



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

(Incorporated in Hong Kong with Limited Liability)

Stock Code: 8385

**2022** INTERIM REPORT

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

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

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*This report, for which the directors (the “**Directors**”) of Prosperous Printing Company Limited (the “**Company**” together with its subsidiaries, collectively, the “**Group**”) and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report will remain on the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) on the “Latest Listed Company Information” page for at least 7 days from the date of publication and on the website of the Company at [www.prosperous-printing-group.com.hk](http://www.prosperous-printing-group.com.hk).*



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

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

## COMPANY SECRETARY

Mr. Chen Kun (*Solicitor of HKSAR*)

## AUTHORISED REPRESENTATIVES

Mr. Lam Sam Ming  
Ms. Chan Sau Po

## COMPLIANCE OFFICER

Ms. Chan Sau Po

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

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

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

## HONG KONG LEGAL ADVISOR

Peter Chen Law Office

## AUDITOR

TANDEM (HK) CPA Limited  
Units 1002-3, 10/F  
Dah Sing Financial Centre  
248 Queen's Road East  
Wanchai  
Hong Kong

## COMPANY'S WEBSITE

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

## STOCK CODE

8385

## HIGHLIGHTS

### HIGHLIGHTS

- The revenue of the Group was approximately HK\$108.2 million for the six months ended 30 June 2022 representing a decrease of approximately 21.9% from approximately HK\$138.6 million for the same period ended 30 June 2021. Such decrease was mainly due to decrease of sales order due to COVID-19 and overall global economy uncertainty.
- The gross profit was approximately HK\$23.8 million for the six months ended 30 June 2022, representing an increase of approximately 10.7% as compared to HK\$21.5 million for the six months ended 30 June 2021. The increase in gross profit and gross profit margin was mainly due to the lower cost of sales and is a result of the implementation of stringent cost control measures by the Company.
- The loss for the period was approximately HK\$21.2 million for the six months ended 30 June 2022, as compared to the net loss of approximately HK\$6.6 million recorded for the same period ended 30 June 2021, which was mainly due to decrease in other income and increase in distribution costs.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the same period ended 30 June 2021: nil).

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (together with the comparative unaudited figures for the corresponding period in 2021) as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>108,234</b>	138,613
Cost of sales		<b>(84,440)</b>	(117,094)
<b>Gross profit</b>		<b>23,794</b>	21,519
Other income	5	<b>9,158</b>	13,494
Distribution costs		<b>(19,385)</b>	(10,382)
Administration expenses		<b>(31,587)</b>	(27,675)
<b>Loss from operations</b>		<b>(18,020)</b>	(3,044)
Finance costs		<b>(2,893)</b>	(3,112)
<b>Loss before taxation</b>		<b>(20,913)</b>	(6,156)
Income tax	6	<b>(295)</b>	(471)
<b>Loss for the period</b>		<b>(21,208)</b>	(6,627)
<b>Other comprehensive income/(expense) for the period, net of tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(3,298)</b>	1,367
<b>Total comprehensive expense for the period</b>		<b>(24,506)</b>	(5,260)
Loss per share:		<b>HK cents</b>	HK cents
Basic and diluted	7	<b>(0.03)</b>	(0.83)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	211,863	196,747
Intangible assets		367	444
Financial assets at fair value through profit or loss		16,808	17,861
Deposits for acquisition of property, plant and equipment		–	253
Deferred tax assets		425	446
		<b>229,463</b>	215,751
<b>Current assets</b>			
Inventories		29,271	35,216
Trade and other receivables	10	121,071	126,286
Pledged bank deposits		2,016	2,016
Cash and cash equivalents		3,434	2,048
		<b>155,792</b>	165,566
<b>Total assets</b>		<b>385,255</b>	381,317
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		100,843	100,843
Reserves		4,936	29,442
<b>Total equity</b>		<b>105,779</b>	130,285

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		24,541	6,353
Deferred tax liabilities		6,518	6,518
		<b>31,059</b>	12,871
<b>Current liabilities</b>			
Trade and other payables	11	88,325	79,063
Bank loans and overdrafts		144,779	147,756
Lease liabilities		11,901	7,185
Income tax payable		3,412	4,157
		<b>248,417</b>	238,161
<b>Total liabilities</b>		<b>279,476</b>	251,032
<b>Total equity and liabilities</b>		<b>385,255</b>	318,317

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital HK\$'000	Exchange reserve HK\$'000	Statutory surplus reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ Accumulated losses HK\$'000	Total HK\$'000
<b>Balance at 1 January 2021</b>	100,843	(3,936)	–	3,318	108,122	208,347
<b>Changes in equity for the six months ended 30 June 2021:</b>						
Loss for the period	–	–	–	–	(6,627)	(6,627)
Other comprehensive income for the period	–	1,367	–	–	–	1,367
<b>Balance at 30 June 2021 (unaudited)</b>	100,843	(2,569)	–	3,318	101,495	203,087
<b>Balance at 1 January 2022</b>	<b>100,843</b>	<b>1,088</b>	<b>5,125</b>	<b>3,318</b>	<b>19,911</b>	<b>130,285</b>
<b>Changes in equity for the six months ended 30 June 2022:</b>						
Loss for the period	–	–	–	–	(21,208)	(21,208)
Other comprehensive expense for the period	–	(3,298)	–	–	–	(3,298)
<b>Balance at 30 June 2022 (unaudited)</b>	<b>100,843</b>	<b>(2,210)</b>	<b>5,125</b>	<b>3,318</b>	<b>(1,297)</b>	<b>105,779</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Net cash from operating activities</b>	<b>10,481</b>	9,777
<b>Investing activities</b>		
Payments for purchase of property, plant and equipment	(729)	(522)
Proceeds from disposal of property, plant and equipment	4,777	13,502
Decrease in pledged bank deposits	–	3,943
Receipts/(payments) of investments in key management insurance policy	1,054	(9,473)
Interest received	101	201
<b>Net cash from investing activities</b>	<b>5,203</b>	7,651
<b>Financing activities</b>		
Proceeds from new bank loans	133,866	170,736
Repayment of bank loans	(128,174)	(162,486)
Capital element of lease rentals paid	(22,903)	(303)
Interest element of lease rentals paid	(684)	(452)
Bank interest paid	(2,209)	(2,660)
<b>Net cash (used in)/from financing activities</b>	<b>(20,104)</b>	4,835
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,420)</b>	22,263
<b>Cash and cash equivalents at 1 January</b>	<b>(6,274)</b>	(13,911)
<b>Cash and cash equivalents at 30 June</b>	<b>(10,694)</b>	8,352
Analysis of balance of cash and cash equivalents		
Bank balances and cash	3,434	9,559
Less: Bank overdrafts included in loans and borrowings under current liabilities	(14,128)	(1,207)
Cash and cash equivalents as stated in the consolidated statements of cash flows	(10,694)	8,352

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Prosperous Printing Company Limited (the “**Company**”) was incorporated in Hong Kong on 23 December 1992 with limited liability under the Hong Kong Companies Ordinance. The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2017.

The address of the Company’s registered office is 3/F., Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong.

The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the production and trading of books and paper products.

## 2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

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

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor disclaimed their opinion in the auditor’s report.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (CONTINUED)

### Going concern basis

The Group sustained a loss of approximately HK\$21,208,000 for the six months ended 30 June 2022, and as of that date, the Group had net current liabilities of approximately HK\$92,625,000 and bank loans and overdrafts amounting to approximately HK\$144,779,000 which are due for repayment within one year. The Group's pledged bank deposits and cash at bank amounted to approximately HK\$2,016,000 and HK\$3,434,000 respectively as at 30 June 2022. 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.

In order to improve the Group's financial position, the directors of the Company have undertaken and will implement various measures detailed as follows:

- (i) the directors of the Company have prepared and reviewed the Group's cash flows projections which included:
  - a) projecting revenue based on directors' experience and the business development of the Group, after taking into account of the current market conditions; and
  - b) estimating gross margin and cash settlement pattern with reference to the historical results.
- (ii) the Group will closely monitor its operations and implement cost control on operating costs and administrative expenses with an aim to attain positive and sustainable cash flow from operations;
- (iii) the Group has been actively negotiating with its bankers to renew or/and extend its existing banking facilities, of which unutilised banking facilities to the amount of HK\$22,820,000 was available as at 30 June 2022;
- (iv) the Group will dispose of certain properties; and
- (v) the Group will actively and regularly review its capital structure and source additional capital by raising new debt financing or, issuing new shares, where appropriate.

These interim financial report has been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group. The directors of the Company are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 30 June 2022.

## 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. REVENUE AND SEGMENT REPORTING

### (a) Revenue

Revenue represents revenue arising from sales of goods and provision of services. An analysis of the Group's revenue for the period is as follows:

#### (i) Disaggregation of revenue

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
– Sales of books and paper products	108,027	134,081
– Provision of sub-contracting services in relation to books and paper products	207	4,532
	<b>108,234</b>	138,613

Disaggregation of revenue from contracts with customers by timing of recognition:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Timing of revenue recognition at a point in time	108,234	138,613

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting

Information reported to the board of directors of the Company, being the Group's chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The CODM has determined that it only has one operating segment which is books and paper products production segment.

#### (i) Information about geographical areas

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location of external customers.

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong (place of domicile)	55,564	68,718
Mainland China	207	4,533
United States	51,424	64,347
United Kingdom	619	554
Other countries	420	461
	<b>108,234</b>	138,613

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. OTHER INCOME

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Bank interest income	101	201
Profit arising from sales of scrap materials	1,335	1,402
Government grants – PRC government subsidies	781	513
Gain on disposal of property, plant and machine and equipment	2,452	7,061
Net foreign exchange (loss)/gain	3,602	(945)
Machine rental income	356	1,560
Rental income	66	2,810
Sundry income	465	892
	<b>9,158</b>	<b>13,494</b>

## 6. INCOME TAX

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Current tax</b>		
<b>Hong Kong Profits Tax</b>		
– Current period	294	471
<b>PRC Corporate Income Tax</b>		
– Current period	1	–
<b>Deferred tax</b>	–	–
	<b>295</b>	<b>471</b>

- i) Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Provision for Hong Kong Profits Tax has been made for the period ended 30 June 2022 and 2021 respectively under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

- ii) Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods.
- iii) The Group’s subsidiaries in the BVI are not subject to taxation.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$21,208,000 (six months ended 30 June 2021: loss of HK\$6,627,000) and the weighted average of 800,000,000 (six months ended 30 June 2021: 800,000,000) ordinary shares of the Company in issue during the interim period.

### (b) Diluted loss per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2022 and 2021, and therefore, diluted loss per share is the same as the basic loss per share.

## 8. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

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

During the six months ended 30 June 2022, machine with carrying amount of HK\$1,623,000 were disposed resulting in gain on disposal of HK\$2,452,000.

During the six months ended 30 June 2021, properties with carrying amount of HK\$6,441,000 were disposed resulting in a gain on disposal of HK\$7,061,000.

## 10. TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	184,143	193,601
Less: impairment loss	(80,597)	(80,597)
Trade receivable, net of loss allowance	103,546	113,004
Other receivables	1,233	953
Advance to a supplier	8,733	7,072
Prepayments	880	94
Utility and other deposits	4,242	2,226
Other tax recoverable	2,437	2,937
	<b>121,071</b>	126,286

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of the reporting period based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 1 month	14,089	17,887
1 to 3 months	26,216	25,339
3 to 6 months	6,848	13,211
6 to 12 months	5,136	7,370
Over 1 year	51,257	49,197
	<b>103,546</b>	113,004

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

## 11. TRADE AND OTHER PAYABLES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade creditors	57,543	55,097
Other payables and accruals	30,782	23,966
	<b>88,325</b>	79,063

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. TRADE AND OTHER PAYABLES (CONTINUED)

An ageing analysis of the trade creditors (which are included in trade and other payables) as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 1 month	13,954	9,844
1 to 3 months	16,901	16,016
3 to 6 months	14,810	19,382
6 to 12 months	9,946	9,700
Over 1 year	1,932	155
	<b>57,543</b>	55,097

## 12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (i) Financial assets and liabilities measured at fair value

#### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### (i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurements at 30 June 2022 categorised into			
	Fair value HK\$'000 (Unaudited)	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)
<b>Recurring fair value measurements</b>				
Assets:				
– Investment funds in Hong Kong	16,808	2,621	–	14,187

	Fair value measurements at 31 December 2021 categorised into			
	Fair value HK\$'000 (Audited)	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)
<b>Recurring fair value measurements</b>				
Assets:				
– Investment funds in Hong Kong	2,498	–	2,498	–

During the six months ended 30 June 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

### (ii) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2022 and 31 December 2021.

## 13. COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report were as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Contracted for:		
– purchase of property, plant and machinery	–	–

## 14. CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any significant contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States of America (the “U.S.”), the United Kingdom (the “U.K.”), Australia and Europe (excluding U.K.). The products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials of the Group. The two production sites were the Shenzhen Factory and the Hong Kong Factory. Each of these factories is a self-functioning printing and production arm of the Group, and they share the printing workload allocated by the management. The Group’s revenue decreased by approximately 21.9% from approximately HK\$138.6 million for the six months ended 30 June 2021, to approximately HK\$108.2 million for the six months ended 30 June 2022 due to decrease in sales order as a result of COVID-19 and overall global economic uncertainty which is worsened by the Russia-Ukraine war. The Group recorded a net loss of approximately HK\$21.2 million during the six months ended 30 June 2022, as compared to a net loss of approximately HK\$6.6 million during the six months ended 30 June 2021, which was mainly due to decrease in other income as well as increase in distribution costs.

On 28 March 2022, the Company and the Underwriter mutually agreed to terminate the Underwriting Agreement. For details, please refer to the announcement dated 28 March 2022.

On 26 April 2022, the Group entered into the Lease Financing General Agreement in respect of sale and leaseback of the Machinery. For details, please refer to the announcement dated 26 April 2022. During the reporting period, the Bank renewed the Facility. For details, please refer to the announcement dated 15 June 2022. Subsequent to the publication of 2021 annual report, the Company published supplemental announcement to detail, among others, the measures undertaken to address the auditors’ disclaimer of going concern as disclosed in the 2021 annual report. For details, please refer to the announcement dated 5 August 2022.

## FUTURE PROSPECTS

Looking forward, there are certain risks that the Group will face in further development such as challenges from the uncertainty of economies by reason of, among others, COVID-19 situation, global economy uncertainty, Russia-Ukraine war, the U.S.-China trade dispute, an increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, we remain cautiously optimistic of the prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build the Group’s competitive strengths so as to increase market share and profitability. To achieve its goal, the Group plans to implement the following business strategies: improving its equipment and the level of automation, expanding customer base and strengthening sales and marketing coverage, and continuing to attract and retain top talent in the industry.

In light of the breakout of respiratory illness caused by a novel coronavirus (“COVID-19”) since late-January 2020, the Group has implemented several measures including epidemic prevention and control, cancellation and rescheduling visits of customers in accordance with relevant national and local regulations on epidemic prevention and control, to ensure the health and safety of customers and employees. The Board pays great attention to the development of the COVID-19 and makes every effort on epidemic prevention and control and daily operation management. The Group is cautiously optimistic of the full-year performance in 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group generates revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The revenue decreased by approximately 21.9% from approximately HK\$138.6 million for the six months ended 30 June 2021, to approximately HK\$108.2 million for the six months ended 30 June 2022. The decrease was primarily due to the decrease in sales orders due to COVID-19 and overall global economic uncertainty.

### Cost of sales

The cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. The cost of sales decreased by approximately 27.9% from approximately HK\$117.1 million for the six months ended 30 June 2021 to approximately HK\$84.4 million for the six months ended 30 June 2022. The decrease was primarily attributable to the decrease in revenue and is a result of the implementation of stringent cost control measures by the Company.

### Gross profit and gross profit margin

The gross profit was approximately HK\$21.5 million and HK\$23.8 million for the six months ended 30 June 2021 and 2022 respectively. The gross profit margin was 15.5% and 22.0% during the six months ended 30 June 2021 and 2022 respectively. The increase in gross profit and gross profit margin were mainly due to the lower cost of sales and is a result of the implementation of stringent cost control measures by the company.

### Other income

Other income mainly consists of the foreign exchange gain/loss, the profit arising from sales of scrap materials, rental income and income received from government grants. Other income decreased by approximately 32.1% from approximately HK\$13.5 million for the six months 30 June 2021 to HK\$9.2 million for the six months ended 30 June 2022. The decrease was due to a decrease in gain on disposal of property, plant and machine and equipment. In particular, during the first half of 2021, the Group disposed of properties for a consideration of HK\$13,500,000, while the Group did not have material disposal of properties during the first half of 2022.

### Distribution costs

Th Group recorded distribution expenses of approximately HK\$19.4 million for the six months ended 30 June 2022 and HK\$10.4 million for the six months ended 30 June 2021. The increase was due to the increase in freight charges and sales commission paid.

### Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and depreciation. The administrative expenses increased by approximately 14.1% from approximately HK\$27.7 million for the six months ended 30 June 2021 to HK\$31.6 million for the six months ended 30 June 2022 mainly due to staff year-end bonus in 2020 was incurred in second half of 2020 instead of first half of 2021 while the year-end bonus in 2021 was incurred in first half of 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

The Group recorded finance costs of approximately HK\$2.9 million for the six months ended 30 June 2022 and HK\$3.1 million for the six months ended 30 June 2021. The finance costs remain stable for the reporting period.

## Income tax

Income tax represents income tax paid or payable by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction the Group operates or domiciles. The Group had tax payable in the jurisdictions of Hong Kong and PRC for the six months ended 30 June 2022. The operations in Hong Kong are subject to the two-tiered profits tax rate regime, which the first HK\$2 million of profits of qualifying entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The operations in the PRC are subject to a corporate income tax rate of 25.0%. The Group recorded income tax of approximately HK\$0.5 million for the six months ended 30 June 2021 and HK\$0.3 million for the six months ended 30 June 2022 respectively. The tax payable remained stable during the reporting period.

## Loss for the period

As a result of the foregoing, a loss of approximately HK\$21.2 million was recorded for the six months ended 30 June 2022 as compared to loss of HK\$6.6 million for the six months ended 30 June 2021 which was mainly due to decrease in other income and increase in distribution costs. In particular, during the first half of 2021, the Group disposed of properties for a consideration of HK\$13,500,000, while the Group did not have material disposal of properties during the first half of 2022.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had net current liabilities of approximately HK\$92.6 million (as at 31 December 2021: net current liabilities of approximately HK\$72.6 million), of which the cash and cash equivalents were approximately HK\$3.4 million. The Group's current ratio as at 30 June 2022 is 0.6 (as at 31 December 2021: 0.7). The gearing ratio as at 30 June 2022 was 1.5 (as at 31 December 2021: 1.24) which is calculated on the basis of the Group's total bank loans, overdrafts and lease liabilities over the total equity.

Total bank borrowings, overdrafts and lease liabilities for the Group amounted to approximately HK\$181.2 million as at 30 June 2022 (as at 31 December 2021: approximately HK\$161.3 million). As at 30 June 2022, bank loans and overdrafts in the amounts of approximately HK\$144.8 million were due within one year.

The Group adopts centralized financing and treasury policies in order to ensure the Group funding is utilized efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

As disclosed in the announcement dated 1 April 2022, in respect of bank loans with carrying amount of HK\$138,557,000 secured by the pledged bank deposits, financial assets at FVTPL, trade receivables, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries, the Group breached the corresponding bank covenants, which are primarily related to maintain the net tangible assets of the Group at the agreed level. On discovery of the breach, the directors of the Company informed the bank and commenced a renegotiation of the terms of the loans with the banker. As disclosed in the announcement dated 15 June 2022, the Bank has renewed the Facility while drawing the Company's attention to the rectification of such breach on or before 31 March 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN CURRENCY MANAGEMENT

The Group is exposed to currency risk primarily through its sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Renminbi, Great British Pounds and Japanese Yen. The Group has not entered into or transacted any financial instruments for hedging purpose during the six months ended 30 June 2022. The Directors will determine by reference to the currency risk management policies, assess the exposure to foreign exchange risk, consider whether or not and to what extent the Group should enter into similar forward foreign exchange contracts and monitor them in line with the Group's currency risk management policies.

## CHARGE ON GROUP ASSETS

As at 30 June 2022, the bank facilities were secured by bank deposits of the Group, financial assets at fair value through profit or loss, the Group's trade receivables, the Group's property, plant and equipment, the assignment of rental proceeds of the Group's properties situated in Hong Kong, benefits of key management insurance policies and corporate guarantees from the Company and certain subsidiaries. These banking facilities amounted to HK\$167,599,000 (2021: HK\$167,599,000) as at 30 June 2022. These facilities were utilized to the extent of HK\$144,779,000 (2021: HK\$147,756,000) as at 30 June 2022. Pledged bank deposits are approximately HK\$2.0 million as at 30 June 2022 (2021: HK\$2.0 million). As at 30 June 2022, the Group's properties and machinery (as included in plant and equipment) with carrying amounts of HK\$93,129,000 (2021: HK\$95,147,000) and HK\$14,188,250 (2021: HK\$14,935,000), respectively, were pledged as collateral for the Group's banking facilities.

## CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM (the "Listing") on 13 December 2017 (the "Listing Date"). There has been no change in the capital structure of the Group since the Listing Date and up to 30 June 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL EXPENDITURE

The capital expenditure primarily comprised of purchase of property, plant and equipment such as machinery for production. The capital expenditure was funded by net proceeds from the Listing, internal resources, finance leases and bank borrowings during the six months ended 30 June 2022.

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

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2021 HK\$'000 (Audited)</b>
Property, plant and equipment	<b>211,862</b>	196,747
Intangible assets	<b>425</b>	444
Deposit for acquisition of property, plant and equipment	<b>–</b>	253
	<b>212,287</b>	197,444

## CONTINGENT LIABILITIES

There are no material contingent liabilities.

## COMMITMENTS

The capital commitments outstanding as at 30 June 2022 not provided for in the financial statements were NIL (31 December 2021: Nil).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 487 employees in total (as at 31 December 2021: 480).

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

As disclosed in the announcement dated 8 March 2022, the Company entered into the New Factory Lease Agreement and the New Warehouse Lease Agreement on 8 March 2022.

As disclosed in the announcement dated 26 April 2022, a wholly-owned subsidiary of the Company entered into the Lease Financing General Agreement on 26 April 2022 in respect of the sale and leaseback of Machinery.

As disclosed in the announcement dated 24 June 2022, the Company entered into a non-legally binding MOU with the Prospective Partner on 24 June 2022, in relation to the potential cooperation with the Prospective Partner for the development of convenience store business in the PRC and the printing support of convenience store promotional materials.

During the six months ended 30 June 2022 and save as disclosed above, the Group does not have any other significant investments, nor any material acquisitions or disposals. As at 30 June 2022 and save as disclosed above, the Group does not have any other future plans for any significant investments or capital assets.

### **MATERIAL EVENTS AFTER THE REPORTING PERIOD**

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

### **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the period ended 30 June 2021: Nil).

## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICE

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

The Company has complied with the principles and applicable code provisions of the CG Code for the six months ended 30 June 2022, except the deviation from CG Code provision C.2.1 as set out below.

#### Chairman and Chief Executive Officer

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

Mr. Lam Sam Ming (“**Mr. Lam**”) is the chairman and the chief executive officer of the Company. Mr. Lam has over 37 years of experience in the printing industry. Mr. Lam established the Group through L & L Limited in December 1992. Since then he has been in charge of the overall business strategies and operation of the Group. The Directors are of the view that it would be in the Group’s best interest for Mr. Lam to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate.

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the “**Code of Conduct**”). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the six months ended 30 June 2022.

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Scheme**”), the principal terms of which are summarised in the sub-section headed “Appendix V — Statutory and General Information — D. Share Option Scheme” in the prospectus of the Company dated 29 November 2017.

No share option has been granted, exercised, cancelled, lapsed or forfeited under the Scheme during the six months ended 30 June 2022. No share option was outstanding as at 30 June 2022.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the six months ended 30 June 2022.

### DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the Directors had the following interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were required to be notified to the Company and the Stock Exchange:

##### (i) Interests in the Company

Name of Director	Capacity	Number of shares (Note 1)	Percentage of interest in the Company
Mr. Lam (Notes 2 & 4)	Interest of controlled corporation	480,000,000 (L)	60%
Ms. Yao Yuan (“Ms. Yao”) (Notes 3 & 4)	Interest of spouse	480,000,000 (L)	60%

##### Notes:

1. The letter “L” denotes the person’s long positions in the shares.
2. These 480,000,000 Shares are held by First Tech Inc. (“First Tech”), which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 480,000,000 Shares held by First Tech under the SFO.
3. Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.
4. The Company was notified by First Tech, a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its 72,000,000 Shares (the “Charged Shares”) in the issued share capital of the Company in favour of Infinity Credits Co., Limited (“Infinity”), a third party, as security for a loan granted by Infinity to First Tech. First Tech is wholly owned by Mr. Lam, the chairman and controlling shareholder of the Company. As at 30 June 2022, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

## OTHER INFORMATION

### (ii) Interests in associated corporation of the Company

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

Save as disclosed above, as at 30 June 2022, none of the Directors had any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

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

So far as is known to the Directors, as at 30 June 2022, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were interested in 5% or more of the total number of issued shares of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of substantial shareholder	Capacity	Number of shares (Note 1)	Percentage of interest in the Company
First Tech (Notes 2 & 3)	Beneficial owner	480,000,000 (L)	60%
Infinity (Note 4)	Person having security interest in the shares	72,000,000 (L)	9%

#### Notes:

- The letter "L" denotes the person's long positions in the shares.
- First Tech is a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lam, an executive Director.
- The Company was notified by First Tech, a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its 72,000,000 Shares in the issued share capital of the Company in favour of Infinity as security for a loan granted by Infinity to First Tech. First Tech is wholly owned by Mr. Lam, the chairman and controlling shareholder of the Company. As at 30 June 2022, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.
- Infinity is wholly owned by Infinity International Holding Limited which is in turn held by Zhao Zhisheng as to 50% and by Cheung Ting Kin as to 50%. Each of Infinity International Holding Limited, Zhao Zhisheng and Cheung Ting Kin is deemed to be interested in 9% of total issued shares of the Company under SFO.

## OTHER INFORMATION

Save as disclosed above, so far as is known to the Directors, as at 30 June 2022, there are no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were interested in 5% or more of the voting power at general meetings or any other members of the Group.

## CHANGE OF INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As disclosed in the announcement dated 26 January 2022, Mr. Leung Vincent Gar-Gene had resigned as an independent non-executive director of Samson Paper Holdings Limited (a company listed on Hong Kong Stock Exchange with stock code of 531.HK) with effect from 26 January 2022.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 15 November 2017 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited consolidated financial results of the Group for the six months ended 30 June 2022. The Audit Committee is of the opinion that such financial results comply with the applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

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

Hong Kong, 12 August 2022

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