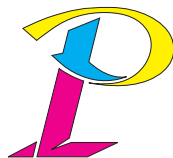


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Prosperous Printing Company Limited

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 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Prosperous Printing Company Limited (the “**Company**”) is pleased to announce the unaudited third quarterly results of the Company and its subsidiaries for the nine months ended 30 September 2020.

This announcement, containing the financial highlights and the full text of the 2020 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 of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to the information to accompany preliminary announcements of third quarterly results. Printed version of the 2020 Third Quarterly Report of the Company containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and available for viewing on the GEM website at www.hkgem.com and on the Company’s website at www.prosperous-printing-group.com.hk.

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

Hong Kong, 13 November 2020

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

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.

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 (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

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

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 2020, (together with the comparative unaudited figures for the corresponding periods in 2019), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

(Expressed in Hong Kong dollars)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	70,571	118,715	235,158	339,910
Cost of sales		(53,388)	(81,212)	(174,363)	(244,004)
Gross profit		17,183	37,503	60,795	95,906
Other income		623	3,603	7,053	7,821
Distribution costs		(5,164)	(8,980)	(15,655)	(23,539)
Administration expenses		(16,379)	(14,585)	(46,085)	(51,030)
Other operating expenses		(604)	(1,300)	(6,004)	(1,300)
(Loss)/profit from operations		(4,341)	16,241	104	27,858
Finance costs		(1,968)	(2,217)	(5,897)	(6,589)
(Loss)/profit before taxation		(6,309)	14,024	(5,793)	21,269
Income tax	5	(849)	(3,366)	(1,889)	(5,359)
(Loss)/profit for the period		(7,158)	10,658	(7,682)	15,910
Other comprehensive expenses/(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		6,101	(3,489)	2,988	(3,680)
Total comprehensive (loss)/income for the period		(1,057)	7,169	(4,694)	12,230
(Loss)/earnings per share:		HK Cents	HK Cents	HK Cents	HK Cents
Basic and diluted	6	(0.89)	1.33	(0.96)	1.99

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

(Expressed in Hong Kong dollars)

	Share capital HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
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
Balance at 31 December 2019 and 1 January 2020 (audited)	100,843	(13,415)	3,318	208,946	299,692
Change in equity for the nine months ended 30 September 2020:					
Loss for the period	—	—	—	(7,682)	(7,682)
Other comprehensive expenses for the period	—	2,988	—	—	2,988
Balance at 30 September 2020 (unaudited)	100,843	(10,427)	3,318	201,264	294,998

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 2020.

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

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

The financial information relating to the financial year ended 31 December 2019 that is included in the quarterly financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

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.

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 quarterly financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
Revenue arising from sales of books and paper products	70,525	116,899	229,064	334,639
Revenue arising from provision of sub-contracting services	46	1,816	6,094	5,271
	70,571	118,715	235,158	339,910

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

5. INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
INCOME TAX				
Current tax — Hong Kong Profits Tax	238	3,523	876	3,802
Current tax — People's Republic of China ("PRC") Enterprise Income Tax	611	(157)	1,557	1,557
Deferred Tax	—	—	(544)	—
	849	3,366	1,889	5,359

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 nine months ended 30 September 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 UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

6. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$7,157,000 and HK\$7,683,000 for the three months and nine months ended 30 September 2020 respectively (for the three months and nine months ended 30 September 2019: HK\$10,658,000 and HK\$15,910,000) and the weighted average of 800,000,000 (30 September 2019: 800,000,000) ordinary shares of the Company in issue during the quarterly period.

(b) Diluted (loss)/earnings per share

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

7. DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 30.8% from approximately HK\$339.9 million for the nine months ended 30 September 2019, to approximately HK\$235.2 million for the nine months ended 30 September 2020 due to decrease in sales order due to COVID-19 and overall global economy uncertainty. The Group recorded a loss of approximately HK\$7.7 million during the nine months ended 30 September 2020, as compared to a profit of approximately HK\$15.9 million during the nine months ended 30 September 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\$6.0 million during the nine months ended 30 September 2020 (2019: HK\$1.3 million) which is mainly due to expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the nine months ended 30 September 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 30.8% from approximately HK\$339.9 million for the nine months ended 30 September 2019, to approximately HK\$235.2 million for the nine months ended 30 September 2020 due to decrease in sales order due to COVID-19 and overall global economy uncertainty.

Cost of sales

The cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. The cost of sales decreased by approximately 28.5% from approximately HK\$244.0 million for the nine months ended 30 September 2019 to approximately HK\$174.4 million for the nine months ended 30 September 2020 which is driven by the decrease in revenue.

Gross profit and gross profit margin

The gross profit was approximately HK\$95.9 million and HK\$60.8 million for the nine months ended 30 September 2019 and 2020 respectively. The gross profit margin was 28.2% and 25.9% 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 slight decrease in gross profit margin mainly due to decrease in unit selling price and number of customers.

Other income

Other income mainly consists of the 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\$7.8 million during the nine months ended 30 September 2019 and HK\$7.1 million during the nine months ended 30 September 2020. The decrease was due to the exchange loss offset with the increase in the government grant and income from sale of scrap materials recorded during the nine months ended 30 September 2020.

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 nine months ended 30 September 2020. Our other operating expenses amounted to HK\$1.3 million for the nine months ended 30 September 2019 and increased to HK\$6.0 million for

MANAGEMENT DISCUSSION AND ANALYSIS

the nine months ended 30 September 2020, which is mainly due to expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the nine months ended 30 September 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\$51.0 million during the nine months ended 30 September 2019 to HK\$46.1 million during the nine months ended 30 September 2020 mainly due to decrease in staff and office expenses.

Finance costs

The Group recorded finance costs of approximately HK\$6.6 million during the nine months ended 30 September 2019 and HK\$5.9 million during the nine months ended 30 September 2020. The finance costs decreased by approximately 10.6% in the nine months ended 30 September 2020 as compared to the same period in 2019. The decrease in finance costs was primarily due to decrease in hire-purchase.

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 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 an enterprise income tax rate of 25.0%. The Group recorded income tax of approximately HK\$1.9 million during the nine months ended 30 September 2020 (2019: HK\$5.4 million).

(Loss)/Profit for the period

As a result of the foregoing, the nine months ended 30 September 2020 recorded loss of approximately HK\$7.7 million as compared to profit of approximately HK\$15.9 million during the nine months ended 30 September 2019, which was mainly due to decrease in sales order and increase in other operating expenses in the amount of HK\$6.0 million which is mainly due to expenses relating to relocation of Shenzhen Factory recorded as other operating expenses during the nine months ended 30 September 2020 and professional fee for the Group's proposed transfer from GEM to Main Board of the Stock Exchange.

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2020 (for the period ended 30 September 2019: Nil).

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

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

The Company has complied with the principles and applicable code provisions of the CG Code for the nine months ended 30 September 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 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 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 nine months ended 30 September 2020. No share option was outstanding as at 30 September 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.

CHANGE OF DIRECTOR

Mr. Ong Chor Wei resigned as a non-executive Director with effect from 16 October 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 nine months ended 30 September 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 September 2020, our Directors had the following interests and/or short positions in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV the 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:

- 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 under the SFO.
- 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.
- 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

(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 2020, none of our Directors had any interests and/or short position in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which 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.

(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 2020, the following persons (not being a Director or chief executive of our Company) had an interest or a short position in the Shares or underlying Shares which 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)	Beneficial owner	120,000,000 (L)	15%
Infinity Credits Co., Limited (Note 5)	Person having security interest in the shares	192,080,000 (L)	24%

OTHER INFORMATION

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.
5. 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 September 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 our Directors, as at 30 September 2020, there are no other person (not being a Director or chief executive of our Company) who had an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the voting power at general meetings or any other members of our Group.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

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

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 2020. 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 and Executive Director

Hong Kong, 13 November 2020

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