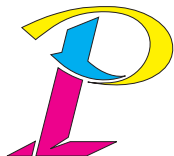


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Prosperous Printing Company Limited

萬里印刷有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 8385)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

The board (the “**Board**”) of directors (the “**Directors**”) of Prosperous Printing Company Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the nine months ended 30 September 2018.

This announcement, containing the financial highlights and the full text of the 2018 third quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”) in relation to the information to accompany preliminary announcements of quarterly results. Printed version of the 2018 third quarterly report of the Company containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 13 November 2018

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

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

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

FINANCIAL HIGHLIGHTS

- The Group's total revenue amounted to approximately HK\$322.9 million for the nine months ended 30 September 2018, slightly increased by approximately 0.2% as compared to that of the corresponding period in 2017.
- The Group's gross profit amounted to approximately HK\$97.0 million for the nine months ended 30 September 2018, which remained relatively stable as compared to that of approximately HK\$96.6 million for the corresponding period in 2017.
- The Group recorded a net profit of approximately HK\$16.5 million for the nine months ended 30 September 2018, which has improved from a net profit of approximately HK\$8.8 million for the corresponding period in 2017. The increase was mainly due to reduction of distribution costs, decrease of provision for income tax and decrease of other expenses which includes listing expenses.
- The Board has resolved not to declare the payment of any dividend for the nine months ended 30 September 2018.

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 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

AUDITOR

Crowe Horwath (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 and nine months ended 30 September 2018 (together with the comparative unaudited figures for the corresponding periods in 2017) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	124,485	125,028	322,883	322,364
Cost of sales		(86,922)	(85,654)	(225,837)	(225,726)
Gross profit		37,563	39,374	97,046	96,638
Other income		1,351	4,470	4,309	3,965
Distribution costs		(7,581)	(13,248)	(21,983)	(25,130)
Administration expenses		(16,407)	(17,762)	(54,701)	(53,028)
Other expenses		—	(1,455)	—	(3,703)
Profit from operations		14,926	11,379	24,671	18,742
Finance costs		(1,898)	(2,360)	(5,458)	(5,651)
Profit before taxation		13,028	9,019	19,213	13,091
Income tax	4	(1,694)	(2,006)	(2,727)	(4,332)
Profit for the year		11,334	7,013	16,486	8,759
Attribution to:					
Equity shareholders of the Company		11,334	7,013	16,486	8,759
Non-controlling interests		—	—	—	—
Profit for the year		11,334	7,013	16,486	8,759
Profit per share:		HK cents	HK cents	HK cents	HK cents
Basic	5	1.86	1.32	2.7	1.65
Diluted	5	1.86	1.1	2.7	1.37

Note	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
	11,334	7,013	16,486	8,759
Profit for the period				
Other comprehensive Income 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	968	1,645	2,418	4,112
Available-for-sale investments:				
Net movement in the fair value reserve	—	—	—	(14)
Total comprehensive income for the period	968	1,645	2,418	4,098
Attributable to:				
Equity shareholders of the Company	12,302	8,658	18,904	12,857
Non-controlling interests	—	—	—	—
Total comprehensive income for the period	12,302	8,658	18,904	12,857

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to equity shareholders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Exchange reserve	Capital reserve	Fair value reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2017	27,539	(10,606)	3,318	(83)	160,638	180,806	—	180,806
Change in equity for 2017:								
Profit for the period	—	—	—	—	8,759	8,759	—	8,759
Other comprehensive income for the period	—	4,112	—	(14)	—	4,098	—	4,098
Balance at 30 September 2017	27,539	(6,494)	3,318	(97)	169,397	193,663	—	193,663
Balance at 31 December 2017 and 1 January 2018	100,843	(2,625)	3,318	(97)	167,168	268,607	—	268,607
Change in equity for 2018:								
Profit for the period	—	—	—	—	16,486	16,486	—	16,486
Other comprehensive income for the period	—	2,418	—	—	—	2,418	—	2,418
Balance at 30 September 2018	100,843	(207)	3,318	(97)	183,654	287,511	—	287,511

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 condensed consolidated financial information for the three months and nine months ended 30 September 2018 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with HKFRSs issued by the HKICPA.

3. REVENUE AND SEGMENT INFORMATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$’000 (Unaudited)	2017 HK\$’000 (Unaudited)	2018 HK\$’000 (Unaudited)	2017 HK\$’000 (Unaudited)
Revenue				
The Group’s revenue is analysed as follows:				
Revenue arising from sales of books and paper products	124,485	123,502	306,226	317,842
Revenue arising from provision of sub-contracting services	—	1,526	16,657	4,522
	124,485	125,028	322,883	322,364

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 CREDIT

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
INCOME TAX CREDIT				
Current tax — Hong Kong Profits Tax				
Provision for the year	960	2,239	1,993	4,500
Current tax — PRC Enterprise Income Tax				
Provision for the year	734	—	734	—
Deferred tax:				
Origination and reversal of temporary difference	—	(233)	—	(168)
	1,694	2,006	2,727	4,332

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 Hong Kong Profits Tax of the Company and subsidiaries established in Hong Kong are calculated at 16.5% of the estimated assessable profits for the reporting period.

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

5. PROFIT PER SHARE

(a) Basic profit per share

The calculation of basic profit per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$11,334,000 and HK\$16,486,000 for the three months and nine months ended 30 September 2018 respectively (for the three months and nine months ended 30 September 2017: HK\$7,013,000 and HK\$8,759,000) and the weighted average of 610,411,000 (30 September 2017: 532,459,000) ordinary shares after taking into account the effect of issuance of shares upon the initial public offering on 13 December 2017 and the share subdivision on 14 September 2016, calculated as follows:

Weighted average number of ordinary shares (basic)

	For the three months ended 30 September	
	2018	2017
Issued ordinary shares at 1 July	610,411,000	532,459,000
Effect of convertible loan converted	—	—
Effect of shares subdivision	—	—
Effect of shares issued upon initial public offering	—	—
Weighted average number of ordinary shares at 30 September	610,411,000	532,459,000

	For the nine months ended 30 September	
	2018	2017
Issued ordinary shares at 1 January	610,411,000	532,459,000
Effect of convertible loan converted	—	—
Effect of shares subdivision	—	—
Effect of shares issued upon initial public offering	—	—
Weighted average number of ordinary shares at 30 September	610,411,000	532,459,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(b) Diluted profit per share

The calculation of diluted profit per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$11,334,000 and HK\$16,486,000 for the three months and nine months ended 30 September 2018 (for the three months and nine months ended 30 September 2017: HK\$7,013,000 and HK\$8,759,000) and the weighted average of 610,411,000 (30 September 2017: 637,966,000) ordinary shares after taking into account the effect of issuance of shares upon the initial public offering on 13 December 2017 and the share subdivision on 14 September 2016, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit attributable to ordinary equity shareholders	11,334	7,013	16,486	8,759
After tax effect of effective interest on the liability component of convertible loan	—	—	—	—
Profit attributable to ordinary equity shareholders (diluted)	11,334	7,013	16,486	8,759

(ii) **Weighted average number of ordinary shares (diluted)**

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
Weighted average number of ordinary shares (basic) at 30 September	610,411,000	637,966,000	610,411,000	637,966,000
Effect of conversion of convertible loan	—	—	—	—
Weighted average number of ordinary shares (diluted) at 30 September	610,411,000	637,966,000	610,411,000	637,966,000

6. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: 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

We are a provider 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 products comprise mainly books and other paper-related products. Paper and ink are our principal raw materials. Our 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 our Group, and they share the printing workload allocated by our management. Notwithstanding the intense market competition, we achieved a slight increase in revenue as a result of an increment in customer orders during nine months ended 30 September 2018.

FUTURE PROSPECTS

Looking forward, there are certain risk that the Group will face in further development such as challenges from increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, we remain cautiously optimistic of the last quarter of 2018 prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build our competitive strengths so as to increase market share and profitability. To achieve our goal, we plan to implement the following business strategies: improving our 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.

Further, as set out in the announcement dated 20 September 2018, the Company and the landlord of the Shenzhen Factory are negotiating to terminate the existing tenancy agreement and discussing with the government authority on the details of surrender of the site of Shenzhen Factory so as to comply with the notice from the relevant government authority that the site of the Shenzhen Factory will have to be surrendered due to the construction of subway nearby. The Company is also searching for a suitable production site for relocation in due course.

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 remained stable and slightly increased by approximately 0.2% from approximately HK\$322.4 million for the nine months ended 30 September 2017, to approximately HK\$322.9 million for the nine months ended 30 September 2018.

Costs of sales

Our cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. Our cost of sales remained stable and slightly increased by approximately 0.05% from approximately HK\$225.7 million for the nine months ended 30 September 2017 to approximately HK\$225.8 million for the nine months ended 30 September 2018.

Gross profit and gross profit margin

Our gross profit remained relatively stable and was approximately HK\$96.6 million and HK\$97.0 million for the nine months ended 30 September 2017 and 2018 respectively. Our gross profit margin remained relatively stable and was 30.0% and 30.1% respectively.

Other income

Other income mainly consists of the gain on disposal of property, plant and equipment, exchange gain/loss, the profit arising from sale of paper and scrap materials and income received from government subsidies. We recorded other income of approximately HK\$4.0 million during the nine months ended 30 September 2017 and HK\$4.3 million during the nine months ended 30 September 2018. The increase was due to gain on disposal of machine and equipment, and increase in income received from government subsidies during the nine months ended 30 September 2018.

Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and rental and rates. The administrative expenses remained stable and slightly increased from approximately HK\$53.0 million during the nine months ended 30 September 2017 to approximately HK\$54.7 million during the nine months ended 30 September 2018.

Finance costs

We recorded finance costs of approximately HK\$5.7 million during the nine months ended 30 September 2017 and approximately HK\$5.5 million during the nine months ended 30 September 2018. Our finance costs decreased by approximately 3.4% in the nine months ended 30 September 2018 as compared to the same period in 2017, because we obtained net proceeds from the Listing and reduced the bank loans.

Income tax

Income tax represents income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction our Group operates or domiciles. We had no tax payable in other jurisdiction other than Hong Kong and the PRC during the nine months ended 30 September 2017 and 2018. Our operations in Hong Kong are subject to a statutory profit tax rate of 16.5%. Our operations in the PRC are subject to an enterprise income tax rate of 25.0%. We recorded income tax of HK\$2,727,000 during the nine months ended 30 September 2018 (2017: HK\$4,332,000), and the decrease is mainly due to the provision for Hong Kong profits tax decreasing from HK\$4.5 million for the nine months ended 30 September 2017 to HK\$2.0 million during the same period in 2018.

Profit for the period

As a result of the foregoing, our net profit increased from HK\$8.8 million during the nine months ended 30 September 2017 to HK\$16.5 million during the nine months ended 30 September 2018, which was mainly due to reduction of distribution costs (due to the decrease of freight charges and transportation cost as a result of customers paying for a greater portion of such cost), decrease of provision for income tax for the nine months ended 30 September 2018 as compared to the same period in 2017 and decrease of other expenses (which include listing expenses).

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

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

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

Business objectives for the period from

1 July 2018 to 31 December 2018

Implementation Plans for the period from 1 July 2018 to 31 December 2018

Actual business progress up to 30 September 2018

Business objectives for the period from 1 July 2018 to 31 December 2018	Implementation Plans for the period from 1 July 2018 to 31 December 2018	Actual business progress up to 30 September 2018
Improve our equipment and the level of automation	<ul style="list-style-type: none"> • Upgrade our computer-to-plate system to improve printing process time; and • Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency. 	Purchased one set of five-color press printing press and one set of hard-cover binding machine.
Expand customer base and strengthen sales and marketing coverages	<ul style="list-style-type: none"> • Attend Frankfurt Book Fair and promote our brand awareness among international publishers by placing advertisement and/or circulating pamphlets; and • Implement the following measures from time to time: <ul style="list-style-type: none"> — 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; — 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; — maintain and enhance our website to include more information of our printing capabilities; and — increase our exposure on the various online search platforms. 	<p>Attended Frankfurt Book Fair in October 2018 to promote our brand awareness.</p> <p>Our sales team/external agent visited potential international publishers and print brokers for business development.</p> <p>Our management and sales team/external agent visited some of the top twenty customers to obtain after-sales feedback and maintain business.</p> <p>Upgraded website with more information of our printing capabilities.</p> <p>Conducted site visit to publisher, print broker and top ten customers who were based in Hong Kong and scheduled visits to more publisher, and customers.</p> <p>Engaged one additional external sales agent for overseas market.</p>
Attract and retain top talent in the industry	<ul style="list-style-type: none"> • Recruit two customer support services staff to provide general customer support services in relation to product quality, delivery schedule etc. The candidates shall have at least three years of experience in printing industry with technical knowledge of printing machinery. 	Recruited one head of sales and customer services team and two general sales staffs.

USE OF PROCEEDS

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

An analysis of the utilisation of the net proceeds from 1 January 2018 up to 30 September 2018 is set out below:

	Planned use of the net proceeds from 1 January 2018 to 31 December 2018 (HK\$ million)	Actual use of the net proceeds from 1 January 2018 to 30 September 2018 (HK\$ million)
Improve our equipment and level of automation	10.5	8.3
Expand customer base and strengthen sales and marketing coverages	0.7	0.3
Repayment of bank borrowings	17.0	12.2
Attract and retain top talent	0.3 (<i>Note</i>)	0.3
Total:	28.5	21.1

Note: We planned a total of HK\$1.5 million for use in attracting and retaining top talent from time to time for the three years of 2018, 2019 and 2020.

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

DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018 (for the period ended 30 September 2017: 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 nine months ended 30 September 2018, 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 35 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 nine months ended 30 September 2018.

CHARGE OF SHARES BY CONTROLLING SHAREHOLDER

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 the date of this report, 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.

RELOCATION OF SHENZHEN FACTORY

As set out in the announcement dated 20 September 2018, the Company and the landlord of the Shenzhen Factory are negotiating to terminate the existing tenancy agreement and discussing with the government authority on the details of surrender of the site of Shenzhen Factory so as to comply with the notice from the relevant government authority that the site of the Shenzhen Factory will have to be surrendered due to the construction of subway nearby. The Company is also searching for a suitable production site for relocation in due course.

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 nine months ended 30 September 2018. No share option was outstanding as at 30 September 2018.

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 nine months ended 30 September 2018.

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 September 2018, 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 will have to be 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 will be 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, will be required to be 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%

OTHER INFORMATION

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.
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 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 the date of this report, 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. According to the annual report of Net Pacific Financial Holdings Limited for the financial year ended 31 December 2017, 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 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 30 September 2018, 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 will have to be 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 will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

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

So far as is known to our Directors, as at 30 September 2018, 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 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 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 & 4)	Beneficial owner	120,000,000 (L)	15%

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.
- 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 the date of this report, 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 30 September 2018, 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 or any other members of our 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.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited (“**Kingsway**”), as at 30 September 2018, 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 and nine months ended 30 September 2018. The Audit Committee is of the opinion that such financial results comply with the applicable accounting standards, 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, 13 November 2018

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.