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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Prosperous Printing Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of Prosperous Printing Company Limited.

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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)

### PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON RECORD DATE; AND NOTICE OF GM

Financial adviser to the Company



RAINBOW CAPITAL (HK) LIMITED  
流博資本有限公司

Independent Financial Adviser to the Independent  
Board Committee and the Independent Shareholders



Donvex Capital Limited  
富域資本有限公司

Underwriter to the Rights Issue



SORRENTO  
SECURITIES LIMITED  
擎天證券有限公司

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Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 11 to 31 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from Donvex Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 55 of this circular.

The Rights Issue is only underwritten on a best effort basis. In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. There are no requirements for minimum levels of subscription in respect of the Rights Issue. The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be Friday, 18 March 2022). If the Underwriting Agreement does not become unconditional at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

It should be noted that the Shares will be dealt in on an ex-rights basis from Tuesday, 22 February 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 7 March 2022 to Monday, 14 March 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Monday, 7 March 2022 to Monday, 14 March 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the GM to be held at Flat H, 4/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong at 11:30 a.m. on Friday, 18 February 2022 is set out on pages GM-1 to GM-3 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Investor Services Limited, the branch share registrar of Prosperous Printing Company Limited in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting (i.e. 11:00 a.m. on Wednesday, 16 February 2022) or any adjournment thereof.

26 January 2022

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## CHARACTERISTICS OF GEM

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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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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 29 December 2021 in relation to, among other things, the Rights Issue
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Prosperous Printing Company Limited, a limited liability company incorporated in Hong Kong, the shares of which are listed on the GEM (stock code: 8385)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“controlling shareholders”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“Excess Rights Shares”	any nil-paid Rights Share(s) provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold, and shall include any of the Rights Shares created from the aggregation of fractions of the Rights Shares and the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any)

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## DEFINITIONS

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“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Extreme Conditions”	the extreme conditions as announced by any of the Hong Kong Government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019 in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“First Tech”	First Tech Inc., a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Lam
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GM”	the general meeting of the Company to be convened and held to consider, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	any Shareholder(s) who are not required to abstain from voting at the GM under the GEM Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the GEM Listing Rules) with the Company and connected person(s) of the Company

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## DEFINITIONS

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“Irrevocable Undertakings”	the irrevocable undertakings dated 29 December 2021 (as supplemented and amended from time to time) given by First Tech in favour of the Company, the details of which are set out in the paragraph headed “Irrevocable Undertakings” under the section headed “Proposed Rights Issue” in this circular
“Last Trading Day”	29 December 2021, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	24 January 2022, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 17 March 2022 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Friday, 18 March 2022 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“Mr. Lam”	Mr. Lam Sam Ming, a controlling Shareholder, an executive Director and the chairman of the Board
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Company may approve
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and EAF
“Prospectus Posting Date”	Thursday, 3 March 2022 or such other date as the Company may determine in writing for the despatch of the Prospectus Documents

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## DEFINITIONS

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“Public Float Requirement”	the public float requirement under Rule 11.23 of the GEM Listing Rules
“Qualifying Shareholders”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	the date by reference to which entitlements under the Rights Issue are expected to be determined, which is currently scheduled to be on Wednesday, 2 March 2022 or such later date as announced by the Company
“Registrar”	the share registrar and transfer office of the Company, being Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of three (3) Rights Shares for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	the new Share(s) proposed to be allotted and issued by the Company pursuant to the Rights Issue
“Scale-down EAF Shares”	such number of Rights Shares applied for under the EAF(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of nil-paid Rights Shares shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in issue and unissued share capital of the Company

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## DEFINITIONS

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“Shareholder(s)”	the holder(s) of the issued Shares
“Specified Event”	an event occurring or matter arising on or after the date of execution of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.044 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Underwriter”	Sorrento Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO whose ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated 29 December 2021 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Share(s)”	all the Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Untaken Shares”	all those Underwritten Shares not taken up by the Qualifying Shareholders on or before the Latest Time for Acceptance
“%”	per cent.

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:*

<b>Event</b>	<b>Year 2022</b>
Latest time for lodging transfers of shares to qualify for attendance and voting at the GM . . . . .	4:30 p.m. on Friday, 11 February
Closure of register of members of the Company for attending and voting at the GM (both days inclusive) . . . . .	Monday, 14 February to Friday, 18 February
Latest time for lodging forms of proxy for the purpose of the GM . . . . .	11:00 a.m. on Wednesday, 16 February
Record date for determining attendance and voting at the GM . . . . .	Friday, 18 February
<b>Expected date and time of the GM . . . . .</b>	<b>After 11:00 a.m. on Friday, 18 February</b>
<b>Announcement of poll results of the GM. . . . .</b>	<b>Friday, 18 February</b>
Last day of dealings in Shares on a cum-rights basis . . . . .	Monday, 21 February
First day of dealings in the Shares on an ex-rights basis . . . . .	Tuesday, 22 February
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Wednesday, 23 February
Register of members of the Company closes (both days inclusive) . . . . .	Thursday, 24 February to Wednesday, 2 March
Record Date for determining entitlements to the Rights Issue . . . . .	Wednesday, 2 March
Register of members of the Company re-opens . . . . .	Thursday, 3 March
Despatch of Prospectus Documents (in the case of Excluded Shareholders, the Prospectus only) . . . . .	Thursday, 3 March
First day of dealing in nil-paid Rights Shares . . . . .	9:00 a.m. on Monday, 7 March

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## EXPECTED TIMETABLE

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Latest time for splitting of the nil-paid Rights Shares . . . . . 4:30 p.m. on  
Wednesday, 9 March

Last day of dealing in nil-paid Rights Shares . . . . . Monday, 14 March

**Latest Time for Acceptance of and payment for the  
Rights Shares and application and payment for excess  
Rights Shares . . . . . 4:00 p.m. on  
Thursday, 17 March**

Latest Time for Termination of the Underwriting  
Agreement and for the Rights Issue to become  
unconditional . . . . . 4:00 p.m. on  
Friday, 18 March

Announcement of allotment results . . . . . Thursday, 24 March

Despatch of certificates for fully-paid Rights Shares  
and refund cheques, if any (if the Rights Issue is  
terminated and in respect of unsuccessful or partially  
successful application for excess Rights Shares) . . . . . Friday, 25 March

Expected first day of dealings in fully-paid  
Rights Shares . . . . . 9:00 a.m. on  
Monday, 28 March

Designated broker starts to stand in the market to  
provide matching services for odd lots of Shares . . . . . 9:00 a.m. on  
Monday, 28 March

Designated broker ceases to stand in the market to  
provide matching services for odd lots of Shares . . . . . 4:00 p.m. on  
Thursday, 21 April

All time and dates in this circular refer to Hong Kong local time and dates. The dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied. Should there be any changes to the above expected timetable, the Company will notify the Shareholders by way of announcement as and when appropriate.

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is/are a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning and/or Extreme Conditions:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 17 March 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 17 March 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 17 March 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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### TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

- (i) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any material change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion or unrest, fire, flood, explosion, epidemic, pandemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (v) in the reasonable opinion of the Underwriter, there occurs any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the Prospectus Posting Date and not having been disclosed in the Prospectus Documents, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than twenty (20) consecutive trading days otherwise than due to or in connection with or in relation to the Underwriting Agreement and/or the Rights Issue and excluding any suspension in connection with the clearance of the announcement or other matters in connection with the Underwriting Agreement and/or the Rights Issue; or
- (viii) the Prospectus Documents when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

**If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.**



**Prosperous Printing Company Limited**  
**萬里印刷有限公司**  
*(incorporated in Hong Kong with limited liability)*  
**(Stock code: 8385)**

*Executive Directors:*

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

*Registered Office and Principal Place of  
Business in Hong Kong:*  
3/F, Yip Cheung Centre,  
10 Fung Yip Street,  
Chai Wan, Hong Kong

*Independent non-executive Directors:*

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

26 January 2022

*To the Qualifying Shareholders, and for information only, to the Excluded Shareholders,*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES  
HELD ON RECORD DATE;  
AND  
NOTICE OF GM**

**INTRODUCTION**

Reference is made to the Announcement of the Company in relation to, among other things, the Rights Issue. The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

The purpose of this circular is to provide you with further details of the Rights Issue and the notice of GM.

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## LETTER FROM THE BOARD

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### PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.044 per Rights Share, to raise up to approximately HK\$52.8 million (before expenses) by issuing up to 1,200,000,000 Rights Shares to the Qualifying Shareholders.

On 29 December 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares up to 660,000,000 (other than those agreed to be taken up by First Tech pursuant to the Irrevocable Undertakings), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions precedent of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this circular.

Further details of the Rights Issue are set out below:

#### Issue statistics

Basis of the Rights Issue	:	three (3) Rights Shares for every two (2) existing Shares held on the Record Date
Subscription Price	:	HK\$0.044 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	800,000,000 Shares
Number of Rights Shares	:	Up to 1,200,000,000 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	Up to 2,000,000,000 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Maximum funds to be raised before expenses	:	Up to approximately HK\$52.8 million, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

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## LETTER FROM THE BOARD

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The Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 150.00% of the Company's issued share capital as at the Latest Practicable Date and 60.00% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

**The Rights Issue is only underwritten on a best effort basis and there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of its level of acceptances, and up to 1,200,000,000 Rights Shares can be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation.**

**In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.**

### **Irrevocable Undertakings**

As at the Latest Practicable Date, First Tech is interested in an aggregate of 480,000,000 Shares, representing 60.00% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, First Tech has unconditionally and irrevocably undertaken to the Company, among other things, that (i) it shall accept and subscribe its entitlement to the provisional allotment of 540,000,000 Rights Shares; and (ii) it shall not sell, transfer or otherwise dispose of the Shares held by it in any manner before the completion or lapse of the Rights Issue. First Tech will subscribe the Rights Shares up to a level such that the Public Float Requirement will be complied with upon completion of the Rights Issue and will not subscribe any additional Rights Shares other than the aforesaid 540,000,000 Rights Shares.

### **Subscription Price**

The Subscription Price is HK\$0.044 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for Excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 34.33% to the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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- (ii) a discount of approximately 31.25% to the average of the closing prices of approximately HK\$0.064 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 25.42% to the average of the closing prices of approximately HK\$0.059 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 33.33% to the average of the closing prices of approximately HK\$0.066 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 16.98% to the theoretical ex-rights price of approximately HK\$0.053 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 83.01% to the net asset value (“NAV”) per Share of approximately HK\$0.2590 as at 30 September 2021, based on the unaudited equity attributable to the Shareholders of approximately HK\$207.2 million as at 30 September 2021 and 800,000,000 issued Shares as at the Latest Practicable Date;
- (vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 20.60%; and
- (viii) a discount of approximately 8.33% to the closing price of HK\$0.048 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.043.

As stated in the Company’s annual report for the year ended 31 December 2020 (the “**2020 Annual Report**”) and quarterly report for the nine months ended 30 September 2021 (the “**2021 Third Quarterly Report**”), the financial performance of the Group for the year ended 31 December 2020 and the nine months ended 30 September 2021 has been adversely affected by the prolonged COVID-19 pandemic and overall global economy uncertainty. For the year ended 31 December 2020, the Group recorded a net loss of approximately HK\$100.8 million as compared to a profit of approximately HK\$18.2 million for the year ended 31 December 2019, primarily attributable to (i) a decline in revenue by approximately 39.6% as a result of the COVID-19 pandemic and overall global economy uncertainty; (ii) a decrease in profit margin mainly due to the aggressive pricing strategy in the challenging business environment during the year; and (iii) impairment losses on certain inventories and accounts receivables. For the nine months ended 30 September 2021, the Group recorded a decrease in revenue by approximately 6.7% as compared to the corresponding period in 2020 due to a decrease in sales orders affected by the COVID-19 pandemic and overall global economy uncertainty and incurred a net loss of approximately HK\$4.5 million.

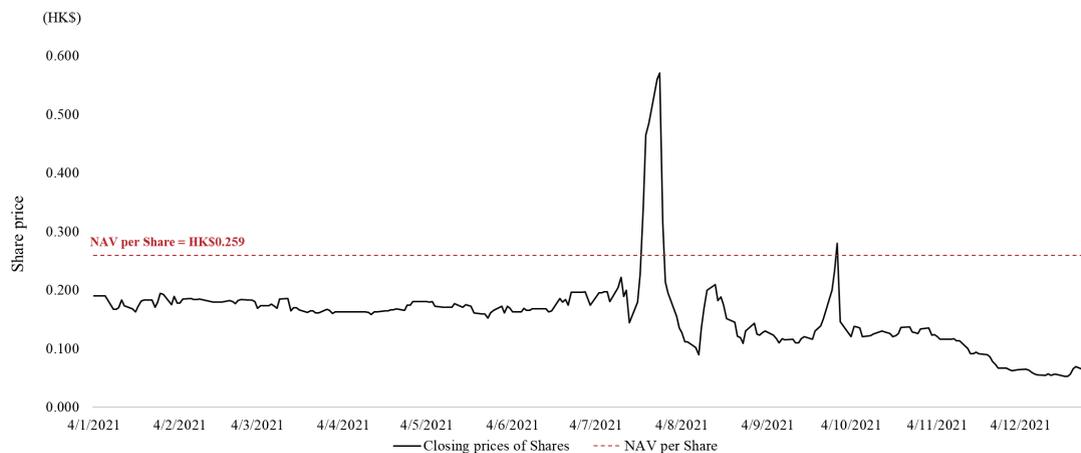
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## LETTER FROM THE BOARD

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As at 30 June 2021, the Group had net current assets of approximately HK\$0.6 million, of which (i) pledged bank deposits and cash and cash equivalents were approximately HK\$5.2 million and HK\$9.6 million, respectively; and (ii) bank loans and overdrafts due within one year amounted to approximately HK\$148.5 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, as stated in the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”).

As at 30 September 2021, the NAV per Share was approximately HK\$0.2590. As illustrated in the Share price chart below, the Shares have been traded at a discount to the NAV per Share (the “**Discounts**”) in most of the time (i.e. 238 out of 245 trading days, or approximately 97.1% of the trading days) during the last 12 months from 4 January 2021 to 29 December 2021 (the “**Review Period**”). The Discounts ranged from approximately 10.04% to approximately 79.54% with an average and median of approximately 42.59% and 36.68%, respectively. Having considered (i) the financial performance of the Group for the year ended 31 December 2020 and the nine months ended 30 September 2021; (ii) the current financial position of the Group; and (iii) the prevailing market prices of the Shares which have been generally low during the last 12 months, the Directors (including the members of the Independent Board Committee) consider the discount represented by the Subscription Price to the NAV per Share to be fair and reasonable.



The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the recent business performance and financial position of the Group; and (iii) the reasons for and benefits of Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue” in this circular.

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## LETTER FROM THE BOARD

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The Directors (including the members of the Independent Board Committee) consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company and apply for Excess Rights Shares subject to the level of acceptance; (iii) the proceeds from the Rights Issue can fulfil the working capital requirement and development plan of the Group; and (iv) the Subscription Price was determined with reference to the prevailing market prices and the recent business performance and financial position of the Group.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL and EAF will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors of the Company should consult their professional advisers if they are in doubt.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 23 February 2022.

The last day of dealing in the Shares on cum-rights basis is Monday, 21 February 2022. The Shares will be dealt with on an ex-rights basis from Tuesday, 22 February 2022.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.**

### **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

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## LETTER FROM THE BOARD

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In compliance with the necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). As at the Latest Practicable Date, there is no Overseas Shareholder with registered addresses situated outside of Hong Kong.

The basis for excluding the Excluded Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus only (without the PAL and the EAF) and a letter explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue to the Excluded Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Excluded Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Closure of register of members**

The register of members of the Company will be closed from Thursday, 24 February 2022 to Wednesday, 2 March 2022 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares for every two (2) existing Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

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## LETTER FROM THE BOARD

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Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Any holdings (or balance of holdings) of less than two (2) Shares will not entitle their holders to be provisionally allotted a Rights Share. Please refer to the arrangement as referred to in the paragraph headed "Fractional entitlements of the Rights Shares" below.

### **Fractional entitlements of the Rights Shares**

In any event, fractions of the Rights Shares will not be provisionally allotted to any of the Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Any Rights Shares created from the aggregation of fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders as described in the paragraph headed "Application for Excess Rights Shares" below. Should there be no excess application by the Qualifying Shareholders, those Rights Shares created from the aggregation of fraction of the Rights Shares may or may not be taken up by the Underwriter.

### **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Friday, 25 March 2022. Refund cheques in respect of wholly or partially unsuccessful applications for Excess Rights Shares (if any) are expected to be posted on or before Friday, 25 March 2022 by ordinary post to the applicants at their own risk, to their registered addresses.

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## LETTER FROM THE BOARD

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### Application for Excess Rights Shares

The Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of EAF, and the Excess Rights Shares represent:

- (i) any nil-paid Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold;
- (iii) any of the Rights Shares created from the aggregation of fractions of the Rights Shares; and
- (iv) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any).

Application for Excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the Excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Thursday, 17 March 2022.

- (i) The Directors will, upon consultation with the Underwriter, allocate any Excess Rights Shares at their discretion on a fair and equitable basis on the following principles:
- (ii) any Excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the Excess Rights Shares applied for;
- (iii) reference will only be made to the number of Excess Rights Shares being applied for but no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iv) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for Excess Rights Shares in full application; and
- (v) no preference will be given to topping up odd-lots to whole board lots.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in

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## LETTER FROM THE BOARD

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relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Wednesday, 23 February 2022. Shareholders and investors of the Company should consult their professional advisers if they are in doubt as to their status.

### **Scale-down of subscriptions to avoid the triggering of the MGO Obligation**

Pursuant to the Underwriting Agreement, as the Rights Issue is only underwritten by the Underwriter on a best effort basis, and so as to avoid the unwitting triggering of the MGO Obligation, all applications for Rights Shares whether under the PAL(s) or the EAF(s), or by transferees of nil-paid Rights Shares, or by subscribers procured by the Underwriter will be made on the basis that the applications are to be scaled-down by the Company to a level which does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it. Any subscription monies for the Scale-down PAL Shares or the Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares and the Scale-down EAF Shares will be made available for subscription by other Qualifying Shareholders through the EAF(s).

In addition, under and/or pursuant to the Scaling-down, any application for Rights Shares, whether under PAL(s) or EAF(s), shall be subject to the scale-down mechanisms of the Rights Issue as determined by the Company to levels which do not trigger any MGO Obligation. Where the MGO Obligation is triggered by the exceeding of shareholding by certain Shareholder(s), the applications of these Shareholders shall be scaled down to levels which do not trigger any MGO Obligation.

### **Arrangement on odd lots trading**

In order to facilitate the trading of odd lots (if any) of the Shares, the Company will appoint a designated broker to arrange for matching service on a best effort basis regarding the sale and purchase of odd lots of the Shares for a limited period of time. Shareholders should note that matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangement is recommended to consult his/her/its own professional advisers. Further details in respect of the odd lots trading arrangement will be set out in the Prospectus.

### **Application for listing of the Rights Shares**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

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## LETTER FROM THE BOARD

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Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 10,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **Condition of the Rights Issue**

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

## **THE UNDERWRITING AGREEMENT**

### **The Underwriting Agreement**

On 29 December 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares up to 660,000,000 (other than those agreed to be taken up by First Tech pursuant to the Irrevocable Undertakings), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

### **Principal terms of the Underwriting Agreement**

Date : 29 December 2021 (after trading hours)  
Underwriter : Sorrento Securities Limited

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## LETTER FROM THE BOARD

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Number of Rights Shares to be underwritten	:	Up to 660,000,000 Rights Shares (other than those agreed to be taken up by First Tech pursuant to the Irrevocable Undertakings) underwritten by the Underwriter on a best effort basis pursuant to the terms and conditions of the Underwriting Agreement
Underwriting Commission	:	1% of the aggregate Subscription Price in respect of the Underwritten Shares actually procured by the Underwriter for subscription pursuant to the Underwriting Agreement

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

The terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issues, and the current and expected market condition. There is no minimum underwriting commission charged by the Underwriter. If no subscriber is procured by the Underwriter, the Company is not required to pay any commission fee to the Underwriter. Given (i) there is no minimum fee charged by the Underwriter; (ii) the underwriting commission fee of 1% is in line with the market rate; and (iii) it is difficult to identify underwriters which are willing to fully underwrite any unsubscribed Rights Shares under the current market conditions, the Directors (including the members of the Independent Board Committee) consider that it is in the interests of the Company to engage the Underwriter on a best-effort-underwritten basis.

The Directors (including the members of the Independent Board Committee) consider the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associate.

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## LETTER FROM THE BOARD

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### Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;
- (ii) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders for information only, if any, by no later than the Prospectus Posting Date;
- (iv) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof on or before the Latest Time for Termination;
- (v) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination;
- (vi) the Company having complied with all applicable laws and regulations;
- (vii) each party having obtained all necessary consent and/or approval for entering into the Underwriting Agreement or the transactions contemplated herein;
- (viii) the entering into of binding agreements by the Underwriter with certain subscriber(s) procured by the Underwriter and/or sub-underwriter(s), which shall be Independent Third Parties, for placing and/or sub-underwriting the Rights Shares, such that neither the Underwriter nor any of the subscriber(s) procured by the Underwriter and/or subunderwriter(s) and/or party or parties acting in concert (having the meaning as set out in the Takeovers Code) with the respective subscribers or any of the connected persons or associates of the respective subscribers shall be interested in 30% or more of the issued share capital of the Company as enlarged by the Rights Issue;
- (ix) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (x) there being no Specified Event occurring on or before the Latest Time for Termination;

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## LETTER FROM THE BOARD

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(xi) the Underwriter having received from the Company all the documents required under the Underwriting Agreement in such form and substance satisfactory to the Underwriter; and

(xii) First Tech having provided the Irrevocable Undertakings.

Save for the conditions (v) and (xi) which can be waived by the Underwriter and the Company jointly, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed.

### REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The Group is principally engaged in the provision 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 the U.K.). The Group’s products comprise mainly books and other paper-related products.

#### Circumstances leading to the Rights Issue

The financial performance of the Group for the year ended 31 December 2020 and the nine months ended 30 September 2021 has been adversely affected by the prolonged COVID-19 pandemic and overall global economy uncertainty.

For the year ended 31 December 2020, the Group recorded a net loss of approximately HK\$100.8 million, primarily attributable to (i) a decline in revenue by approximately 39.6% as a result of the COVID-19 pandemic and overall global economy uncertainty; (ii) a decrease in profit margin mainly due to the aggressive pricing strategy in the challenging business environment during the year; and (iii) impairment losses on certain inventories and accounts receivables, resulting in an operating cash outflow of approximately HK\$15.1 million. As at 31 December 2020, the Group had (i) pledged bank deposits and cash and cash equivalents of approximately HK\$9.1 million and HK\$1.6 million, respectively; (ii) bank loans and overdrafts of approximately HK\$159.6 million which were due for repayment within a year; and (iii) net current assets of approximately HK\$7.3 million. The auditors of the Company stated in the 2020 Annual Report that the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

As at 30 June 2021, the net current assets of the Group decreased to approximately HK\$0.6 million, of which (i) pledged bank deposits and cash and cash equivalents were approximately HK\$5.2 million and HK\$9.6 million, respectively; and (ii) bank loans and overdrafts due within one year amounted to approximately HK\$148.5 million. For the nine months ended 30 September 2021, the Group recorded a decrease in revenue by approximately 6.7% as compared to the corresponding period in 2020 due to a decrease in sales orders affected by the COVID-19 pandemic and overall global economy uncertainty and incurred a net loss of approximately HK\$4.5 million. All these indicate the Group is currently under liquidity pressure and facing a material uncertainty in relation to going concern.

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## LETTER FROM THE BOARD

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As disclosed in the 2020 Annual Report and the 2021 Interim Report, to manage its liquidity needs and improve its financial position, the Group has taken or will take the following measures, including but not limited to: (i) the Group will continue to make use of its resources with an aim to attain positive and sustainable cash flow from operations; (ii) the Group is putting extra efforts on collecting its trade and other receivables; (iii) the Group entered into sale and leaseback arrangements in January 2021 to dispose of certain of its properties at a cash consideration of HK\$13.5 million with a view to improving cashflow and reducing the gearing and interest expenses of the Group, and is seeking for opportunities to dispose other properties; (iv) the Group is in discussions with its bankers to timely renew or extend its existing banking facilities; and (v) the Group will actively and regularly review its capital structure and source additional capital by raising new debt financing, issuing new shares or selling the Group's properties, where appropriate.

The financial performance of the Group largely hinges on its business growth in overseas markets where the COVID-19 pandemic is not under effective control. For the two years ended 31 December 2020 and six months ended 30 June 2021, revenue generated from overseas markets (excluding the PRC and Hong Kong) accounted for approximately 43.2%, 46.0% and 47.2% of the Group's total revenue. As at the Latest Practicable Date, Omicron, a new COVID-19 variant, has been found in many countries including the U.S. and the U.K. As a result, the performance of the Group in these markets may be adversely affected. As stated in the 2021 Third Quarterly Report, there are certain risks that the Group will face in further development such as challenges from the uncertainty of economies by reasons of, among others, COVID-19 and the U.S.-China trade dispute.

While the Group has been implementing various measures to ease its liquidity pressure and improve its financial position as mentioned above, it plans to implement the following business strategies with a view to improving its profitability, as stated in the 2021 Third Quarterly Report: (i) improving its equipment and the level of automation; (ii) expanding customer base and strengthening sales and marketing coverage; and (iii) continuing to attract and retain top talent in the industry.

Taking into account (i) the Group's material uncertainty in relation to going concern due to its loss-making position and current financial position; (ii) the worsening financial performance of the Group since the outbreak of COVID-19 in early 2020; and (iii) the risks and uncertainties associated with emerging COVID-19 variants in the Group's overseas markets, the Directors (including the members of the Independent Board Committee) consider that there is an imminent need for the Company to conduct the Rights Issue to (i) ease the liquidity pressure and improve the financial position of the Group; and (ii) implement its business strategies with a view to improving its profitability.

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## LETTER FROM THE BOARD

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### **Alternative means of fund raising**

The Company have considered other alternative means of fund raising, such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company considers it is difficult to obtain any debt financing at terms that are acceptable to the Company given its current financial performance and financial position. In addition, the Company does not consider debt financing to be desirable given the requirement of interest payments and the impact on the Group's gearing position. The gearing ratio of the Group, being total bank loans, overdrafts and lease liabilities divided by total equity, was approximately 0.94 as at 30 June 2021 (as at 31 December 2020: approximately 0.96). Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the rights to participate in the fund-raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing the Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (ii) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors (including the members of the Independent Board Committee) consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, other than the Rights Issue, the Company did not have any other fund-raising plan.

### **INTENDED USE OF PROCEEDS**

Assuming full subscription under the Rights Issue, the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$51.4 million (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date).

The Company intends to apply the net proceeds from the Rights Issue as to:

- (i) approximately HK\$30.8 million (or approximately 60% of the net proceeds) for the development of the Group's existing printing business, including but not limited to (a) upgrading equipment with higher level of automation; (b) expanding customer base and strengthening sales and marketing coverage; and (c) attracting and retaining top talent in the industry; and

## LETTER FROM THE BOARD

- (ii) approximately HK\$20.6 million (or approximately 40% of the net proceeds) for general corporate and working capital purposes, including but not limited to settling trade and other payables, staff salaries, wages and other benefits, rental expenses and interests on bank loans and overdrafts.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be applied in proportion to the above uses.

Provided that First Tech has taken up its Rights Share under the Irrevocable Undertakings and none of the other Qualifying Shareholders have taken up any of their entitled Rights Shares and the Underwriter does not take up any Rights Share, the number of Rights Share to be issued is 480,000,000 and the minimum net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$19.7 million. For details, please refer to note 4 in the section headed “Change in the shareholding structure of the Company arising from the Rights Issue” below.

### CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement:

Name of the shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue Provided that First Tech has taken up its Rights Share under the Irrevocable Undertakings and all other Shareholders have taken up all their entitled Rights Shares		Immediately upon completion of the Rights Issue Provided that First Tech has taken up its Rights Share under the Irrevocable Undertakings and none of the other Qualifying Shareholders have taken up any of their entitled Rights Shares with all the Underwritten Shares being subscribed for through the Underwriter		Immediately upon completion of the Rights Issue provided that First Tech has taken up its Rights Share under the Irrevocable Undertakings and none of the other Qualifying Shareholders have taken up any of their entitled Rights Shares and the Underwriter does not take up any Rights Share	
	Number of issued		Number of issued		Number of issued		Number of issued	
	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %
First Tech <i>(Note 1)</i>	480,000,000	60.00%	1,020,000,000 <i>(Note 2)</i>	51.00%	1,020,000,000 <i>(Note 2)</i>	51.00%	960,000,000 <i>(Note 4)</i>	75.00%
The Underwriter and/or its subscriber(s) procured by it	—	0.00%	180,000,000 <i>(Note 3)</i>	9.00%	660,000,000 <i>(Note 3)</i>	33.00%	—	0.00%
Public Shareholders	320,000,000	40.00%	800,000,000	40.00%	320,000,000	16.00%	320,000,000 <i>(Note 4)</i>	25.00%
<b>Total</b>	<b>800,000,000</b>	<b>100.00%</b>	<b>2,000,000,000</b>	<b>100.00%</b>	<b>2,000,000,000</b>	<b>100.00%</b>	<b>1,280,000,000</b>	<b>100.00%</b>

*Notes:*

1. First Tech is a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lam, an executive Director.

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## LETTER FROM THE BOARD

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2. First Tech has provided the Irrevocable Undertakings to the Company to, among other things, accept and subscribe its entitlement to the provisional allotment of 540,000,000 Rights Shares. First Tech will not subscribe any additional Rights Shares other than the aforesaid 540,000,000 Rights Shares.
3. Pursuant to Rule 11.23 of the GEM Listing Rules, the Company has a responsibility to maintain the Public Float Requirement. As such, pursuant to the Underwriting Agreement, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for subscription therefor on a best effort basis whilst using its best endeavours to ensure that (i) each of the subscribers of the Untaken Shares procured by the Underwriter (or the Underwriter concerned, whichever shall be appropriate) shall be an Independent Third Party and not connected with the Company, any of the Directors or chief executive or substantial Shareholders or their respective associates; (ii) the Public Float Requirement be fulfilled by the Company upon completion of the Rights Issue; and (iii) the Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after the Rights Issue.
4. For illustrative purpose, if (i) First Tech has taken up its Rights Share of 540,000,000 under the Irrevocable Undertakings; (ii) none of the other Qualifying Shareholders have taken up any of their entitled Rights Shares; and (iii) the Underwriter does not take up any Rights Share, First Tech would be interested in an aggregate of 1,020,000,000 Shares, representing approximately 76.12% of the enlarged issued share capital of the Company, which would result in non-compliance with the Public Float Requirement on the part of the Company. Under such circumstance, First Tech shall reduce its subscription amount to a level which would not result in non-compliance with the Public Float Requirement on the part of the Company. As a result, First Tech shall only take up 480,000,000 Rights Shares and shall be interested in an aggregate of 960,000,000 Shares, representing approximately 75.00% of the enlarged issued share capital of the Company. After taking into account that First Tech would subscribe the Rights Shares up to a level such that the Public Float Requirement will be complied with upon completion of the Rights Issue, the Directors are of the view that the Company will fulfill its responsibility to maintain the Public Float Requirement upon completion of the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

### **PUBLIC FLOAT**

The Company and First Tech will take appropriate steps, to ensure that a sufficient public float exists upon completion of the Rights Issue. First Tech would subscribe the Rights Shares up to a level such that the Public Float Requirement will be complied with upon completion of the Rights Issue.

### **FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS**

The Company has not conducted any fund-raising activities involving issue of its securities in the past 12 months immediately preceding the date of the Announcement.

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## LETTER FROM THE BOARD

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### GEM LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, as Mr. Lam and First Tech are the controlling shareholders of the Company, Mr. Lam, First Tech and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the GM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

### GENERAL

The GM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder. As Mr. Lam and First Tech are the controlling shareholders of the Company, Mr. Lam, First Tech and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the GM.

The notice convening the GM to be held at Flat H, 4/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong at 11:30 a.m. on Friday, 18 February 2022 is set out on pages GM-1 to GM-3 of this circular.

A form of proxy for use at the GM is also enclosed. Whether or not you intend to attend the GM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible and in any event not later than 48 hours before the time appointed for holding the GM (i.e. 11:00 a.m. on Wednesday, 16 February 2022, Hong

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## LETTER FROM THE BOARD

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Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjournment thereof if you so wish.

Subject to the approval of the Rights Issue by the Independent Shareholders at the GM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 3 March 2022.

### RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). Donvex Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 32 to 33 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the letter from Donvex Capital set out on pages 34 to 55 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the members of the Independent Board Committee) consider that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the members of the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the GM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

### WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL PAID RIGHTS SHARES

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in**

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## LETTER FROM THE BOARD

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accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement”). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 22 February 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 7 March 2022 to Monday, 14 March 2022 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue and the Underwriting Agreement.*



### **Prosperous Printing Company Limited**

**萬里印刷有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8385)**

26 January 2022

*To the Independent Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON RECORD DATE**

We refer to the circular of the Company dated 26 January 2022 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Donvex Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Having taken into account the terms of the Rights Issue and the Underwriting Agreement, and the advice from Donvex Capital, we are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the GM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,  
the Independent Board Committee

**Ms. Cheung Yin**  
*independent non-executive*  
*Directors*

**Mr. Wong Hei Chiu**  
*independent non-executive*  
*Directors*

**Mr. Leung Vincent Gar-Gene**  
*independent non-executive*  
*Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 2501-02, 25th Floor,  
Carpo Commercial Building  
18-20 Lyndhurst Terrace  
Central  
Hong Kong

26 January 2022

*The Independent Board Committee and the Independent Shareholders of  
Prosperous Printing Company Limited*

Dear Sir/Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the fairness and reasonableness of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 26 January 2022 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

As stated in the Letter from the Board, on 29 December 2021, the Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.044 per Rights Share, to raise up to approximately HK\$52.8 million (before expenses) by issuing up to 1,200,000,000 Rights Shares to the Qualifying Shareholders.

On 29 December 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares up to 660,000,000 (other than those agreed to be taken up by First Tech pursuant to the Irrevocable Undertakings), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

As at the Latest Practicable Date, First Tech is interested in an aggregate of 480,000,000 Shares, representing 60.00% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, First Tech has unconditionally and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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irrevocably undertaken to the Company, among other things, that (i) it shall accept and subscribe its entitlement to the provisional allotment of 540,000,000 Rights Shares; and (ii) it shall not sell, transfer or otherwise dispose of the Shares held by it in any manner before the completion or lapse of the Rights Issue.

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, as Mr. Lam and First Tech are the controlling shareholders of the Company, Mr. Lam, First Tech and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the GM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). Donvex Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting, after taking into account the recommendation of the Independent Financial Adviser. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INDEPENDENCE

We did not act as financial adviser to the Group and its respective connected persons in the past two years immediately preceding the Latest Practicable Date.

We are independent from, and not connected with, the Company or any of its substantial shareholders, directors, chief executive, or any of their respective associates, and have sufficient expertise and resources to give an opinion on the transactions. As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties within the past two years that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist within the past two years whereby we had received or will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. We consider ourselves independent to form our opinion in relation to the Rights Issue (including the Underwriting Agreement).

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others:

- (i) the Company's annual report for the year ended 31 December 2019 ("FY2019") and 31 December 2020 ("FY2020");
- (ii) the Company's interim report for the six months ended 30 June 2021 ("6M2021");
- (iii) the Company's quarterly report for the nine months ended 30 September 2020 ("9M2020") and 30 September 2021 ("9M2021");
- (iv) the Underwriting Agreement; and
- (v) other information as set out in the Circular and its relevant supporting documents.

We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the GM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the Rights Issue, and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with the Rights Issue (including the Underwriting Agreement), and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Rights Issue (including the Underwriting Agreement), we have taken into consideration the following principal factors and reasons:

#### **1. Background information on the Group**

The Group is principally engaged in the provision 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 United Kingdom (the "U.K."), Australia and Europe (excluding the U.K.). The Group's products comprise mainly books and other paper-related products.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**2. Financial information of the Group**

The tables below set forth a summary of the consolidated financial information of the Company for FY2019, FY2020, 6M2021, 9M2020 and 9M2021 as extracted from the annual report for FY2020, the interim report for 6M2021 and the quarterly report for the 9M2021 of the Company:

	<b>FY2019</b> <i>HK\$'000</i> (Audited)	<b>FY2020</b> <i>HK\$'000</i> (Audited)	<b>9M2020</b> <i>HK\$'000</i> (Unaudited)	<b>9M2021</b> <i>HK\$'000</i> (Unaudited)
Total revenue	461,561	278,944	235,158	219,408
Profit/(loss) after taxation	18,199	(100,824)	(7,682)	(4,530)
		<b>As at 31 December</b>		<b>As at</b>
		<b>2019</b>	<b>2020</b>	<b>30 June</b>
		<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Unaudited)
<b>Current assets</b>				
Cash and cash equivalents		29,116	1,551	9,559
Pledged bank deposits		8,908	9,126	5,183
Trade and other receivables		179,227	163,093	191,172
<b>Current liabilities</b>				
Bank loans and overdrafts		138,059	159,578	148,489
Trade and other payables		44,563	50,238	85,686
<b>Non-current liabilities</b>				
Bank loans		20,227	20,053	21,854
<b>Net current assets</b>		85,661	7,254	612
<b>Net assets</b>		299,692	208,347	203,087

***Revenue***

The revenue of the Group decreased from approximately HK\$461.6 million for FY2019 to approximately HK\$278.9 million for FY2020 and from approximately HK\$235.2 million for 9M2020 to approximately HK\$219.4 million for 9M2021, respectively, which was mainly attributable to the decreasing revenue generated from the sales of books and paper products as a result of the impact of global COVID-19 pandemic.

***Profit/(loss) after taxation***

The loss after taxation of the Group for FY2020 was approximately HK\$100.8 million as compared to the profit after taxation of approximately HK\$18.2 million for FY2019, which was mainly due to (i) a decline in revenue as the continuing uncertainties in the global economy resulted from the outbreak of COVID-19 pandemic since early 2020; (ii) a decrease in profit margin mainly attributable to competitors' aggressive pricing strategy in the challenging business environment; and (iii) increase in impairment losses on certain inventories and accounts receivables in FY2020.

The loss after taxation of the Group decreased from approximately HK\$7.7 million for 9M2020 to approximately HK\$4.5 million for 9M2021, which was mainly attributable to the gain on disposal of property, plant and equipment and increase in rental income of the Group during 9M2021.

***Cash and cash equivalents***

The cash and cash equivalents of the Group decreased from approximately HK\$29.1 million as at 31 December 2019 to approximately HK\$1.6 million as at 31 December 2020, which was mainly due to (a) the increase in net cash used in investing activities as a result of the purchase of other properties lease for own use and plants and machineries during FY2020; and (b) the decrease in net cash generated from operating activities as a result of the decrease in the gross profit.

The cash and cash equivalents of the Group increased from approximately HK\$1.6 million as at 31 December 2020 to approximately HK\$9.6 million as at 30 June 2021, which was mainly due to the net effect of (a) the decrease in net cash generated from operating activities as a result of the decrease in the gross profit; and (b) the increase in net cash generated from investing activities as a result of the entering into a sale and leaseback arrangement to dispose certain properties of the Group and decrease in pledged bank deposits in 6M2021.

***Bank loans and overdrafts***

Bank loans and overdrafts of the Group increased from approximately HK\$158.3 million as at 31 December 2019 to approximately HK\$179.6 million as at 31 December 2020, which was increased for replenishing the business operational cash flow to maintain sufficient reserves of cash to meet its operational needs. As at 30 June 2021, the bank loans and overdrafts of the Group remained stable at approximately HK\$170.3 million.

**3. Reasons for and benefits of the Rights Issue and use of proceeds**

As stated in the Letter from the Board, the net proceeds from the Rights Issue, after deducting the estimated expenses, are estimated to be approximately HK\$51.4 million. The Company intends to utilize the proceeds from the Rights Issue as follows:

- (i) approximately HK\$30.8 million (or approximately 60% of the net proceeds) for the development of the Group's existing printing business, including but not limited to (a) upgrading equipment with higher level of automation; (b) expanding customer base and strengthening sales and marketing coverage; and (c) attracting and retaining top talent in the industry; and
- (ii) approximately HK\$20.6 million (or approximately 40% of the net proceeds) for general corporate and working capital purposes, including but not limited to settling trade and other payables, staff salaries, wages and other benefits, rental expenses and interests on bank loans and overdrafts.

***Development of the existing printing business to improve the financial performance***

We noted the Group had been loss making since the outbreak of COVID-19 in early 2020. As discussed in the section headed "2. Financial information of the Group" above, the Group has recorded loss after taxation for FY2020 of approximately HK\$100.8 million. In 9M2021, the Group was still loss making and recorded a net loss of approximately HK\$4.5 million.

As stated in the Letter from the Board, the Company plans to implement a number of business strategies the Group's existing printing business with a view to improving its profitability, including but not limited to (i) enhancing the level of automation by upgrading its equipment; (ii) expanding customer base and strengthening sales and marketing coverage; and (iii) continuing to attract and retain top talent in the industry. As such, the proceeds from the Rights Issue may allow the Group to implement its business strategies on the existing printing business with a view to improving its profitability.

***Liquidity pressure of the Group***

With reference to the Letter from the Board and the interim report for 6M2021, as at 30 June 2021, the Group had net current assets of approximately HK\$0.6 million, of which (i) pledged bank deposits and cash and cash equivalents were approximately HK\$5.2 million and HK\$9.6 million, respectively; and (ii) bank loans and overdrafts due within one year amounted to approximately HK\$148.5 million. The auditors of the Company stated in the annual report for FY2020 that the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the Directors have given careful consideration on the future liquidity, performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements.

With reference to the annual report for FY2020 and interim report for 6M2021, we further noted that the Group had a gearing ratio of approximately 0.60 as at 31 December 2019, then the gearing ratio increased to approximately 0.96 as at 31 December 2020 and remained high with a gearing ratio of approximately 0.94 as at 30 June 2021. As such, replenishing the working capital of the Group may (i) ease the liquidity pressure of the Group; and (ii) allow the Group to cater for the repayment of bank loans as and when they fall due, which shall reduce the overall gearing ratio of the Group to improve the financial position of the Group.

### ***Conclusion***

Taking into account the factors above, we concur with the management of the Company that the Rights Issue may provide the Company with additional working capital to (i) ease the liquidity pressure to allow the Group to meet its funding needs and repay any loans as and when they fall due, while reducing gearing ratio to improve the financial position of the Group; and (ii) implement its business strategies on the Group's existing printing business with a view to improving its profitability. As such, we consider that the Rights Issue is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

#### **4. Other fundraising alternatives**

As stated in the Letter from the Board, the Directors have considered other financing alternatives apart from Rights Issue such as debt financing, placing of new shares and open offer to meet the financial needs of the Group, if appropriate, taking into consideration the financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

### ***Debt financing***

The Directors have considered financing alternatives such as debt financing. As advised by the management of the Company, debt financing may not be feasible for the Group for the following reasons:

- (i) debt financing may further incur financial costs and increase the interest burden for the Group, which may further affect the financial performance of the Group;
- (ii) the Group's financial risk would increase due to the increase in the leverage of the Group and the consistent loss-making performance; and
- (iii) the Group may have difficulties in obtaining further loans from bank due to the high gearing ratio of the Group. Even if banks are willing to grant the Group further loans, the interest rate offered to the Group may be relatively higher which is unacceptable for the Group to bear any potential surging interest burden.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of the above, we are of the view that debt financing is not a favorable fundraising method for the Group.

### *Placing of new shares*

As for placement of new Shares, it would lead to immediate dilution in the shareholding interests of existing Shareholders without offering them the opportunity to maintain their shareholding interests in the Company.

### *Open Offer*

As for open offer, similar to a rights issue, it also offers qualifying Shareholders to participate, but it does not allow the trading of rights entitlements in the open market.

Given that an open offer does not allow the trading of rights entitlements, Shareholders who do not wish to take up their entitlements will not be offered the opportunity to sell their entitled nil-paid Rights Shares on the market as compensation. We consider that the Rights Issue would be more favorable and attractive to the Shareholders than an open offer because it would allow the Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto.

### *Other benefits of the Rights Issue*

The Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (ii) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market.

### *Conclusion*

Having considered the abovementioned financing alternatives and the Rights Issue allows Qualifying Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights, we concur with the Directors' view that the Rights Issue is the most appropriate fundraising option over other fundraising alternatives under the current circumstances of the Group and in the best interests of the Company and the Shareholders as a whole.

**5. Principal terms of the Rights Issue**

*The Proposed Rights Issue*

The Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.044 per Rights Share, to raise up to approximately HK\$52.8 million (before expenses) by issuing up to 1,200,000,000 Rights Shares to the Qualifying Shareholders. Further details of the Rights Issue are set out below:

*Issue statistics*

Basis of the Rights Issue:	Three (3) Rights Share for every two (2) Share held at the close of business on the Record Date
Subscription Price:	HK\$0.044 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	800,000,000 Shares
Number of Rights Shares:	Up to 1,200,000,000 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of Shares as enlarged by the allotment and issue of the Rights Shares:	Up to 2,000,000,000 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Amount to be raised:	Up to approximately HK\$52.8 million before expenses, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Right of excess applications:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

The Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of the Announcement.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 150.00% of the Company's issued share capital as at the date of the Announcement and 60.00% of the Company's issued

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

*Underwritten on a best effort basis*

The Rights Issue is only underwritten on a best effort basis and there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of its level of acceptances, and up to 1,200,000,000 Rights Shares can be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation or the Public Float Requirement.

In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

### ***Irrevocable Undertakings***

As at the Latest Practicable Date, First Tech is interested in an aggregate of 480,000,000 Shares, representing 60.00% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, First Tech has unconditionally and irrevocably undertaken to the Company, among other things, that (i) it shall accept and subscribe its entitlement to the provisional allotment of 540,000,000 Rights Shares; and (ii) it shall not sell, transfer or otherwise dispose of the Shares held by it in any manner before the completion or lapse of the Rights Issue. First Tech will subscribe the Rights Shares up to a level such that the Public Float Requirement will be complied with upon completion of the Rights Issue and will not subscribe any additional Rights Shares other than the aforesaid 540,000,000 Rights Shares.

**6. Assessment of the principal terms of the Rights Issue**

*The Subscription Price*

The Subscription Price for the Rights Shares is HK\$0.044 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for Excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 34.33% to the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 31.25% to the average of the closing prices of approximately HK\$0.064 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 25.42% to the average of the closing prices of approximately HK\$0.059 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 33.33% to the average of the closing prices of approximately HK\$0.066 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 8.33% to the closing price of approximately HK\$0.048 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 16.98% to the theoretical ex-rights price of approximately HK\$0.053 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a discount of approximately 83.01% to the net asset value per Share of approximately HK\$0.2590 as at 30 September 2021, based on the unaudited equity attributable to the Shareholders of approximately HK\$207.2 million as at 30 September 2021 and 800,000,000 issued Shares as at the Latest Practicable Date; and
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 20.60%.

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We note that the Subscription Price represents a discount of approximately 83.01% to the unaudited net asset value per Share as at 30 September 2021. Having considered the following, (i) the Shares have been trading at a deep discount since the publication of the unaudited financial results for the nine months ended 30 September 2021 up to the Last Trading Day; and (ii) the prevailing market prices of the Shares have already reflected the market valuation of the Company in general, we consider it is reasonable to make reference to the market price of the Shares, rather than the unaudited net asset value per Share, in determining the Subscription Price and that the discount of the Subscription Price to the unaudited net asset value per Share is justifiable.

### *Historical price performance of the Shares*

Set out below is a chart showing the movement of the daily closing prices of the Shares for the six-month period ended on and including the Last Trading Day (i.e. from 29 June 2021 to 29 December 2021) (the “**Review Period**”) and the comparison among the daily closing prices during the Review Period, as this period is reasonably long enough to provide sufficient market data to evaluate the recent trend in closing price movement of the Shares. We consider the Review Period adequate to reflect the general market sentiment and illustrate the general trend and level of movement of the daily closing price of the Shares before the Subscription Price was determined.



*Source: Stock Exchange website*

During the Review Period, the average closing price was approximately HK\$0.1418 per Share. The daily closing price of the Shares ranged from HK\$0.053 per Share (the “**Lowest Closing Price**”), as recorded on 20 December 2021 and 21 December 2021, to HK\$0.57 per Share, as recorded on 27 July 2021 during the Review Period. The Subscription Price is below the Lowest Closing Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that from 16 July 2021, the closing price surged upwards and reached its peak at the closing price of HK\$0.57 per share on 27 July 2021. We have enquired the management of the Company regarding the downward trend of the closing price of the Shares and were advised that, save for the announcement of the Company dated 22 July 2021 in relation to the Group entered into a memorandum of joint venture cooperation with 3DPRO (Shanghai) Technology Co., Ltd. for expanding the business with the 3D printing technology, they are not aware of any particular reason that may lead to the surge of the closing price of the Shares.

After reaching the highest point, the closing price then exhibited a downward trend and hit the point of HK\$0.09 per share from 10 August 2021. We note that the substantial fall in Share price from 28 July 2021 to 10 August 2021 appeared to be associated with substantial trading volume of shares. We have enquired the management of the Company regarding the downward trend of the closing price of the Shares and were advised that, save for the profit warning of the Company for the six months ended 30 June 2021 published on 5 August 2021, they are not aware of any particular reason that may lead to the downward trend of the closing price of the Shares.

During the period commencing from 11 August 2021 to 21 September 2021, the closing price fluctuated within the range from HK\$0.135 per Share to the closing price of HK\$0.13 per Share. After that, the closing price of the Shares surged upwards again and reached its peak at the closing price of HK\$0.28 per Share on 29 September 2021, finally the closing price of the Shares was back to HK\$0.135 per Share on 7 October 2021. We have discussed with the Company regarding the price trend and were advised that they are not aware of any particular reason that may lead to the fluctuation of the closing price of the Shares.

Thereafter, the closing price demonstrated a downward trend until reaching the Lowest Closing Price on 20 December 2021 and 21 December 2021, and finally closed at HK\$0.067 per Share on 29 December 2021.

We noted that the Subscription Price remained below the daily closing price of the Shares during the Review Period, having taken account into that (i) the Subscription Price at a discount to the closing price of the Shares can encourage the Shareholders to take up their entitlements to maintain their own shareholdings in the Company by minimizing the further investment cost on the Rights Shares; and (ii) it is common for listed issuers in Hong Kong to issue rights shares at a discount to market price in order to enhance the attractiveness of a rights issue, we are of the view that the Subscription Price is fair and reasonable in this regard.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To further assess the fairness and reasonableness of the Subscription Price, we have included a comparison with other rights issue exercises as discussed in further details in the paragraph headed “Comparison with other rights issue exercises” below.

### *Comparison with other rights issue exercises*

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, in selecting the comparable transactions, we have selected all rights issue exercises conducted by or announced by the companies listed on the Stock Exchange for three months up to and including the Last Trading Day (the “**Comparable Review Period**”). Based on the above criteria, we have identified a list of 20 rights issue exercises (the “**Comparable Transactions**”).

While the subject companies among the Comparable Transactions may have different principal business activities, market capitalizations, profitability and financial positions as compared to those of the Company, we are of the view that the Comparable Transactions can provide a reasonable reference as to how the market generally perceived rights issues. We also consider that the Comparable Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Comparable Transactions:

Date of announcement	Name of company	Stock Code	Basis of entitlement	Discount of	Discount of	Theoretical dilution effect	Underwriting/ placing commission	Whether the underwriting/ placing agreement is on a best-effort basis
				subscription price to the closing price on the last trading date prior to the release of the rights issue announcement	subscription price to the theoretical ex-rights price on the last trading date prior to the release of the rights issue announcement			
				%	%	(Note 4) %	%	
30-Dec-2021	Bank of Qingdao Co., Ltd.	3866	3 for 10	11.50%	9.10%	3.10%	— (Note 3)	No
24-Dec-2021	Hanvey Group Holdings Limited	8219	1 for 2	22.81%	16.35%	7.60%	3.50%	Yes
20-Dec-2021	KNT Holdings Limited	1025	1 for 2	15.38%	10.81%	5.13%	2.50%	Yes
15-Dec-2021	Future World Holdings Limited	572	3 for 2	33.82%	16.97%	23.23%	3.50%	Yes
2-Dec-2021	Seazen Group Limited	1030	1 for 21	5.86%	5.61%	N/A (Note 2)	— (Note 1)	N/A
30-Nov-2021	Titan Invo Technology Limited	872	1 for 2	37.50%	28.60%	14.00%	— (Note 1)	N/A
26-Nov-2021	Vertical International Holdings Limited	8375	1 for 2	40.80%	31.60%	14.20%	4.00%	Yes
24-Nov-2021	Tongda Hong Tai Holdings Limited	2363	2 for 1	30.00%	12.50%	20.83%	2.00%	Yes
23-Nov-2021	Xinyang Maojian Group Limited	362	1 for 2	4.00%	6.98%	3.30%	3.50%	Yes
16-Nov-2021	King Stone Energy Group Limited	663	1 for 2	41.90%	32.40%	14.60%	1.00%	Yes
9-Nov-2021	CIFI Holdings (Group) Co. Ltd.	884	1 for 20	2.91%	2.77%	N/A (Note 2)	— (Note 1)	N/A
8-Nov-2021	Xinyi Electric Storage Holdings Limited	8328	1 for 10	8.07%	7.39%	5.37%	— (Note 1)	N/A
5-Nov-2021	Mansion International Holdings Limited	8456	3 for 1	18.60%	5.40%	14.30%	2.50%	Yes
2-Nov-2021	Grand T G Gold Holdings Limited	8299	3 for 1	16.67%	5.41%	11.90%	2.50%	Yes
1-Nov-2021	Deson Development International Holdings Limited	262	1 for 2	7.40%	5.06%	2.53%	3.50%	Yes
24-Oct-2021	Yuexiu Real Estate Investment Trust	405	37 for 100	12.80%	9.60%	3.40%	1.25%	Yes
20-Oct-2021	Jete Power Holdings Limited	8133	1 for 2	54.50%	44.40%	18.20%	1.50%	Yes
19-Oct-2021	Risecomm Group Holdings Limited	1679	1 for 2	0.50%	0.50%	N/A (Note 2)	1.00%	Yes
15-Oct-2021	Link-Asia International MedTech Group Limited	1143	1 for 2	7.83%	5.35%	6.93%	3.00%	Yes
7-Oct-2021	Great Wall Terroir Holdings Limited	524	1 for 5	23.70%	20.50%	N/A (Note 2)	— (Note 1)	N/A
			Average	19.83%	13.87%	10.54%	2.52%	
			Median	16.03%	9.35%	9.75%	2.50%	
			Minimum	0.50%	0.50%	2.53%	Nil	
			Maximum	54.50%	44.40%	23.23%	4.00%	
			<b>The Company</b>	<b>34.33%</b>	<b>16.98%</b>	<b>20.60%</b>	<b>1.00%</b>	

Source: Stock Exchange website.

Notes:

- The respective fundraising exercise did not involve underwriters or placing agents.
- The theoretical dilution effect is not disclosed in the respective announcement.
- The underwriting fee is not disclosed in the respective announcement.
- The theoretical dilution effect is calculated in according to Rule 10.44A of the GEM Listing Rules or Rule 7.27B of the Listing Rules.

### Analysis on the Subscription Price

As shown in the above table, the Subscription Price of HK\$0.044 per Rights Share represents (a) a discount of approximately 34.33% to the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**LTD Discount**”); and (b) a discount of approximately 16.98% to the theoretical ex-rights price on the Last Trading Day prior to the release of the rights issue announcement (the “**Ex-rights Prices Discount**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are of the view that the above ranges are meaningful for the assessment of the Subscription Price for the following reasons:

- (i) the Comparable Transactions fulfil the selection requirements as indicated above; and
- (ii) the Comparable Transactions from the Comparable Review Period provide us the recent and relevant information to demonstrate the prevailing market practice prior to the Last Trading Day under the prevailing market conditions.

As such, taking into account:

- (i) it is common for listed issuers in Hong Kong to issue rights shares at a discount to market price in order to enhance the attractiveness of a rights issue;
- (ii) the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter, taking into account, among others, (a) the prevailing market price of the Shares prior to the Last Trading Day; (b) the latest financial performance and financial position of the Group; and (c) the funding needs of the Company;
- (iii) the LTD Discount and the Ex-rights Price Discount fall within the corresponding ranges of the Comparable Transactions;
- (iv) the potential maximum dilution on the shareholding of the Rights Issue fall within the range of the Comparable Transactions;
- (v) (a) the deteriorating financial performance of the Group since the outbreak of COVID-19 in early 2020; and (b) the prevailing market price of the Shares and the generally downward trend of the Shares during the Review Period, may have an implication on the discounts of the Subscription Price to the Last Trading Day and the theoretical ex-rights price of the Shares; and
- (vi) all Qualifying Shareholders are offered an equal opportunity to subscribe for the pro-rata provisional entitlement of the Rights Shares under the Rights Issue where all Shareholders are given with the same discounts of the Subscription Price to the closing price of the Shares on the Last Trading Day and to the theoretical ex-rights price and the same potential maximum dilution;

we are of the opinion that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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### *Analysis on the theoretical dilution effect*

The theoretical dilution effect of the Comparable Transactions ranged from a discount of approximately 2.53% to a discount of approximately 23.23%, with an average discount of approximately 10.54% and a median discount of approximately 9.75%. In this regard, we noted that the theoretical dilution effect of the Rights Issue falls within the range of that of the Comparable Transactions and is in compliance with Rule 10.44A of the GEM Listing Rules as such theoretical dilution effect is less than 25%.

### *The Underwriting Agreement*

On 29 December 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares up to 660,000,000 (other than those agreed to be taken up by First Tech pursuant to the Irrevocable Undertakings), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the Underwriting Agreement are as follows:

Date:	29 December 2021 (after trading hours)
Issuer:	The Company
Underwriter:	Sorrento Securities Limited
Number of Shares in issue as at the Latest Practicable Date:	Up to 660,000,000 Rights Shares (other than those agreed to be taken up by First Tech pursuant to the Irrevocable Undertakings) underwritten by the Underwriter on a best effort basis pursuant to the terms and conditions of the Underwriting Agreement
Underwriting Commission:	1% of the aggregate Subscription Price in respect of the Underwritten Shares actually procured by the Underwriter for subscription pursuant to the Underwriting Agreement

### *Analysis on the underwriting commission*

Pursuant to the Underwriting Agreement, the commission is 1% of the aggregate Subscription Price in respect of the Underwritten Shares actually procured by the Underwriter for subscription (the “**Underwriting Commission**”). There is no minimum underwriting commission charged by the Underwriter.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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To assess the fairness and reasonableness of the Underwriting Commission, we have identified (a) the underwriting commission for those rights issue on underwritten basis; and (b) Underwriting Commission for those rights issue on non-underwritten basis of the Comparable Transactions (the “**Comparable Commissions**”). Given that the underwriting commission is fees charged by underwriters or placing agents for procuring investors to subscribe for rights shares that are not taken up, we believe that the identified 20 Comparable Commissions as shown in the above table are reasonable and sufficient for us to form a view on the fairness and reasonableness of the Underwriting Commission.

We noted that the Underwriting Commission of the Rights Issue of 1% (conducted on a best-effort basis) falling within the range of the Comparable Commissions from nil to 4% (i) is below the average and median of the Comparable Commissions; and (ii) is below the average and median of the Comparable Commissions. As such, we are of the view that the Underwriting Commission of 1% under the Underwriting Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**7. Potential dilution effect of the Rights Issue on shareholding interests**

As at the Latest Practicable Date, the Company has 800,000,000 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders:

Name of the shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue Provided that First Tech has taken up its Rights Share under the Irrevocable Undertakings and all other Shareholders have taken up all their entitled Rights Shares		Immediately upon completion of the Rights Issue Provided that First Tech has taken up its Rights Share under the Irrevocable Undertakings and none of the other Qualifying Shareholders have taken up any of their entitled Rights Shares with all the Underwritten Shares being subscribed for through the Underwriter		Immediately upon completion of the Rights Issue provided that First Tech has taken up its Rights Share under the Irrevocable Undertakings and none of the other Qualifying Shareholders have taken up any of their entitled Rights Shares and the Underwriter does not take up any Rights Share	
	Number of Shares	Approx. % (Note 5)	Number of Shares	Approx. % (Note 5)	Number of Shares	Approx. % (Note 5)	Number of Shares	Approx. % (Note 5)
First Tech (Note 1)	480,000,000	60.00%	1,020,000,000 (Note 2)	51.00%	1,020,000,000 (Note 2)	51.00%	960,000,000 (Note 4)	75.00%
The Underwriter and/or its subscriber(s) procured by it	—	0.00%	180,000,000 (Note 3)	9.00%	660,000,000 (Note 3)	33.00%	—	0.00%
Public Shareholders	320,000,000	40.00%	800,000,000	40.00%	320,000,000	16.00%	320,000,000	25.00%
<b>Total</b>	<b>800,000,000</b>	<b>100.00%</b>	<b>2,000,000,000</b>	<b>100.00%</b>	<b>2,000,000,000</b>	<b>100.00%</b>	<b>1,280,000,000</b>	<b>100.00%</b>

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*Notes:*

1. First Tech is a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lam, an executive Director.
2. First Tech has provided the Irrevocable Undertakings to the Company to, among other things, accept and subscribe its entitlement to the provisional allotment of 540,000,000 Rights Shares. First Tech will not subscribe any additional Rights Shares other than the aforesaid 540,000,000 Rights Shares.
3. Pursuant to Rule 11.23 of the GEM Listing Rules, the Company has a responsibility to maintain the Public Float Requirement. As such, pursuant to the Underwriting Agreement, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for subscription therefor on a best effort basis whilst using its best endeavors to ensure that (i) each of the subscribers of the Untaken Shares procured by the Underwriter (or the Underwriter concerned, whichever shall be appropriate) shall be an Independent Third Party and not connected with the Company, any of the Directors or chief executive or substantial Shareholders or their respective associates; (ii) the Public Float Requirement be fulfilled by the Company upon completion of the Rights Issue; and (iii) the Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after the Rights Issue.
4. For illustrative purpose, if (i) First Tech has taken up its Rights Share of 540,000,000 under the Irrevocable Undertakings; (ii) none of the other Qualifying Shareholders have taken up any of their entitled Rights Shares; and (iii) the Underwriter does not take up any Rights Share, First Tech would be interested in an aggregate of 1,020,000,000 Shares, representing approximately 76.12% of the enlarged issued share capital of the Company, which would result in non-compliance with the Public Float Requirement on the part of the Company. Under such circumstance, First Tech shall reduce its subscription amount to a level which would not result in non-compliance with the Public Float Requirement on the part of the Company. As a result, First Tech shall only take up 480,000,000 Rights Shares and shall be interested in an aggregate of 960,000,000 Shares, representing approximately 75.00% of the enlarged issued share capital of the Company. After taking into account that First Tech would subscribe the Rights Shares up to a level such that the Public Float Requirement will be complied with upon completion of the Rights Issue, the Directors are of the view that the Company will fulfill its responsibility to maintain the Public Float Requirement upon completion of the Rights Issue.
5. Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

As shown in the table above, the Rights Issue will cause a dilution effect to the Shares. However, taking into account:

- (i) the theoretical dilution effect of the Rights Issue falls within the range from approximately 2.53% to 23.23% of the Comparable Transactions as shown in the table under the section headed “6. Assessment of the principal terms of the Rights Issue” above;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the reasons for and benefits of the Rights Issue as stated in the section headed “3. Reasons for and benefits of the Rights Issue and use of proceeds” above;
- (iii) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for the Rights Shares for maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares;
- (iv) other fund raising alternatives, including debt financing, placement, issue of bonds and/or convertible bonds and open offer are not commercially feasible for the Company;
- (v) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the entitlements; and
- (vi) the Independent Shareholders are given the chances to express their views on the terms of the Rights Issue, the Underwriting Agreement and transactions contemplated thereunder through their votes at the GM,

we consider that the potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only arise when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

### **8. Conclusion**

Considering (i) the benefits brought by the Rights Issue discussed under the section headed “3. Reasons for and benefits of the Rights Issue and use of proceeds” in this letter; (ii) it would be less optimal for the Group to raise funds through other means of financing as discussed under the section headed “Other fundraising alternatives” in this letter; (iii) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; (iv) the Underwriting Commission is fair and reasonable; and (v) the potential dilution to the existing public Shareholders is acceptable, we are of the view that the Rights Issue, the Underwriting Agreement and the transaction contemplated hereunder is in the interest of the Company and the Shareholders as a whole.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the GM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favor of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**  
**Doris Sy**  
*Director*

*Ms. Doris Sy is a person licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and is a responsible officer of Donvex Capital Limited who has around 20 years of experience in corporate finance advisory.*

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020 and the third quarter of the financial year ended 31 December 2021 were disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.prosperous-printing-group.com.hk/en/](http://www.prosperous-printing-group.com.hk/en/)):

- annual report of the Company for the year ended 31 December 2018 published on 26 March 2019 (pages 62 to 160);  
  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0326/gln20190326053.pdf>)
- annual report of the Company for the year ended 31 December 2019 published on 7 May 2020 (pages 67 to 162);  
  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0507/2020050701303.pdf>)
- annual report of the Company for the year ended 31 December 2020 published on 31 March 2021 (pages 60 to 146);  
  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033101026.pdf>)
- 3rd quarterly report of the Company for nine months ended 30 September 2021 published on 12 December 2021 (pages 4 to 9).  
  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1112/2021111200563.pdf>)

## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 November 2021, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

	<b>As at 30 November 2021</b>
	<i>HK\$'000</i>
<b>Non-current liabilities</b>	
Bank loans — secured and guaranteed	21,854
Lease liabilities	<u>2,560</u>
<b>Sub-total</b>	24,414
<b>Current liabilities</b>	
Lease liabilities	12,973
Bank loans and overdrafts — secured and guaranteed	<u>128,342</u>
<b>Sub-total</b>	<u>141,315</u>
<b>Total</b>	<u><u>165,729</u></u>

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal payables and accruals in the ordinary course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, guarantees, material capital commitment or other material contingent liabilities outstanding as at the close of business on 30 November 2021.

### **3. WORKING CAPITAL STATEMENT**

Taking into account the financial resources available to the Group including the estimated net proceeds from the Rights Issue of approximately HK\$51.4 million, cash and cash equivalents on hand, cash flows from operating activities and available banking facilities, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

### **4. MATERIAL ADVERSE CHANGE**

The financial performance of the Group has been adversely affected by the prolonged COVID-19 pandemic and overall global economy uncertainty. As at 30 June 2021, the net current assets of the Group decreased to approximately HK\$0.6 million, of which (i) pledged bank deposits and cash and cash equivalents were approximately HK\$5.2 million and HK\$9.6 million, respectively; and (ii) bank loans and overdrafts due within one year amounted to approximately HK\$148.5 million. For the nine months ended 30 September 2021, the Group recorded a decrease in revenue by approximately 6.7% as compared to the corresponding period in 2020 and incurred a net loss of approximately HK\$4.5 million. All these indicate that the Group is currently under liquidity pressure and facing a material uncertainty in relation to going concern.

Saved as disclosed, as at the Latest Practicable Date, the Directors confirm that there is no other material adverse changes in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

### **5. BUSINESS AND FINANCIAL REVIEW**

The Group is principally engaged in the provision 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 the U.K.). The Group’s products comprise mainly books and other paper-related products.

The financial performance of the Group for the year ended 31 December 2020 and the nine months ended 30 September 2021 has been adversely affected by the prolonged COVID-19 pandemic and overall global economy uncertainty.

For the year ended 31 December 2020, the Group recorded a net loss of approximately HK\$100.8 million, primarily attributable to (i) a decline in revenue by approximately 39.6% as a result of the COVID-19 pandemic and overall global economy uncertainty; (ii) a

decrease in profit margin mainly due to the aggressive pricing strategy in the challenging business environment during the year; and (iii) impairment losses on certain inventories and accounts receivables, resulting in an operating cash outflow of approximately HK\$15.1 million.

As at 31 December 2020, the Group had (i) pledged bank deposits and cash and cash equivalents of approximately HK\$9.1 million and HK\$1.6 million, respectively; (ii) bank loans and overdrafts of approximately HK\$159.6 million which were due for repayment within a year; and (iii) net current assets of approximately HK\$7.3 million. The auditors of the Company stated in the annual report of the Company for the year ended 31 December 2020 that the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As at 30 June 2021, the net current assets of the Group decreased to approximately HK\$0.6 million.

## **6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In the coming years, there are certain risks that the Group will face such as (i) challenges from the uncertainty of economies due to, among others, COVID-19 and the U.S.-China trade dispute; (ii) increase in paper cost and technological advancements in publishing and new forms of information dissemination; (iii) reliance of bank facilities to finance its operations; (iv) weak liquidity due to loss making position and weak operating cash flows and financial position; and (v) reliance on the U.S. and U.K. markets.

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 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 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.

*The following is the text of a report received from, TANDEM (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.*

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Prosperous Printing Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II to the circular dated 26 January 2022 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 1,200,000,000 rights shares at HK\$0.044 per rights shares (the “**Rights Shares**”) on the basis of three Rights Shares for every two existing shares of the Company held on the rights issue record date (the “**Rights Issue**”) on the Group’s unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2021 as if the Rights Issue had taken place on 30 June 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2021, on which an interim report has been published.

#### Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

#### Reporting Accountants’ Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 (Clarified) *“Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”* issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *“Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

**TANDEM (HK) CPA Limited**  
*Certified Public Accountants*  
Hong Kong

## UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Rights Issue (in the proportion of three (3) Rights Shares for every two (2) existing shares held as at the Rights Issue record date) on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2021.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021, as extracted from the published interim report of the Group for the six months ended 30 June 2021, with adjustments described below.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 <i>HK\$'000</i> <i>(Note i)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note ii)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2021 <i>HK\$</i> <i>(Note iii)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note iv)</i>
Rights Issue of 1,200,000,000 Rights Shares	202,591	51,476	254,067	0.253	0.127

*Notes:*

- (i) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$202,591,000 has been arrived at based on the equity attributable to owners of the Company of approximately HK\$203,087,000 as adjusted to exclude the intangible assets of approximately HK\$496,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 extracted from the published interim report of the Group for the six months ended 30 June 2021.

- (ii) The estimated net proceeds from the Rights Issue of approximately HK\$52,800,000 is calculated based on 1,200,000,000 Rights Shares to be issued (in the proportion of three (3) Rights Shares for every two (2) existing shares held as at the Rights Issue record date) at the subscription price of HK\$0.044 per Rights Shares, after deduction of the estimated related expenses of approximately HK\$1,324,000, assuming that the Rights Issue had been completed on 30 June 2021.
- (iii) The unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2021 is approximately HK\$0.253, which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$202,591,000 divided by 800,000,000 shares in issue as at 30 June 2021.
- (iv) The unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after completion of the Rights Issue is approximately HK\$0.127, which is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK\$254,067,000 divided by 2,000,000,000 shares, which represents 800,000,000 shares of the Company in issue as at 30 June 2021 and 1,200,000,000 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of three (3) Rights Shares for every two (2) existing shares held as at the Rights Issue record date) are in issue assuming that the Rights Issue had been completed on 30 June 2021.
- (v) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

## 2. NUMBER OF SHARES IN ISSUE

The share capital of the Company as at the Latest Practicable Date and following the completion of the Rights Issue was and will be as follows:

**As at the Latest Practicable Date:**

*Issued and fully paid share capital* 800,000,000 Shares

**Immediately after completion of the Rights Issue:**

*Rights Shares to be issued* 1,200,000,000 Shares

*Shares in issue upon completion of the Rights Issue* 2,000,000,000 Shares

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

The Company did not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the Directors have the following interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are 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, are required to be notified to the Company and the Stock Exchange once the Shares are listed:

##### (a) Interests in the Company

Name of Director	Capacity	Number of Shares	Percentage of interest in the Company
Mr. Lam ( <i>Notes 1 and 3</i> )	Interest of controlled corporation	480,000,000	60%
Ms. Yao Yuan (“ <b>Ms. Yao</b> ”) ( <i>Notes 2 and 3</i> )	Interest of spouse	480,000,000	60%

*Notes:*

- 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 upon the Listing.
- 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, 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, the chairman and controlling shareholder of the Company. As at the Latest Practicable Date, 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.

*(b) Interest in associated corporation of the Company*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Percentage of interest in the Company</b>
Mr. Lam	First Tech	Beneficial owner	50,000	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors have any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are 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 are required to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) have an interest or a short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are interested in 10% or more of the total number of issued Shares of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Percentage of interest in the Company</b>
First Tech	Beneficial owner	480,000,000	60%

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

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the GEM Listing Rules) had any interests in any business which competed or might compete with the business of the Group.

## 5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

## 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## 7. LITIGATION

Neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other member of the Group as at the Latest Practicable Date.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into under the ordinary course of business of the Group) have been entered into by the Company within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the lease agreement (the “**Previous Lease Agreement**”) dated 26 May 2020 entered into between Prosperous Printing (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company as tenant (the “**Tenant**”), and Shenzhen Bai Ma Jin An Technology Company Limited (深圳白馬金鞍科技有限公司) as landlord (the “**Previous Landlord**”) in relation to the lease of new Shenzhen warehouse. Under the Previous Lease Agreement, the monthly rental and monthly management fee for the period commencing from 1 June 2020 to 31 July 2022 shall be RMB370,000 and the monthly rental and monthly management fee for the period commencing from 1 August 2022 to 31 December 2024 shall increase to RMB396,600;
- (ii) the termination agreement dated 28 December 2020 entered into between the Tenant and the Previous Landlord in relation to the termination of the Previous Lease Agreement with effect from 30 September 2020;

- (iii) the management service agreement dated 28 December 2020 entered into between the Tenant and the Previous Landlord as service provider in relation to the management service for the new Shenzhen warehouse. Under the management service agreement, the monthly management fee for the period commencing from 1 October 2020 to 31 December 2021 shall be RMB89,500. The monthly management service fee for the period commencing from 1 January 2022 to 31 March 2022 will be changed to RMB75,475;
- (iv) the lease agreement dated 28 December 2020 entered into between the Tenant and Longyi Shoes (Shenzhen) Company Limited (隆禱鞋業(深圳)有限公司) as the new landlord in relation to the lease of new Shenzhen warehouse. Under the lease agreement, the monthly rental is RMB280,500 for the period commencing from 1 October 2020 to 31 December 2021, and RMB294,525 for the period commencing from 1 January 2022 to 30 March 2022;
- (v) the sale and purchase agreement dated 25 January 2021 entered into between Super Noble Limited, a subsidiary of the Company as vendor, and MG Capital Asia Limited as purchaser, in relation to the sale of a car parking space (the “**Chai Wan Car Parking Space**”) at a consideration of HK\$1,000,000;
- (vi) the sale and purchase agreement dated 25 January 2021 entered into between Tactful Hero Limited, a subsidiary of the Company as vendor, and MG Capital Asia Limited as purchaser, in relation to the sale of factory units in Chai Wan (the “**Chai Wan Factory Units**”) at a consideration of HK\$12,500,000;
- (vii) the tenancy agreements dated 16 April 2021 entered into between the Company and MG Capital Asia Limited in respect of the lease of the Chai Wan Car Parking Space and the Chai Wan Factory Units for a monthly rent of HK\$4,000 and HK\$51,000, respectively; and
- (viii) the Underwriting Agreement.

## 9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
TANDEM (HK) CPA Limited	Certified Public Accountants
Donvex Capital	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been, since 31 December 2020 (the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

## 10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office and principal place of business of the Company in Hong Kong:	3/F, Yip Cheung Centre 10 Fung Yip Street Chai Wan Hong Kong
Underwriter:	<b>Sorrento Securities Limited</b> 11/F The Wellington 198 Wellington Street Central Hong Kong
Legal adviser to the Company as to the Rights Issue:	<b>ZM Lawyers</b> 20/F, Central 88 88-98 Des Voeux Road Central Hong Kong

Share registrar and transfer office:	<b>Tricor Investor Services Limited</b> Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Financial adviser to Company:	<b>Rainbow Capital (HK) Limited</b> Room 5B, 12/F, Tung Ning Building, No. 2 Hillier Street, Sheung Wan, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders:	<b>Donvex Capital Limited</b> Unit 2502, 25/F Carpo Commercial Building 18–20 Lyndhurst Terrace Central Hong Kong
Reporting accountants and the auditor of the Group:	<b>TANDEM (HK) CPA Limited</b> Units 1002–3, 10/F., Dah Sing Financial Centre 248 Queen's Road East Wan Chai Hong Kong
Principal bankers:	<b>Bank of China (Hong Kong) Limited</b> 2A, Des Voeux Road Central Hong Kong  <b>Hang Seng Bank Limited</b> 83 Des Voeux Road Central Central Hong Kong  <b>The Hongkong and Shanghai Banking Corporation Limited</b> HSBC Main Building 1 Queen's Road Central Central Hong Kong  <b>Standard Chartered Bank (Hong Kong) Limited</b> Standard Chartered Bank Building 4–4A Des Voeux Road Central Hong Kong

Company secretary:	<b>Mr. Chen Kun</b> Unit 2413A, 24F, Lippo Centre Tower 1 Queensway 89 Admiralty Hong Kong
Authorised representatives:	<b>Mr. Lam Sam Ming</b> <b>Ms. Chan Sau Po</b> 3/F, Yip Cheung Centre 10 Fung Yip Street Chai Wan Hong Kong

## 11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Lam Sam Ming (林三明) (“Mr. Lam”)**, aged 59, was appointed as director on 26 April 1993 and was re-designated as executive Director on 8 September 2016. He is also the chairman and CEO of the Group and a controlling Shareholder. Mr. Lam is primarily responsible for the overall management and formulation of business strategy of the Group. He also oversees the overall financial and operation functions of the Group. Mr. Lam has over 37 years of experience in the printing industry. Mr. Lam began his career in the printing industry when he was registered as an apprentice of The Hong Kong Printers Association in September 1976. Prior to founding the Group, Mr. Lam started his career in the industry when he was first employed as an apprentice by Hing Yip Printing Co. Ltd (“HYP”). He spent over 10 years with HYP between January 1983 and March 1993 and his last position at HYP was a manager of the production department. Mr. Lam established the Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of the Group.

**Ms. Yao Yuan (姚遠) (“Ms. Yao”)**, aged 44, was appointed as director on 10 March 2016 and was redesignated as our executive Director on 8 September 2016. Ms. Yao is primarily responsible for overseeing and liaising with local officials in relation to the Group’s operations in the PRC. She has over 11 years of experience in the management of printing business and operations in the PRC.

**Ms. Chan Sau Po (陳秀寶) (“Ms. Chan”)**, aged 47, was appointed as our executive Director and chief financial controller of the Group on 8 September 2016. Ms. Chan is primarily responsible for corporate financial planning, risk management, investor relations, accounting and treasury management of the Group. Ms. Chan joined the Group in February 1997 and has over 29 years of experience in accounting. Prior to joining the Group, she was employed by Stephen Law & Company, an audit firm, as Audit Senior from September 1991 to February 1997.

**Independent Non-executive Directors**

**Ms. Cheung Yin (張延) (“Ms. Cheung”)**, aged 56, was appointed as an independent non-executive Director on 15 November 2017. She is currently a financial controller of LWH Advisory Limited, a company incorporated in Macau which is principally engaged in provision of various financial services. Since 18 January 2021, Ms. Cheung has been appointed an independent non-executive director of Joyas International Holdings Limited (SGX: E9L) which is listed on the Catalist of Singapore Exchange Limited. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia. Ms. Cheung obtained a master’s degree in Business Administration from the University of Wales, Newport in the United Kingdom in December 2009 and a Bachelor’s degree in Business (Accountancy) from the Charles Sturt University in Australia in April 1991. Ms. Cheung worked for Coastal Greenland Limited which is listed on the main board of the Stock Exchange as a qualified accountant for the period from April 2004 to June 2007 and senior accounting manager/accounting manager for the period from September 1995 to March 2004. She has over 28 years of experience in accounting, auditing and financial management.

**Mr. Wong Hei Chiu (黃禧超) (“Mr. Wong”)**, aged 54, was appointed as an independent non-executive Director on 15 November 2017. Mr. Wong has over 27 years of corporate finance and financial management experience in Hong Kong and the PRC. Mr. Wong is currently an executive director, chief financial officer and company secretary of Kingmaker Footwear Holdings Limited, a listed company on the Main Board of the Stock Exchange (Stock Code: 1170). From January 2018 to March 2019, Mr. Wong was an independent non-executive director of Vico International Holdings Limited, whose shares are listed on the Main Board of Stock Exchange (Stock Code: 1621). Mr. Wong has worked as the group financial controller and company secretary of Karce International Holdings Company Limited (now known as Starlight Culture Entertainment Group Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1159) from June 2000 to July 2008; and as the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1215) from June 1996 to December 2000. Mr. Wong was also an independent non-executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8191), during the period from December 2013 to June 2016. Mr. Wong obtained an Executive Diploma in Corporate Governance and Sustainability Directorship from The Hong Kong Institute of Directors and completed the Prince of Wales’ Business Sustainability Programme from the University of Cambridge Institute for Sustainability Leadership in 2019. Mr. Wong obtained an Executive Master’s degree in Business Administration from The Chinese University of Hong Kong in November 2016 and a Bachelor’s degree in business administration from Lingnan University, Hong Kong in November 1996. He is a Certified Public Accountant (Practising), a fellow member of The Association of Chartered Certified Accountants in the United Kingdom, a fellow member of The Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wong is also a fellow member of the Hong Kong Institute of Directors.

**Mr. Leung Vincent Gar-Gene (梁家進) (“Mr. Leung”)**, aged 36, was appointed as an independent non-executive Director on 15 November 2017. Mr. Leung has over 12 years of experience in auditing, accounting, finance and management. He is currently a director of Gemcoast Limited, a private company in Hong Kong principally engaged in providing financial consultancy services to its clients. He is a member of Chartered Accountants in Australia and New Zealand and is a member of its Hong Kong Committee. Mr. Leung previously worked for PricewaterhouseCoopers within its financial assurance division in its Sydney and Hong Kong offices from January 2006 to May 2012 and from January 2013 to September 2014 respectively. From June to December 2012, Mr. Leung worked as the group finance manager for Bega Cheese Limited, the shares of which are listed on the Australian Securities Exchange (ASX securities code: BGA). From 12 February 2018 to 22 February 2019, Mr. Leung served as an independent non-executive director of Martin Aircraft Company Limited (“**Martin Aircraft**”), the shares of which were listed on the Australian Securities Exchange. On 4 June 2018, Martin Aircraft was delisted because of the low trade volume of its shares, and to save listing and associated costs. Mr. Leung confirmed that the delisting of Martin Aircraft was voluntary, and he was not involved in the day-to-day management of Martin Aircraft. To the best of the Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Leung involved in the delisting of Martin Aircraft. With effect from 17 July 2020, Mr. Leung had become an independent non-executive director of Samson Paper Holdings Limited, 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). Mr. Leung obtained a bachelor of commerce degree from The University of New South Wales, Australia in March 2006.

### Senior Management

**Ms. Wong Wai Sze (黃慧思) (“Ms. Wong”)**, aged 56, is the Vice President — Management of the Group. She is primarily responsible for overseeing the Group’s internal audit, information technology affairs, and factory inspections. Ms. Wong has over 28 years of experience in the printing and publishing industry in Hong Kong. She joined the Group in August 2010. Prior to joining the Group, Ms. Wong worked at Regent Publishing Services Limited as a director of operations from August 1991 to March 2010.

**Mr. Hu Min (胡民) (“Mr. Hu”)**, aged 60, is the Vice President — Production of the Group. He is primarily responsible for overseeing our Hong Kong factory and Shenzhen factory. Mr. Hu has over 25 years of experience in the printing and publishing industry in Hong Kong.

**12. EXPENSES**

The expenses in connection with the Rights Issue, including underwriting commission, financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$1.3 million and are payable by the Company.

**13. DOCUMENTS ON DISPLAY**

Pursuant to paragraph 42 of Appendix 1B to the GEM Listing Rules, the issuer shall set out in the listing document the details of a reasonable period of time (being not less than 14 days) during which the documents as required under the paragraph are published on the Stock Exchange's website and the issuer's own website.

Accordingly, copies of the following documents will be published on the websites of the Company ([www.prosperous-printing-group.com.hk/en/](http://www.prosperous-printing-group.com.hk/en/)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) during a period of 14 days from the date of this circular (both days inclusive):

- (i) the articles of association of the Company;
- (ii) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (iii) the annual reports of the Company for the financial years ended 31 December 2018, 2019 and 2020;
- (iv) the first quarterly report of the Company for the three months ended 31 March 2021;
- (v) the interim report of the Company for the six months ended 30 June 2021;
- (vi) the third quarterly report of the Company for the nine months ended 30 September 2021;
- (vii) the letter from the Board, the text of which is set out on pages 11 to 31 of this circular;
- (viii) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this circular;
- (ix) the letter from Donvex Capital, the text of which is set out on pages 34 to 55 of this circular;
- (x) the report from TANDEM (HK) CPA Limited in respect of the unaudited pro forma financial information of the Group, the text of which as set out in appendix II of this circular;
- (xi) the written consents referred to in the paragraph under the heading "Experts and Consents" in this appendix; and

(xii) this circular.

#### **14. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.



**Prosperous Printing Company Limited**

**萬里印刷有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8385)**

**NOTICE OF THE GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the general meeting (the “**GM**”) of Prosperous Printing Company Limited (the “**Company**”) will be held at Flat H, 4/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong on Friday, 18 February 2022 at 11:30 a.m. for the following purposes:

**ORDINARY RESOLUTION**

“**THAT** conditional upon: (i) The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholder(s)**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) the Underwriting Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms:

- (a) the issue by way of rights issue (the “**Rights Issue**”) of up to 1,200,000,000 ordinary shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.044 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date (the “**Record Date**”) by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Excluded Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of three (3) Rights Shares for every two (2) existing shares of the Company then held on the Record Date at the subscription price of HK\$0.044 per Rights Share and otherwise on the terms and conditions set out in the Circular be and is hereby approved;

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## NOTICE OF THE GM

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- (b) the underwriting agreement (the “**Underwriting Agreement**”) dated 29 December 2021 and entered into among the Company and Sorrento Securities Limited (a copy of which has been produced to the GM marked “A” and signed by the chairman of the GM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (d) the Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary, desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transaction contemplated thereunder.”

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

Hong Kong, 26 January 2022

*Registered Office and Principal*

*Place of Business in Hong Kong:*

3/F, Yip Cheung Centre,  
10 Fung Yip Street,  
Chai Wan, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the GM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more Shares may appoint more than one proxy. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member of the Company from attending the GM and voting in person should he/she so wish. In such event, his/her form of proxy will be deemed to be revoked.

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## NOTICE OF THE GM

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2. A form of proxy for the GM is enclosed with the circular of the Company dated 26 January 2022 (the “**Circular**”) and published on the GEM website at [www.hkgem.com](http://www.hkgem.com) and the Company’s website at <http://www.prosperous-printing-group.com.hk>. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company’s share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, not less than 48 hours before the time appointed for holding the GM or any adjournment thereof.
3. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the GM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint registered holders be present at the GM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. For determining the entitlement to attend and vote at the GM, the register of members of the Company will be closed from Monday, 14 February 2022 to Friday, 18 February 2022, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the GM, unregistered holders of shares of the Company will ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 pm on Friday, 11 February 2022.
5. If “**extreme conditions**” caused by super typhoons is announced by the Government of Hong Kong or there is a tropical cyclone warning signal number 8 or above, or a “**black**” rainstorm warning is in effect any time after 8:00 a.m. on the date of the GM, the meeting will be postponed. The Company will post an announcement to notify Shareholders of the date, time and place of the rescheduled meeting on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at <http://www.prosperous-printing-group.com.hk>.
6. All resolutions at the GM will be taken by poll pursuant to the GEM Listing Rules. The results of the poll will be published on the GEM website at [www.hkgem.com](http://www.hkgem.com) and the Company’s website at <http://www.prosperous-printing-group.com.hk> in accordance with the GEM Listing Rules.

*As at the date of this notice, 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-Gene.*

*This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“**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 enquiries, confirm that, to the best of their knowledge and belief the information contained in this notice 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 notice misleading.*

*This notice will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting. This notice will also be posted on the Company’s website at <http://www.prosperous-printing-group.com.hk>.*