THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Prosperous Printing Company Limited ("**Company**"), you should at once hand this circular to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Prosperous Printing Company Limited
萬 里 印 刷 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 8385)

MAJOR TRANSACTION
COMPENSATION AGREEMENTS
SHENZHEN FACTORY RELOCATION

18 September 2019

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

CONTENTS

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

"Announcements"	the announcement of the Company dated 29 July 2019 and the announcement of the Company dated 7 August 2019
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"Company"	Prosperous Printing Company Limited (Stock code: 8385), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on GEM of the Stock Exchange
"Compensation Agreements"	collectively, the Surrender of Premise Agreement, the Sale and Purchase Agreement for the Security Guard Room, Electricity Room and other Infrastructure, and the Sale and Purchase Agreement for Iron Infrastructure
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules and the word "connected" shall be construed accordingly
"Current Shenzhen Factory"	the current production site located at Hong Mian Fourth Road, Henggang Road, Longgang District, Shenzhen, Guangdong Province, the PRC* (中國廣東省深圳市龍崗區橫崗街道紅綿四路)
"Director(s)"	the director(s) of the Company
"Fei Er"	Fei Er Investment Consultancy (Shenzhen) Company Limited (費爾投資諮詢(深圳)有限公司), a company established in the PRC
"First Tech"	First Tech Inc., a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Lam
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) and its/their ultimate beneficial owner(s) which are independent of the Company and its connected persons
"Infrastructures"	infrastructures (including building and structures) under the Compensation Agreements

"Land Management Centre"	Shenzhen Longgang Yuanshan Area Land Management Centre (深圳市龍崗區園山街道土地整備中心)
"Landlord"	Shenzhen Longgang Henggang Stock Cooperation Company Limited* (深圳市龍崗區橫崗股份合作有限公司) incorporated in the PRC with limited liability and is an Independent Third Party
"Latest Practicable Date"	13 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Mr. Lam"	Mr. Lam Sam Ming, a controlling shareholder of the Company, an executive Director and the chairman of the Board, and the spouse of Ms. Yao
"Ms. Yao"	Ms. Yao Yuan, an executive Director, and the spouse of Mr. Lam
"New Shenzhen Factory"	the production site located at Xi Chang Road No. 8, Bao An Qu, Yuan Shan Jie Dao, Long Dang District, Shenzhen, Guangdong, the PRC* (中國廣東省深圳市龍崗區園山街道保安區賜昌路8號)
"PRC"	the People's Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prospectus"	the prospectus of the Company dated 29 November 2017
"Prosperous (SZ)"	Prosperous Printing (Shenzhen) Co., Ltd. (中萬印刷(深圳)有限公司), a wholly foreign-owned limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement for Iron Infrastructure"	the Sale and Purchase Agreement for Iron Infrastructure (鋼結構物業收購協議書) dated 26 July 2019 entered into between Prosperous (SZ) and Landlord
"Sale and Purchase Agreement for the Security Guard Room, Electricity Room and other Infrastructure"	the Sale and Purchase Agreement for the Security Guard Room, Electricity Room and other Infrastructure (保安室、配電房等建築物收購協議書) dated 18 July 2019 entered into between Prosperous (SZ) and Landlord
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) in the share capital of the Company

"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Surrender of Premise Agreement"	the Surrender of Premise Agreement (房屋清租協議書) dated 26 July 2019 entered into between Prosperous (SZ), Fei Er, Landlord and Land Management Centre
"%"	per cent.

* *For reference only*

For the purpose of this circular, the following exchange rate is adopted: RMB1 = HKD1.13.

Prosperous Printing Company Limited
萬里印刷有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 8385)

Executive Directors:
Mr. Lam Sam Ming
Ms. Chan Sau Po
Ms. Yao Yuan

Non-executive Director:
Mr. Ong Chor Wei

Independent non-executive Directors:
Ms. Cheung Yin
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

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

18 September 2019

Dear Sir or Madam,

MAJOR TRANSACTION
COMPENSATION AGREEMENTS
SHENZHEN FACTORY RELOCATION

INTRODUCTION

On 29 July 2019 and 7 August 2019, the Company announced in the Announcements that Prosperous (SZ) had entered into the Compensation Agreements.

The entering into of the Compensation Agreements constitutes a major transaction of the Company for the purpose of the GEM Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements. Since no Shareholders are required to abstain from voting if a general meeting is to be convened for the approval of the Compensation Agreements, the Company has sought and obtained the written approval of the Compensation Agreements from First Tech who holds more than 50% in nominal value of the issued share capital of the Company in lieu of holding a general meeting for the approval of the Compensations Agreement pursuant to Rule 19.44 of the GEM Listing Rules.

This circular is despatched to the Shareholders for information purposes only.

COMPENSATION AGREEMENTS

As disclosed in the announcement dated 20 September 2018, the Group (as tenant of the Current Shenzhen Factory) has received a notice from the relevant government authority that the site of the Current Shenzhen Factory will have to be surrendered due to the construction of subway nearby. The Group has entered into the Compensation Agreements, pursuant to which the Group will be entitled to financial compensation.

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

Surrender of Premise Agreement

Date:

26 July 2019

Parties:

(1) Prosperous (SZ) (a wholly-owned subsidiary of the Company)

(2) Fei Er (a third party nominated by Landlord for compensation settlement)

(3) Landlord

(4) Land Management Centre

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Fei Er, Landlord, Land Management Centre and their respective ultimate beneficial owner, if applicable, are Independent Third Parties.

To accommodate the construction of subway nearby, Prosperous (SZ) shall surrender the Current Shenzhen Factory before 10 December 2019.

As designated by the Landlord, Fei Er shall pay a total amount of RMB26,386,015 to Prosperous (SZ) as compensation for renovation cost, infrastructure cost, removal cost, operation interruption cost, of which RMB13,193,007.5 shall be paid within 15 business days upon the agreement being signed and becoming effective, with the remaining balance of RMB13,193,007.5 shall be paid within 15 business days after completion of the relocation. As at the Latest Practicable Date, RMB13,193,007.5 has been paid to the Group in accordance with the payment schedule.

The consideration amount has been arrived at after arm's length negotiation with reference to, among others, valuation by Shenzhen Unity Land and Property Valuation Consultancy Company Limited (深圳市一統土地房地產評估工程諮詢勘測有限公司) based on replacement cost approach. The consideration amount is the same as the valuation amount stated in the aforesaid valuation report. The aggregate compensation amount of RMB26,386,015 under the Surrender of Premises Agreement consists of: (a) RMB2,145,152 for the Infrastructures as of 31 October 2018; (b) RMB6,703,220 for renovation as of 31 October 2018; (c) RMB12,795,300 for relocation after taking account certain equipment which would need to be replaced as a result of relocation as of 23 November 2018; and (d) RMB4,742,343 for production interruption.

Sale and Purchase Agreement for the Security Guard Room, Electricity Room and other Infrastructure

Date:

18 July 2019

Parties:

(1) Prosperous (SZ) (a wholly-owned subsidiary of the Company)

(2) Landlord

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Landlord and its ultimate beneficial owner, if applicable, are Independent Third Parties.

Prosperous (SZ) agrees to sell, and the Landlord agrees to purchase the infrastructure situated on the Current Shenzhen Factory such as the security guard room, electricity room and other infrastructure, as well as the ancillary costs in relation thereto at a total consideration of RMB2,076,202, of which RMB453,794 shall have been paid within 15 days of signing this agreement, and RMB1,622,408 shall be paid within 30 days of signing this agreement or such later time upon surrender of the aforesaid security guard room, electricity room and other infrastructure. As at the Latest Practicable Date, RMB453,794 has been paid to the Group in accordance with the payment schedule. The Group expects to complete the surrender of aforesaid security guard room, electricity room and other infrastructure by end of October 2019, and accordingly the remaining RMB1,622,408 is expected to be settled upon completion of surrender by end of October 2019.

The consideration amount has been arrived at after arm's length negotiation with reference to, among others, valuation by Shenzhen Unity Land and Property Valuation Consultancy Company Limited (深圳市一統土地房地產評估工程諮詢勘測有限公司) based on replacement cost approach as at 31 October 2018. The consideration amount is the same as the valuation amount stated in the aforesaid valuation report. The aggregate compensation amount of RMB2,076,202 under the Sale and Purchase Agreement for the Security Guard Room, Electricity Room and other Infrastructure consists of: (a) RMB1,957,804 for the Infrastructures; (b) RMB17,293 for renovation; and (c) RMB101,105 for production interruption.

Sale and Purchase Agreement for Iron Infrastructure

Date:

26 July 2019

Parties:

(1) Prosperous (SZ) (a wholly-owned subsidiary of the Company)

(2) Landlord

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Landlord and its ultimate beneficial owner, if applicable, are Independent Third Parties.

Prosperous (SZ) agrees to sell, and the Landlord agrees to purchase the iron infrastructure situated on the Current Shenzhen Factory at a consideration of RMB2,697,535, which shall be paid within 15 business days after the Landlord has entered into the relevant relocation compensation agreement, which is expected to be completed by end of December 2019, and accordingly the amount of RMB2,697,535 is expected to be settled by end of December 2019.

The consideration amount has been arrived at after arm's length negotiation with reference to, among others, valuation by Shenzhen Unity Land and Property Valuation Consultancy Company Limited (深圳市一統土地房地產評估工程諮詢勘測有限公司) based on replacement cost approach as at 31 October 2018. The consideration amount is the same as the valuation amount stated in the aforesaid valuation report. The aggregate compensation amount of RMB2,697,535 under the Sale and Purchase Agreement for Iron Infrastructure consists of RMB2,697,535 for the Infrastructures based on market replacement cost approach as of 31 October 2018.

RELOCATION OF SHENZHEN FACTORY

As disclosed in the announcement dated 25 March 2019, the Group has entered into the lease agreement for a term from 1 April 2019 to 30 March 2022 with respect to the New Shenzhen Factory situated at Xi Chang Road No. 8, Bao An Qu, Yuan Shan Jie Dao, Long Gang District, Shenzhen, Guangdong,the PRC* (中國廣東省深圳市龍崗區園山街道保安區賜昌路8號). The Group has commenced the renovation from April 2019 and expect to move into the New Shenzhen Factory and commence production in the New Shenzhen Factory in December 2019.

Based on the Surrender of Premises Agreement, Prosperous (SZ) shall surrender the Current Shenzhen Factory before 10 December 2019. The Directors are of the view that the relocation would not materially affect the normal operation and production of the Group due to the following reasons: (a) both the Current Shenzhen Factory and the New Shenzhen Factory are situated in Long Gang District, Shenzhen, and accordingly the close proximity between the Current Shenzhen Factory and the New Shenzhen Factory will lead to a relatively lower relocation cost and time; and (b) the Company has relocated the machinery in an incremental manner and therefore the machinery situated in the Current Shenzhen Factory can continue to maintain production while other same type of machinery are being relocated to the New Shenzhen Factory.

FINANCIAL IMPACT

The iron infrastructure in respect of the Sale and Purchase Agreement for Iron Infrastructure is attached to the security guard room and electricity room in respect of the Sale and Purchase Agreement for the Security Guard Room, Electricity Room and other Infrastructure. The aggregate net book values of the Infrastructures were approximately HKD2.6 million as at 31 December 2018, which are valued at approximately RMB6.8 million (which is equivalent to approximately HKD7.7 million) by Shenzhen Unity Land and Property Valuation Consultancy Company Limited (深圳市一統土地房地產評估工程諮詢勘測有限公司) based on valuation methods as disclosed in the section headed "Compensation Agreements" above.

The Board expects that the total costs for purchase of replacement equipment, renovation of the New Shenzhen Factory as well as the corresponding relocation cost will not exceed approximately RMB22.7 million (which is equivalent to approximately HKD25.6 million) (the "**Expected Relocation Costs**").

Based on the net book value of the Infrastructures and the Expected Relocation Costs, and the total compensation of approximately RMB31.2 million (equivalent to approximately HKD35.2 million) payable to the Group under the Compensation Agreements, it is expected that Group will record a gain of no less than approximately HK$7 million arising from the Compensation Agreements.

It is also anticipated that as a result of the Compensation Agreements, the cash and cash equivalents of the Group will increase by approximately HK$35.2 million upon receipt of compensation amounts under the Compensation Agreement while the unaudited total liabilities of the Group will remain unchanged. Shareholders and potential investors should note that the above expectation is for illustrative purpose only. The actual accounting gain or loss in connection with the Compensation Agreements and relocation of Shenzhen Factory may be different from the above.

USE OF PROCEEDS OF COMPENSATION

The compensation payable to the Group under the Compensation Agreements will be utilized to cover the relocation cost for relocating from the Current Shenzhen Factory to the New Shenzhen Factory, purchase of new equipment for the New Shenzhen Factory and replenish the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE COMPENSATION AGREEMENTS

As disclosed in the announcement dated 20 September 2018, the Group (as tenant of the Current Shenzhen Factory) has received a notice from the relevant government authority that the site of the Current Shenzhen Factory will have to be surrendered due to the construction of subway nearby. The Group has entered into the Compensation Agreements, pursuant to which the Group will be entitled to financial compensation.

As set out in the section headed "Financial Impact" above, the Directors expect that the Group will record a gain of no less than approximately HK$7 million arising from the Compensation Agreements.

Based on the above and having regard to the terms of the Compensation Agreements and the benefits for relocation of the Current Shenzhen Factory, the Board is of the view that the terms of the Compensation Agreements are all on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Board notes that the aforesaid valuation reports with respect to the Compensation Agreements were prepared as of a reference date falling as far as approximately 9 months ago in October 2018. The reason for adopting such reference date is due to the relatively lengthy procedure required for governmental authority's approval after the valuation report is submitted, and that the governmental authority would need to approve the valuation report before a formal compensation agreement can be reached between the Group and the government authority. The Board considers that the compensation amount based on the valuation reports are fair and reasonable since the Board has set its relocation budget since the valuation amounts were determined in October 2018.

INFORMATION ON THE PARTIES TO THE COMPENSATION AGREEMENTS

The Group is principally engaged in the production and trading of books and paper products.

The Landlord, Shenzhen Longgang Henggang Stock Cooperation Company Limited* (深圳市龍崗區橫崗股份合作有限公司), is incorporated in the PRC with limited liability, which are held by 739 individuals as to 50.97% and joint ownership scheme (集體股) as to 49.03%. To the best of the Directors' knowledge, information and belief upon reasonable enquiries, none of the aforesaid 739 individuals held more than 10% equity interest in the Landlord, and that each of the Landlord and its ultimate beneficial owner(s) is an Independent Third Party.

Fei Er, i.e. Fei Er Investment Consultancy (Shenzhen) Company Limited (費爾投資諮詢(深圳)有限公司), is a company established in the PRC, which are owned by Zhaoguang Industry Company Limited (兆光實業有限公司) as to 24% and Shenzhen Hui Ming Real Estate Development Company Limited (深圳惠名房地產開發有限公司) ("**Huiming**") as to 76%. Huiming is in turn owned by an individual named Xie Jiayu (謝嘉裕) as to 50% and Shenzhen Zhongguang Investment Company Limited (深圳市中廣投資有限公司) ("**Zhongguang**") as to 50%. Zhongguang is in turn owned as to 80% by an individual named Wen Fang (文芳). To the best of the Directors' knowledge, information and belief upon reasonable enquiries, each of Fei Er and its ultimate beneficial owner(s) is an Independent Third Party.

To the best of the Directors' knowledge, information and belief upon reasonable enquiries, the Landlord, as the owner of the land upon which the Current Shenzhen Factory is situated, is entitled to compensation from the governmental authority which is collaborating with Fei Er (a potential property developer) in the redevelopment of the site of Current Shenzhen Factory for construction of subway and other construction, and that Fei Er shall be responsible for part of the compensation cost and is therefore entrusted by the governmental authority to settle the compensation amount directly to the affected parties such as the Group (as tenant of the Current Shenzhen Factory).

To the best of the Directors' knowledge, information and belief upon reasonable enquiries, (i) Fei Er is a company established in the PRC, and an Independent Third Party which is principally engaged in, among others, investment; (ii) the Landlord is a company established in the PRC, and an Independent Third Party which is principally engaged in, among others, investment; and (iii) Land Management Centre is a governmental authority of the PRC, and an Independent Third Party.

IMPLICATIONS ON THE GEM LISTING RULES

As the relevant percentage ratios for the Compensation Agreements are more than 25% but less than 75%, the transactions contemplated under the Compensation Agreements constitutes a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules. Accordingly, the transactions contemplated under the Compensation Agreements are subject to notification, announcement, reporting and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Compensation Agreements, thus no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Compensation Agreements.

As at the date of the Announcement, First Tech held an aggregate of 480,000,000 Shares, representing 60% of the entire issued share capital of the Company.

Since no Shareholders are required to abstain from voting if a general meeting is to be convened for the approval of the Compensation Agreements, the Company has sought and obtained the written approval of the Compensation Agreements from First Tech who holds more than 50% in nominal value of the issued share capital of the Company in lieu of holding a general meeting for the approval of the Compensation Agreements pursuant to Rule 19.44 of the GEM Listing Rules.

RECOMMENDATION

Although no extraordinary general meeting will be convened, the Board considers that the entering into of the Compensation Agreements was on normal commercial terms and the terms of the Compensation Agreements are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if an extraordinary general meeting was convened for approving the entering into of the Compensation Agreements, the Board would have recommended the Shareholders to vote in favour of the entering into of the Compensation Agreements.

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the year ended 31 December 2016 is disclosed in the Prospectus (pages I-1 to I-126) which is available on the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/gem/2017/1129/gln20171129005.pdf

The financial information of the Group for the year ended 31 December 2017 is disclosed in the 2017 annual report of the Company (pages 52 to 147) which is available on the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/gem/2018/0329/gln20180329185.pdf

The financial information of the Group for the year ended 31 December 2018 is disclosed in the 2018 annual report of the Company (pages 62 to 159) which is available on the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/gem/2019/0326/gln20190326053.pdf

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 July 2019, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement set out in this circular, the Group has the following indebtedness:

Bank and other borrowings

Outstanding bank and other borrowings of approximately HK$167.3 million, of which bank borrowings with an aggregate amount of approximately HK$163.6 million were secured by the Group's bank deposits, financial assets at fair value through profit or loss, trade receivables, 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 of its subsidiaries.

Lease liabilities

Current and non-current lease liabilities amounting to approximately HK$12.9 million and HK$12.8 million respectively.

Contingent liabilities

Counterclaim from a former customer

The Group is a party to a number of legal proceedings where the Group, as plaintiff, claims for unpaid fees with respect to the Group's printing services, all of which arose during the ordinary course of the Group's business. Among such legal proceedings, the Group has been subject to a counterclaim by the Group's former customer in one legal proceeding. Details of this counterclaim are set forth below:

The customer in France (the "**French Publisher**") counterclaims (1) approximately US$318,000 as copyright payments (the "**Copyright Claim**") in respect of certain books and other printing products printed by the Group under the relevant printing arrangement, which is the underlying cause of the Copyright Claim; (2) approximately US$100,000 for alleged payments (the "**Alleged Payment Claim**") to the Group or the Group's affiliate which shall partially off-set against the Group's original claim of approximately US$752,000 and Euros 180,000 (approximately equivalent to HK$7.35 million in aggregate) in respect of non-payment of printing products against the French Publisher (the "**French Original Claim**"), where it alleged to have made a payment of such amount to a print broker based in Germany with the authorisation of a third party alleged to be the Group's agent; (3) approximately Euros 1,400,000 being the primary claim on the grounds of late deliveries of print products (the "**Late Delivery Primary Claim**"); (4) approximately US$501,000, Euros 584,000, 2,000 Australian Dollars and 2,000 Pounds Sterling being the secondary claim (the "**Late Delivery Secondary Claim**") if the Late Delivery Primary Claim fails, plus legal interests from the date of the judgement; and (5) Euros 100,000 of moral damages on the grounds for damaged reputation (the "**Damaged Reputation Claim**"), where it alleged to have suffered damage to its reputation and brand as a result of late and/or faulty deliveries. The Copyright Claim and the Alleged Payment Claim were first filed on 17 December 2014 and 30 April 2016 respectively, while the Late Delivery Primary Claim, the Late Delivery Secondary Claim and the Damaged Reputation Claim were filed on 5 October 2016.

On 27 June 2018, the Paris Commercial Court in Paris, France (the "**Paris Commercial Court**") issued the judgement (the "**Judgement**") with respect to the following: (a) with respect to the claim by the Group against the French Publisher, the Group would be entitled to an award of approximately US$765,000 and approximately Euros 176,000 as award under the French Original Claim; (b) with respect to the counter-claim by the French Publisher against the Group, the French Publisher would be entitled to an award of approximately US$318,000 under the Copyright Claim and Euros 480,000 under the Late Delivery Primary Claim and Late Delivery Secondary Claim while the Damaged Reputation Claim was rejected; and (c) after off-set of (a) and (b), the Group would be entitled to approximately US$100,000 against the French Publisher.

On 16 August 2018, the French Publisher lodged an appeal to Paris Court of Appeal in Paris, France (the "**Paris Court of Appeal**") against the Judgment (the "**Appeal Claim**"). Up to the date of issue of this circular, the Appeal Claim was still in progress. Based on currently available documents and the legal advice, the directors of the Company are of the opinion that the Appeal Claim is not expected to have a significant impact on the consolidated financial statements. Accordingly, no provision has been made in respect of the Appeal Claim.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, at the close of business on 31 July 2019, any outstanding debt securities issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including overdrafts, liabilities under acceptance, acceptance credit, debentures, charges, mortgages, hire purchase commitments, any guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into account the cash flow generated from the operating activities, the financial resources available to the Group including cash and cash equivalent on hand, the internally generated funds, the available banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirement for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The revenue of the Group was approximately HK$432.5 million for the year ended 31 December 2018 representing a slight increase from approximately HK$430.7 million for the year ended 31 December 2017. Such increase was mainly due to increase orders from customers for leisure and lifestyle books.

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 U.S., U.K., Australia and Europe (excluding U.K.). The products of the Group comprise mainly books and other paper-related products. Paper and ink are the principal raw materials of the Group. The two production sites of the Group were located in Shenzhen and Hong Kong. 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 has signed the lease agreement for the New Shenzhen Factory in light of the Current Shenzhen Factory would need to be surrendered due to the construction of subway nearby. For details, please refer to the announcements of the Company dated 20 September 2018 and 25 March 2019, the Announcements and this circular. Looking forward, there are certain risk that the Group will face in further development such as challenges from increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, the Board remains cautiously optimistic of the 2019 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 this goal, the Board plans to implement the following business strategies: improving the Group's 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.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the Directors have the following interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, are required to be notified to the Company and the Stock Exchange once the Shares are listed:

(i) Interests in the Company

Name of Director	**Capacity**	**Number of Shares** *(note 1)*	**Percentage of interest in the Company**
Mr. Lam *(Notes 2 and 4)*	Interest of controlled corporation	480,000,000 Shares (L)	60%
Ms. Yao *(Notes 3 and 4)*	Interest of spouse	480,000,000 Shares (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, which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 480,000,000 Shares under the SFO upon the Listing.

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 a third party ("**Lender**") as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam, the chairman and controlling shareholder of the Company. As at the Latest Practicable Date, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

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

Net Pacific Finance Group Limited has subscribed for 10,000,000 class A shares in Fine Time. Holders of class A shares in Fine Time do not have voting rights at general meetings of Fine Time but all shareholders of Fine Time share the profits and risks of Fine Time according to their respective total contribution in debt and equity to Fine Time. As Net Pacific Finance Group Limited contributed HK$10,000,000 out of the total debt and equity contribution received by Fine Time of HK$22,000,000, Net Pacific Finance Group Limited holds 45.4% of the economic interest in Fine Time. However, Net Pacific Finance Group Limited does not hold any voting rights in Fine Time and accordingly, Net Pacific Finance Group Limited is not the controlling shareholder of Fine Time.

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

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

Name of substantial shareholder	Capacity	Number of Shares *(Note 1)*	Percentage of interest in the Company
First Tech *(Notes 2 and 4)*	Beneficial owner	480,000,000 (L)	60%
Fine Time *(Note 3)*	Beneficial owner	120,000,000 (L)	15%

Notes:

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

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

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

4. The Company was notified by First Tech, 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 the Charged Shares in the issued share capital of the Company in favour of the Lender as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam, the chairman and controlling shareholder of the Company. As at the Latest Practicable Date, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

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

3. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date,

(a) none of the Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up; and

(b) none of the Directors was materially interested in contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

4. LITIGATION

The Group is a party to a number of legal proceeding where the Group, as plaintiff, claims for unpaid fees with respect to the Group's printing services, all of which arose during the ordinary course of the Group's business. Among such legal proceedings, the Group has been subject to a counterclaim by the Group's former customer in one legal proceeding as at the Latest Practicable Date. Details of this counterclaim are set forth below:

The customer in France (the "**French Publisher**") counterclaims (1) approximately US$318,000 as copyright payments (the "**Copyright Claim**") in respect of certain books and other printing products printed by the Group under the relevant printing arrangement, which is the underlying cause of the Copyright Claim; (2) approximately US$100,000 for alleged payments ("**Alleged Payment Claim**") to the Group or the Group's affiliate which shall partially off-set against the Group's original claim of approximately US$752,000 and Euros 180,000 (approximately equivalent to HK$7.35 million in aggregate) in respect of non-payment of printing products against the French Publisher (the "**French Original Claim**"), where it alleged to have made a payment of such amount to a print broker based in Germany with the authorisation of a third party alleged to be the Group's agent; (3) approximately Euros 1,400,000 being the primary claim on the grounds of late deliveries of print products (the "**Late Delivery Primary Claim**"); (4) approximately US$501,000, Euros 584,000, 2,000 Australian Dollars and 2,000 Pounds Sterling being the secondary claim (the "**Late Delivery Secondary Claim**") if the Late Delivery Primary Claim fails, plus legal interests from the date of the judgement; and (5) Euros 100,000 of moral damages on the grounds for damaged reputation (the "**Damaged Reputation Claim**"), where it alleged to have suffered damage to its reputation and brand as a result of late and/or faulty deliveries. The Copyright Claim and the Alleged Payment Claim were first filed on 17 December 2014 and 30 April 2016 respectively, while the Late Delivery Primary Claim, the Late Delivery Secondary Claim and the Damaged Reputation Claim were filed on 5 October 2016.

On 27 June 2018, the Paris Commercial Court in Paris, France (the "**Paris Commercial Court**") issued the judgement (the "**Judgement**") with respect to the following: (a) with respect to the claim by the Group against the French Publisher, the Group would be entitled to an award of approximately US$765,000 and approximately Euros 176,000 as award under the French Original Claim, (b) with respect to the counter-claim by the French Publisher against the Group, the French Publisher would be entitled to an award of approximately US$318,000 under the Copyright Claim and Euros 480,000 under the Late Delivery Primary Claim and Late Delivery Secondary Claim while the Damaged Reputation Claim was rejected, and (c) after off-set of (a) and (b), the Group would be entitled to approximately US$100,000 against the French Publisher.

On 16 August 2018, the French Publisher lodged an appeal to Paris Court of Appeal in Paris, France (the "**Paris Court of Appeal**") against the Judgment (the "**Appeal Claim**"). Up to the Latest Practicable Date, the Appeal Claim was still in progress.

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

5. SERVICE CONTRACTS

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

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

(a) the lease agreement entered into between Prosperous (SZ) as tenant and the Long Yi Shoes (Shenzhen) Company Limited* (隆禕鞋業(深圳)有限公司) dated 25 March 2019;

(b) a deed dated 15 November 2017 and made between the Company, First Tech and Mr. Lam whereby, First Tech and Mr. Lam gave certain representations, warranties, undertakings and indemnity to the Company in respect of, among other things, the business and assets of the Company and its subsidiaries;

(c) the deed of indemnity dated 15 November 2017 executed by Mr. Lam and First Tech in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time) regarding certain indemnities as more particularly set out in the sub-section headed "E. Other Information — 1. Indemnity" in Appendix V to the Prospectus;

(d) the deed of non-competition dated 15 November 2017 executed by Mr. Lam and First Tech in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus;

(e) the Public Offer Underwriting Agreement (as defined in the Prospectus); and

(f) the Compensation Agreements.

7. 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.

8. AUDIT COMMITTEE

The audit committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The audit committee consists of three members, being Ms. Cheung Yin (Chairman), Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gene. For detailed biography of the audit committee members, please refer to the 2018 annual report of the Company.

9. COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited ("**Kingsway**"), as at 31 December 2018, save as (1) Kingsway's participation as the sole sponsor in relation to the Listing; (2) Kingsway's affiliated company, Kingsway Financial Services Group Limited as one of the joint bookrunners and joint lead managers in relation to the Listing; and (3) the compliance adviser agreement entered into between the Company and Kingsway Capital Limited, neither Kingsway nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

10. GENERAL

(a) The registered office, head office and principal place of business in Hong Kong of the Company is at 3/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Mr. Ho Tai Wai David, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and a certified public accountant (practicing) in Hong Kong, an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, and an associate member of The Taxation Institute of Hong Kong and a certified tax advisor.

(d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the principal office of the Company in Hong Kong at 3/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong from the date of this circular up to and including 14 days (except public holidays):

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(c) the annual reports of the Company for each of the two years ended 31 December 2017 and 2018; and

(d) this circular.