5)	Person having security interest in the shares	192,000,000 (L)	24%

Notes:

- The letter “L” denotes the person’s long positions in the shares.
- First Tech is a company incorporated in the BVI which is wholly and beneficially owned by Mr. Lam, an executive Director.
- 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. Chuang Fu-Yuan is deemed to be interested in 120,000,000 shares of the Company held by Fine Time under SFO.
- 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 30 June 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.
- Infinity Credits Co., Limited (“Infinity”) is wholly owned by Infinity International Holding Limited which is in turn held by Zhao Zhisheng as to 50% and by Cheung Ting Kin as to 50%. Each of Infinity International Holding Limited, Zhao Zhisheng and Cheung Ting Kin is deemed to be interested in 192,000,000 shares of the Company held by Infinity under SFO. As of 30 June 2020, First Tech and Fine Time pledged 9% and 15% issued shares in favour of in the Company Infinity respectively.

Save as disclosed above, so far as is known to the Directors, as at 30 June 2020, 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.



## OTHER INFORMATION

### 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.

### 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 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 and Executive Director*

Hong Kong, 14 August 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.*