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 2019

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 2019.

This announcement, containing the financial highlights and the full text of the 2019 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 2019 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 2019

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 revenue increased by approximately 5.3% from approximately HK$322.9 million for the nine months ended 30 September 2018, to approximately HK$339.9 million for the nine months ended 30 September 2019 due to increase in sales order.

- The gross profit slightly decreased from approximately HK$97.0 million during the nine months ended 30 September 2018 to approximately HK$95.9 million for the nine months ended 30 September 2019, representing a decrease of 1.1%.

- The profit for the period slightly decreased from approximately HK$16.5 million during the nine months ended 30 September 2018 to approximately HK$15.9 million during the nine months ended 30 September 2019, representing a decrease of 3.6%, which was mainly due to increase in cost of paper raw materials and intense market competition.

- The Board has resolved not to declare the payment of any dividend for the nine months ended 30 September 2019.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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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BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Ong Chor Wei

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Lam Sam Ming
Ms. Chan Sau Po

COMPLIANCE OFFICER

Ms. Chan Sau Po

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

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Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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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

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Hong Kong

AUDITOR

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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 presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019, together with the comparative unaudited figures for the corresponding periods in 2018, as follows:

Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the three months and nine months ended 30 September 2019
(Expressed in Hong Kong dollars)

		Three months ended 30 September		Nine months ended 30 September	
		2019	2018	**2019**	2018
		HK\$'000	HK\$'000	**HK\$'000**	HK\$'000
	Note	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue	4	**118,715**	124,485	**339,910**	322,883
Cost of sales		**(81,212)**	(86,922)	**(244,004)**	(225,837)
Gross profit		**37,503**	37,563	**95,906**	97,046
Other income		**3,603**	1,351	**7,821**	4,309
Distribution costs		**(8,980)**	(7,581)	**(23,539)**	(21,983)
Administration expenses		**(15,885)**	(16,407)	**(52,330)**	(54,701)
Profit from operations		**16,241**	14,926	**27,858**	24,671
Finance costs		**(2,217)**	(1,898)	**(6,589)**	(5,458)
Profit before taxation		**14,024**	13,028	**21,269**	19,213
Income tax	5	**(3,366)**	(1,694)	**(5,359)**	(2,727)
Profit for the period		**10,658**	11,334	**15,910**	16,486
Other comprehensive income for the period, net of nil tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		**(3,489)**	968	**(3,680)**	2,418
Total comprehensive income for the period		**7,169**	12,302	**12,230**	18,904
Earnings per share:		**HK Cents**	HK Cents	**HK Cents**	HK Cents
Basic	6	**1.33**	1.86	**1.99**	2.7
Diluted	6	**1.33**	1.86	**1.99**	2.7

Condensed Consolidated Statement Of Changes In Equity

For the nine months ended 30 September 2019
(Expressed in Hong Kong dollars)

	Share capital HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
Balance at 1 January 2018 (audited)	100,843	(2,625)	3,318	(97)	167,168	268,607
Change in equity for the nine months ended 30 September 2018:						
Profit for the period	—	—	—	—	16,486	16,486
Other comprehensive income for the period	—	2,418	—	—	—	2,418
Balance at 30 September 2018 (unaudited)	100,843	(207)	3,318	(97)	183,654	287,511
Balance at 1 January 2019 (audited)	100,843	(9,176)	3,318	—	190,747	285,732
Change in equity for the nine months ended 30 September 2019:						
Profit for the period	—	—	—	—	15,910	15,910
Other comprehensive income for the period	—	(3,680)	—	—	—	(3,680)
Balance at 30 September 2019 (unaudited)	100,843	(12,856)	3,318	—	206,657	297,962

Notes To The Unaudited Condensed Consolidated Quarterly Financial Information

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

The quarterly financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

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

HKFRS 16, *Leases*

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

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

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

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

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

(ii) Lessee accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Determining the lease term

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

(c) Transitional impact

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

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

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

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

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

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

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

4. 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:

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
Revenue arising from sales of books and paper products	116,899	124,485	334,639	306,226
Revenue arising from provision of sub-contracting services	1,816	—	5,271	16,657
	118,715	124,485	339,910	322,883

5. INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
INCOME TAX				
Current tax — Hong Kong Profits Tax	3,523	960	3,802	1,993
Current tax — People's Republic of China ("**PRC**") Enterprise Income Tax	(157)	734	1,557	734
	3,366	1,694	5,359	2,727

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

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

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

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$10,658,000 and HK$15,910,000 for the three months and nine months ended 30 September 2019 respectively (for the three months and nine months ended 30 September 2018: HK$11,334,000 and HK$16,486,000) and the weighted average of 800,000,000 (30 September 2018: 610,411,000) ordinary shares of the Company in issue during the interim period.

(b) Diluted earnings per share

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

7. DIVIDEND

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

Management Discussion And Analysis

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

BUSINESS REVIEW

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

RELOCATION OF SHENZHEN FACTORY

On 20 September 2018, the Group (as tenant of the Current Shenzhen Factory) has received a notice from the relevant government authority that the site of the Current Shenzhen Factory will have to be surrendered due to the construction of subway nearby.

Subsequently, and as set out in the announcement of the Company dated 29 July 2019, the Company has entered into the following agreements with the respective parties: (1) Surrender of Premise Agreement for a consideration of RMB26,386,015; (2) Sale and Purchase Agreement for the Security Guard Room, Electricity Room and other Infrastructure dated 18 July 2019 for a consideration of RMB2,076,202; and (3) Sale and Purchase Agreement for Iron Infrastructure dated 26 July 2019 for a consideration of RMB2,697,535. Accordingly, the consideration to be received by the Company under the Compensation Agreements (i.e. collectively the Surrender of Premise Agreement, Sale and Purchase Agreement for the Security Guard Room, Electricity Room and other Infrastructure, and the Sale and Purchase Agreement for Iron Infrastructure) amount to an aggregate of RMB31,159,752.

For further details, please refer to the circular of the Company dated 18 September 2019.

PROPOSED TRANSFER OF LISTING FROM GEM TO MAIN BOARD

On 25 October 2019, the Company submitted a formal application to the Stock Exchange for the proposed transfer of the listing of the Shares from GEM to the Main Board. For details, please refer to the announcement dated 25 October 2019.

FUTURE PROSPECTS

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

Management Discussion And Analysis

FINANCIAL REVIEW

Revenue

The Group generates revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The revenue increased by approximately 5.3% from approximately HK$322.9 million for the nine months ended 30 September 2018, to approximately HK$339.9 million for the nine months ended 30 September 2019 due to increase in sales order.

Cost of sales

The cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. The cost of sales increased by approximately 8.1% from approximately HK$225.8 million for the nine months ended 30 September 2018 to approximately HK$244.0 million for the nine months ended 30 September 2019 which is driven by increase in price of paper raw materials and intense market competition.

Gross profit and gross profit margin

The gross profit was approximately HK$97.0 million and HK$95.9 million for the nine months ended 30 September 2018 and 2019 respectively. The gross profit margin was 30.1% and 28.2% respectively. The decrease in gross profit was primarily due to the increase the cost of sales, driven by increase in price of paper raw materials and intense market competition.

Other income

Other income mainly consists of the gain on disposal of property, plant and equipment, foreign exchange gain/loss, the profit arising from sales of scrap materials and income received from government subsidies. The Group recorded other income of approximately HK$4.3 million during the nine months ended 30 September 2018 and HK$7.8 million during the nine months ended 30 September 2019. The increase was due to the exchange gain recorded in the nine months ended 30 September 2019 while exchange loss was recorded in the corresponding period in 2018.

Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and rental and rates. The administrative expenses decreased from approximately HK$54.7 million during the nine months ended 30 September 2018 to HK$52.3 million during the nine months ended 30 September 2019 mainly due to decrease in staff and office expenses.

Management Discussion And Analysis

Finance costs

The Group recorded finance costs of approximately HK$5.5 million during the nine months ended 30 September 2018 and HK$6.6 million during the nine months ended 30 September 2019. The finance costs increased by approximately 20.0% in the nine months ended 30 September 2019 as compared to the same period in 2018. The increase in finance costs was primarily due to increase in lease liabilities.

Income tax

Income tax represents income tax paid or payable by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction the Group operates or domiciles. The Group had no tax payable in other jurisdiction other than Hong Kong and the PRC during the nine months ended 30 September 2018 and 2019. The operations in Hong Kong are subject to the two-tiered profits tax rate regime, which the first HK$2 million of profits of qualifying entity will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. The operations in the PRC are subject to an enterprise income tax rate of 25.0%. The Group recorded income tax of approximately HK$5.4 million during the nine months ended 30 September 2019 (2018: HK$2.7 million).

Profit for the period

As a result of the foregoing, the profit for the period slightly decreased from approximately HK$16.5 million during the nine months ended 30 September 2018 to approximately HK$15.9 million during the nine months ended 30 September 2019, representing a decrease of 3.6%, which was mainly due to increase in cost of paper raw materials and intense market competition.

Management Discussion And Analysis

EVENTS AFTER THE REPORTING PERIOD

On 25 October 2019, the Company submitted a formal application to the Stock Exchange for the proposed transfer ("**Proposed Transfer**") of the listing of the Shares from GEM to the Main Board. For details, please refer to the announcement dated 25 October 2019.

Apart from the Proposed Transfer, the Board is not aware of any events after the reporting period that requires disclosure.

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 30 June 2019 up to 30 September 2019 is set out below:

	Planned use of the net proceeds from 30 June 2019 to 31 December 2019 (HK$ million)	Actual use of the net proceeds from 30 June 2019 to 30 September 2019 (HK$ million)
Expand customer base and strengthen sales and marketing coverages	**0.3**	**nil**
Total:	**0.3**	**nil**

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 2019 (for the period ended 30 September 2018: Nil).

Other Information

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 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 2019, except the deviation from CG Code provision A.2.1 as set out below.

Chairman and Chief Executive Officer

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

Mr. Lam Sam Ming ("**Mr. Lam**") is the chairman and the chief executive officer of the Company. Mr. Lam has over 36 years of experience in the printing industry. Mr. Lam established 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 2019.

SHARE OPTION SCHEME

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

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

Other Information

PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

DISCLOSURE OF INTERESTS

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

As at 30 September 2019, 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 Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which had 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%

Notes:

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

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

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

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.

Other Information

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 2018, Mr. Ong Chor Wei is deemed to be interested in the shares held by Quad Sky Limited by virtue of him owning 100% of the equity interest in Head Quator Limited which in turn owns 50% of the equity interest in Quad Sky Limited, which owns approximately 10.22% of the issued share capital of Net Pacific Financial Holdings Limited. Together with the 0.60% of the issued share capital of Net Pacific Financial Holdings Limited directly owned by him, Mr. Ong Chor Wei has an approximately 10.82% deemed interest in the issued share capital of Net Pacific Financial Holdings Limited. Net Pacific Financial Holdings Limited wholly-owns Net Pacific Finance Group Limited.

Net Pacific Finance Group Limited has subscribed for 10,000,000 class A shares in Fine Time. 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 2019, 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 had 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.

Other Information

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

So far as is known to our Directors, as at 30 September 2019, 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:

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

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

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

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

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 15 November 2017 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited consolidated financial results of the Group for the three months and the nine months ended 30 September 2019. 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 2019

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