



Prosperous Printing Company Limited
萬里印刷有限公司

(Incorporated in Hong Kong with Limited Liability)

Stock Code: 8385



2023
INTERIM REPORT

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

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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 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.

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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
17/F, Far East Finance Centre
16 Harcourt Road
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
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248 Queen's Road East
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COMPANY'S WEBSITE

www.prosperous-printing-group.com.hk

STOCK CODE

8385

HIGHLIGHTS

HIGHLIGHTS

- The revenue of the Group was approximately HK\$86.2 million for the Current Period representing a decrease of approximately 20.3% from approximately HK\$108.2 million for the Prior Period. Such decrease was mainly due to decrease of sales order due to overall global economy uncertainty.
- The gross profit was approximately HK\$19.8 million for the Current Period, representing a decrease of approximately 16.8% as compared to HK\$23.8 million for the Prior Period. The decrease in gross profit was mainly due to the decrease of sales order.
- The loss for the period was approximately HK\$12.7 million for the Current Period, as compared to the net loss of approximately HK\$21.2 million recorded for the Prior Period. The reduction in net loss is mainly attributable to the reduction of distribution and administration expenses.
- The Board does not recommend the payment of an interim dividend for the Current Period (for the Prior Period: 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 2023 (the “**Current Period**”) (together with the comparative unaudited figures for the corresponding period in 2022 (the “**Prior Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	86,163	108,234
Cost of sales		(66,333)	(84,440)
Gross profit		19,830	23,794
Other income	5	6,839	9,158
Distribution costs		(9,621)	(19,385)
Administration expenses		(24,662)	(31,587)
Loss from operations		(7,614)	(18,020)
Finance costs		(4,920)	(2,893)
Loss before taxation		(12,534)	(20,913)
Income tax	6	(133)	(295)
Loss for the period		(12,667)	(21,208)
Other comprehensive income/(expense) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		19,938	(3,298)
Total comprehensive income/(expense) for the period		7,271	(24,506)
Loss per share:		HK cents	HK cents
Basic and diluted	7	1.58	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	193,566	211,863
Intangible assets		231	367
Financial assets at fair value through profit or loss		9,094	16,808
Deposits for acquisition of property, plant and equipment		–	–
Deferred tax assets		1,790	425
		204,682	229,463
Current assets			
Inventories		24,269	29,271
Trade and other receivables	10	88,768	121,071
Pledged bank deposits		2,023	2,016
Cash and cash equivalents		1,999	3,434
		117,059	155,792
Total assets		87,623	385,255
EQUITY			
Capital and reserves			
Share capital		100,843	100,843
Reserves		(11,673)	4,936
Total equity		89,170	105,779

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		13,357	24,541
Deferred tax liabilities		8,283	6,518
		21,640	31,059
Current liabilities			
Trade and other payables	11	62,987	88,325
Bank loans and overdrafts		139,280	144,779
Lease liabilities		6,716	11,901
Income tax payable		1,948	3,412
		210,931	248,417
Total liabilities		232,571	279,476
Total equity and liabilities		321,741	385,255

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital HK\$'000	Exchange reserve HK\$'000	Statutory surplus reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ Accumulated losses HK\$'000	Total
Balance at 1 January 2022	100,843	1,088	5,125	3,318	19,911	130,285
Changes in equity for the six months ended 30 June 2022:						
Loss for the period	–	–	–	–	(21,208)	(21,208)
Other comprehensive income for the period	–	(3,298)	–	–	–	(3,298)
Balance at 30 June 2022 (unaudited)	100,843	(2,210)	5,125	3,318	(1,297)	105,779
Balance at 1 January 2023	100,843	(11,737)	5,125	3,318	(39,744)	57,805
Changes in equity for the six months ended 30 June 2023:						
Loss for the period	–	–	–	–	(12,667)	(12,667)
Other comprehensive expense for the period	–	44,032	–	–	–	44,032
Balance at 30 June 2023 (unaudited)	100,843	32,295	5,125	3,318	(52,413)	89,170

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(1,869)	10,481
Investing activities		
Payments for purchase of property, plant and equipment	(188)	(729)
Proceeds from disposal of property, plant and equipment	2,785	4,777
Decrease in pledged bank deposits	(6)	–
Receipts of investments in key management insurance policy	5,729	1,054
Interest received	106	101
Net cash from investing activities	8,426	5,203
Financing activities		
Proceeds from new bank loans	95,233	133,866
Repayment of bank loans	(87,637)	(128,174)
Capital element of lease rentals paid	(8,954)	(22,903)
Interest element of lease rentals paid	(815)	(684)
Bank interest paid	(4,105)	(2,209)
Net cash (used in)/from financing activities	(6,278)	(20,104)
Net (decrease)/increase in cash and cash equivalents	279	(4,420)
Cash and cash equivalents at 1 January	(11,357)	(6,274)
Cash and cash equivalents at 30 June	(11,078)	(10,694)
Analysis of balance of cash and cash equivalents		
Bank balances and cash	1,999	3,434
Less: Bank overdrafts included in loans and borrowings under current liabilities	(13,077)	(14,128)
Cash and cash equivalents as stated in the consolidated statements of cash flows	(11,078)	(10,694)

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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 2022 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\$12,667,000 for the six months ended 30 June 2023, and as of that date, the Group had net current liabilities of approximately HK\$85.1 million and bank loans and overdrafts amounting to approximately HK\$136.8 million which are due for repayment within one year. The Group's pledged bank deposits and cash at bank amounted to approximately HK\$2.0 million and HK\$2.0 million respectively as at 30 June 2023. 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.
- (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 2023.

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:		
– Sales of books and paper products	86,154	108,027
– Provision of sub-contracting services in relation to books and paper products	9	207
	86,163	108,234

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Timing of revenue recognition at a point in time	86,163	108,234

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong (place of domicile)	46,051	55,564
Mainland China	9	207
United States	39,511	51,424
United Kingdom	472	619
Other countries	120	420
	86,163	108,234

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Bank interest income	106	101
Profit arising from sales of scrap materials	726	1,335
Government grants – PRC government subsidies	898	781
Gain on disposal of property, plant and machine and equipment	2,785	2,452
Net foreign exchange (loss)/gain	2,124	3,602
Machine rental income	–	356
Rental income	–	66
Sundry income	200	465
	6,839	9,158

6. INCOME TAX

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax		
– Current period	–	294
PRC Corporate Income Tax		
– Current period	133	1
Deferred tax	–	–
	133	295

- 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 2023 and 2022 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\$12,667,000 (six months ended 30 June 2022: loss of HK\$21,208,000) and the weighted average of 800,000,000 (six months ended 30 June 2022: 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 2023 and 2022, 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 2023 (for the six months ended 30 June 2022: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, machine with carrying amount of HK\$1,725,000 were disposed resulting in gain on disposal of HK\$2,785,000.

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

10. TRADE AND OTHER RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)
Trade receivables	182,027	184,143
Less: impairment loss	(108,725)	(80,597)
Trade receivable, net of loss allowance	73,302	103,546
Other receivables	940	1,233
Advance to a supplier	7,002	8,733
Prepayments	622	880
Utility and other deposits	4,725	4,242
Other tax recoverable	2,177	2,437
	88,768	121,071

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:

	30 June 2023 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)
Within 1 month	11,134	14,089
1 to 3 months	12,011	26,216
3 to 6 months	5,222	6,848
6 to 12 months	3,720	5,136
Over 1 year	41,215	51,257
	73,302	103,546

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

11. TRADE AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)
Trade creditors	28,680	57,543
Other payables and accruals	25,180	30,782
	53,860	88,325

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:

	30 June 2023 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)
Within 1 month	11,968	13,954
1 to 3 months	4,722	16,901
3 to 6 months	6,999	14,810
6 to 12 months	4,280	9,946
Over 1 year	711	1,932
	28,680	57,543

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.

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 20.3% from approximately HK\$108.2 million for the Prior Period, to approximately HK\$86.2 million for the Current Period due to decrease in sales order as a result of overall global economic uncertainty. The Group recorded a net loss of approximately HK\$12.7 million during the Current Period, as compared to a net loss of approximately HK\$21.2 million during the Prior Period, which was mainly due to decrease in costs of sale and distribution costs.

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, the global economy uncertainty, Russia-Ukraine war, the U.S.-China trade dispute, 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.

As the restriction measures of COVID-19 started to be lifted, the Group is cautiously optimistic of the full-year performance in 2023.

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 20.3% from approximately HK\$108.2 million for the Prior Period, to approximately HK\$86.2 million for the Current Period. The decrease was primarily due to overall global economic uncertainty.

MANAGEMENT DISCUSSION AND ANALYSIS

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 21.4% from approximately HK\$84.4 million for the Prior Period to approximately HK\$66.3 million for the Current Period. 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\$23.8 million and HK\$19.8 million for the Prior Period and the Current Period respectively. The gross profit margin was 22.0% and 23.0% during the Prior Period and the Current Period respectively. The decrease in gross profit was mainly due to the decrease in sales order.

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 26.1% from approximately HK\$9.2 million for the Prior Period to HK\$6.8 million for the Current Period. The decrease was due to exchange differences and sales of scrap materials.

Distribution costs

The Group recorded distribution expenses of approximately HK\$9.6 million for the Current Period and HK\$19.4 million for the Prior Period. The decrease was due to the decrease in sale order.

Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and depreciation. The administrative expenses decreased by approximately 21.8% from approximately HK\$31.6 million for the Prior Period to HK\$24.7 million for the Current Period mainly due to decrease in staff cost.

Finance costs

The Group recorded finance costs of approximately HK\$4.9 million for the Current Period and HK\$2.9 million for the Prior Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Current Period. 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\$0.3 million for the Prior Period and HK\$0.1 million for the Current Period 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\$12.7 million was recorded for the Current Period as compared to loss of HK\$21.2 million for the Prior Period.

Exchange differences arising on translation of foreign operations

Exchange differences arising on translation of foreign operations changes from loss of HK\$3,298,000 to gain of HK\$19,938,000 due to depreciation of RMB as the Group's factory is in mainland China and therefore the production cost is in RMB.

LIQUIDITY AND FINANCIAL RESOURCES

As at the period end date of the Current Period, the Group had net current liabilities of approximately HK\$85.1 million (as at 31 December 2022: net current liabilities of approximately HK\$126.4 million), of which the cash and cash equivalents were approximately HK\$2.0 million. The Group's current ratio as at the period end date of the Current Period is 0.6 (as at 31 December 2022: 0.39). The gearing ratio as at the period end date of the Current Period was 3 (as at 31 December 2022: 3.1) 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\$159.3 million as at the period end date of the Current Period (as at 31 December 2022: approximately HK\$150.8 million). As at the period end date of the Current Period, bank loans and overdrafts in the amounts of approximately HK\$136.8 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.

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 Current Period. 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 the period end date of the Current Period, 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\$175.9 million as at the period end date of the Current Period (2022: HK\$167.0 million). These facilities were utilized to the extent of HK\$159.4 million as at the period end date of the Current Period (2022: HK\$144.8 million). Pledged bank deposits are approximately HK\$2.0 million as at 30 June 2023 (2022: HK\$2.0 million). As at 30 June 2023, the Group's properties and machinery (as included in plant and equipment) with carrying amounts of HK\$193.6 million (2022: HK\$93.1 million) and HK\$84.4 million (2022: HK\$14.2 million), 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 the period end date of the Current Period.

For details of completion of placing after 30 June 2023, please refer to the section headed "**Placing and Material Events after the Reporting Period**" below.

As disclosed in the announcement of the Company dated 19 July 2023, it was proposed to consolidate the share of the Company on the basis that every ten (10) issued existing shares be consolidated into one (1) consolidated share. As at the date of this period, the proposal share consolidation has not been completed.

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 Current Period.

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

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Property, plant and equipment	193,567	202,620
Intangible assets	231	297
Deposit for acquisition of property, plant and equipment	–	–
	193,798	202,917

CONTINGENT LIABILITIES

There are no material contingent liabilities.

COMMITMENTS

The capital commitments outstanding as at period end date of the Current Period not provided for in the financial statements were NIL (31 December 2022: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at period end date of the Current Period, the Group had 448 employees in total (as at 31 December 2022: 459).

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 of the Company dated 14 March 2023, the Group had disposed of machinery at the total consideration of RMB2,550,000 on 14 March 2023.

As disclosed in the announcements of the Company dated 21 April 2023, 11 May 2023 and 20 July 2023, the Group acquired 13% of the entire registered share capital of 廣州海健數字科技有限公司 (Guangzhou Hai Jian Digits Technology Company Limited) at the consideration of RMB1,050,000.

During the Current Period and save as disclosed, the Group does not have any other significant investments, nor any material acquisitions or disposals. As at period end date of the Current Period and save as disclosed, the Group does not have any other future plans for any significant investments or capital assets.

PLACING AND MATERIAL EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcements dated 4 July 2023 and 24 July 2023, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent conditionally agreed to place as the Company's placing agent on a best effort basis the Placing Shares up to 110,050,000 new Shares to not less than six Placees at the Placing Price of HK\$0.11 per Placing Share. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM. As disclosed in the announcements dated 6 July 2023 and 24 July 2024, the Long Stop Date for Placing has been extended to 24 July 2023 and subsequently further extended to 14 August 2023. As disclosed in the announcement dated 14 August 2023, the Company completed placing of 38,860,000 Placing Shares at price of HK\$0.11 per share. Total issued shares of the Company are 869,980,000 immediately upon completion of placing.

As disclosed in the announcement dated 19 July 2023, the Company proposes to implement the Share Consolidation on the basis that every ten (10) issued Existing Shares be consolidated into one (1) Consolidated Share. The Share Consolidation is subject to shareholders approval at the EGM to be held on 25 August 2023.

As disclosed in the announcement dated 20 July 2023, the Company has allotted and issued 31,120,000 Consideration Shares to Vendor at the issue price of HK\$0.0386 per Share for settlement of the consideration of RMB1,050,000 for acquisition of 13% of the entire registered share capital of the Target Company under the General Mandate. Upon Completion, the Company is interested in 13% of the entire registered share capital of the Target Company and the remaining 87% of the registered share capital of the Target Company is owned by Vendor. Accordingly, the Target Company is not a subsidiary of the Group, and the financial results of the Target Company will not be consolidated into the financial statements of the Group.

Save as disclosed above, the Board is not aware of any events after the Current Period that requires disclosure.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Current Period (for the Prior Period: 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 Current Period, 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 39 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 Current Period.

OTHER INFORMATION

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 Current Period. No share option was outstanding as at the period end date of the Current Period.

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 Current Period.

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 the period end date of the Current Period, 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

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of shares (Note 1)</u>	<u>Percentage of interest in the Company</u>
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%

OTHER INFORMATION

Notes:

1. The letter “L” denotes the person’s long positions in the shares.
2. These 480,000,000 Shares are held by First Tech 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 the period end date of the Current Period, 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.

(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 the period end date of the Current Period, 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.

OTHER INFORMATION

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

So far as is known to the Directors, as at the period end date of the Current Period, 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:

1. The letter "L" denotes the person's long positions in the shares.
2. First Tech is a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lam, an executive Director.
3. 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 the period end date of the Current Period, 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.
4. 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.

Save as disclosed above, so far as is known to the Directors, as at the period end date of the Current Period, 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.

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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 Current Period. 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, 14 August 2023

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.