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Prosperous Printing Company Limited
萬里印刷有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 8385)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Prosperous Printing Company Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2022.

This announcement, containing the full text of the 2022 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcement of annual results. Printed version of the 2022 Annual Report of the Company of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and available for viewing on the GEM website at the www.hkgem.com on the "Latest Listed Company Information" page and on the Company's website at www.prosperous-printing-group.com.hk.

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

Hong Kong, 31 March 2023

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website (www.hkgem.com) for at least seven days from the day of its posting. This announcement will also be published on the Company's website at www.prosperous-printing-group.com.hk.

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (the "**Directors**") of Prosperous Printing Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules governing the Listing of Securities on the GEM of the Stock Exchange (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.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Chen Kun *(Solicitor of HKSAR)*

AUTHORISED REPRESENTATIVES

Mr. Lam Sam Ming
Ms. Chan Sau Po

COMPLIANCE OFFICER

Ms. Chan Sau Po

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

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

AUDITOR

CWK CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Unit 2110-2111, 21/F, Cosco Tower
183 Queen's Road Central
Central
Hong Kong

COMPANY'S WEBSITE

www.prosperous-printing-group.com.hk

STOCK CODE

8385

Highlights

FINANCIAL HIGHLIGHTS

- The revenue of the Group was approximately HK$194.8 million for the year ended 31 December 2022 representing a decrease of approximately 30.9% from approximately HK$281.8 million for the year ended 31 December 2021. Such decrease was mainly caused by a decrease in sales due to COVID-19 and overall global economic uncertainty.

- The gross profit was approximately HK$57.1 million for the year ended 31 December 2022, as compared to the gross profit of approximately HK$54.2 million for the year ended 31 December 2021. The improvement in gross profit margin was primarily due to the implementation of cost control measures by the Group.

- The net loss for the year was approximately HK$59.7 million for the year ended 31 December 2022, as compared to the net loss of approximately HK$83.1 million recorded for the year ended 31 December 2021. The improvement was mainly due to a rise in gross profit margin and a decrease in impairment losses on trade and other receivables.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (for the same period ended 31 December 2021: Nil).

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2022 (the "**the Year**"). Unless otherwise stated, the capitalised terms used in this annual report shall have the same meaning as those used in the prospectus ("**Prospectus**") dated 29 November 2017.

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 experienced sharp decrease in revenue, and such decrease was mainly due to COVID-19 and overall global economic uncertainty.

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

In 2022, the Group has also disposed of aged machinery to obtain additional working capital.

FINANCIAL REVIEW

The revenue of the Group was approximately HK$194.8 million for the year ended 31 December 2022 representing a decrease of approximately 30.9% from approximately HK$281.8 million for the year ended 31 December 2021. Such decrease was mainly due to decrease of sales order due to COVID-19 and overall global economic uncertainty. The gross profit was approximately HK$57.1 million for the year ended 31 December 2022, as compared to the gross profit of approximately HK$54.2 million for the year ended 31 December 2021. The improvement in gross profit margin was primarily due to the implementation of cost control measures by the Group.

OUTLOOK

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 U.S.-China trade dispute, COVID-19, an increase in paper cost and technological advancements in publishing and new forms of information dissemination. As a result of COVID-19 and chain effect, the Group considers that the business environment would continue to be challenging in 2023 and will continue to adopt cost-control measures to sustain its business. 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.

Chairman's Statement

During the Year, the global economy was severely impacted by the outbreak of COVID-19 pandemic (the "**Pandemic**"). The Pandemic severely affected the demand for print products. Our Group's performance was also adversely affected. For details of the financial review and business review, please refer to the section of "Management Discussion and Analysis" in this annual report.

In 2022, the Group has implemented several measures including epidemic prevention and control, cancellation and rescheduling visits of customers in accordance with relevant national and local regulations on epidemic prevention and control, to ensure the health and safety of customers and employees.

With the abandonment of Covid-19 control measures and reopening of borders, the Group remains cautiously optimistic that the Group's performance will improve in 2023.

APPRECIATION

I would like to express my gratitude on behalf of the Group to all customers, suppliers, subcontractors, business partners and professional parties for their support to our business development. I also take this opportunity to thank the management and employees of the Group for their contribution and commitment throughout the year.

Mr. Lam Sam Ming
Chairman

Hong Kong, 31 March 2023

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lam Sam Ming (林三明) ("Mr. Lam"), aged 61, was appointed as our Director on 26 April 1993 and was re-designated as our executive Director on 8 September 2016. He is also the chairman and CEO of our Group and a Controlling Shareholder.

Mr. Lam is primarily responsible for the overall management and formulation of business strategy of our Group. He also oversees the overall financial and operation functions of our Group.

Mr. Lam has over 39 years of experience in the printing industry. Mr. Lam began his career in the printing industry when he was registered as an apprentice of The Hong Kong Printers Association in September 1976. Prior to founding our Group, Mr. Lam started his career in the industry when he was first employed as an apprentice by Hing Yip Printing Co. Ltd ("**HYP**"). He spent over 10 years with HYP between January 1983 and March 1993 and his last position at HYP was a manager of the production department.

Mr. Lam established our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. Please refer to the section headed "History, Reorganisation and Corporate Structure – Our Corporate Development" in the Prospectus for further details. Currently, Mr. Lam assumes various directorships in our Group including those in Printplus, Great Wall and Century Sight. Mr. Lam is the spouse of Ms. Yao who is also our executive Director.

Mr. Lam was the sole director of Topping Shiny Limited ("**Topping Shiny**"), which was incorporated in Hong Kong, prior to its dissolution on 17 March 2017. The principal business of Topping Shiny was the provision of personalised photo albums. Topping Shiny was dissolved by way of deregistration under section 750 of the Companies Ordinance. Under this section, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities. Mr. Lam has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

As at the date of this annual report, Mr. Lam is interested in 480,000,000 Shares held through First Tech, which is wholly and beneficially owned by Mr. Lam. Mr. Lam is a director of First Tech.

Ms. Yao Yuan (姚遠) ("Ms. **Yao")**, aged 46, was appointed as our Director on 10 March 2016 and was re–designated as our executive Director on 8 September 2016.

Ms. Yao is primarily responsible for overseeing and liaising with local officials in relation to our Group's operations in the PRC. She has over 13 years of experience in the management of printing business and operations in the PRC. Prior to joining our Group, Ms. Yao was the general manager and a majority shareholder of Royal Step (SZ) which was our Group's customer and sub-contractor during the Track Record Period (i.e. the three years ended 31 December 2019) and was primarily responsible for the overall management of the company, from 2008 to 2015. Ms. Yao was also the director of Royal Step Printing Company Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party, from 2008 to 2015.

Ms. Yao graduated from the University of Qiqihar (齊齊哈爾大學), the PRC, in July 1999 with a practicing diploma in Mechanical Design and Manufacturing (機械設計及製造). Ms. Yao is the spouse of Mr. Lam who is also our executive Director. Ms. Yao has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

As at the date of this annual report, Ms. Yao is deemed to be interested in 480,000,000 Shares held by Mr. Lam, the spouse of Ms. Yao, through First Tech, which is wholly and beneficially owned by Mr. Lam.

Ms. Chan Sau Po (陳秀寶) ("Ms. Chan"), aged 49, was appointed as our executive Director and chief financial controller of our Group on 8 September 2016.

Ms. Chan is primarily responsible for corporate financial planning, risk management, investor relations, accounting and treasury management of our Group. Ms. Chan joined our Group in February 1997 and has over 30 years of experience in accounting. Prior to joining our Group, she was employed by Stephen Law & Company, an audit firm, as Audit Senior from September 1991 to February 1997.

Ms. Chan obtained her higher diploma in accountancy from the Hong Kong Polytechnic University in 1999. Ms. Chan has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cheung Yin (張延) ("Ms. Cheung"), aged 58, was appointed as an independent non-executive Director on15 November 2017. She is currently a financial controller of LWH Advisory Limited, a company incorporated in Macau which is principally engaged in provision of various financial services. Ms. Cheung is also the Company Secretary and Authorised Representative for Finet Group Limited (Stock Code: 8317) and GBA Holdings Limited (Stock Code: 261). Since 18 January 2021, Ms. Cheung has been appointed an independent non-executive director of Joyas International Holdings Limited (SGX: E9L) which is listed on the Catalist of Singapore Exchange Limited. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia.

Ms. Cheung obtained a master's degree in Business Administration from the University of Wales, Newport in the United Kingdom in December 2009 and a Bachelor's degree in Business (Accountancy) from the Charles Sturt University in Australia in April 1991.

Ms. Cheung worked for Coastal Greenland Limited which is listed on the main board of the Stock Exchange as a qualified accountant for the period from April 2004 to June 2007 and senior accounting manager/accounting manager for the period from September 1995 to March 2004. She has over 30 years of experience in accounting, auditing and financial management. Ms. Cheung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

Profiles of Directors and Senior Management

Mr. Wong Hei Chiu (黃禧超) ("Mr. Wong"), aged 56, was appointed as an independent non-executive Director on 15 November 2017. Mr. Wong has over 29 years of corporate finance and financial management experience in Hong Kong and the PRC. Mr. Wong is currently an executive director, chief financial officer and company secretary of Kingmaker Footwear Holdings Limited, a listed company on the Main Board of the Stock Exchange (Stock Code: 1170). From January 2018 to March 2019, Mr. Wong was an independent non-executive director of Vico International Holdings Limited, whose shares are listed on the Main Board of Stock Exchange (stock code: 1621).

Mr. Wong has worked as the group financial controller and company secretary of Karce International Holdings Company Limited (now known as Jimei International Entertainment Group Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1159) from June 2000 to July 2008; and as the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1215) from June 1996 to December 2000. Mr. Wong was also an independent non-executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8191), during the period from December 2013 to June 2016.

Mr. Wong obtained an Executive Diploma in Corporate Governance and Sustainability Directorship from The Hong Kong Institute of Directors and completed the Prince of Wales' Business Sustainability Programme from the University of Cambridge Institute for Sustainability Leadership in 2019.

Mr. Wong obtained an Executive Master's degree in Business Administration from The Chinese University of Hong Kong in November 2016 and a Bachelor's degree in business administration from Lingnan University, Hong Kong in November 1996. He is a Certified Public Accountant (Practising), a fellow member of The Association of Chartered Certified Accountants in the United Kingdom, a fellow member of The Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wong is also a fellow member of the Hong Kong Institute of Directors. Save as disclosed above, Mr. Wong has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

Mr. Leung Gar-gene Vincent (梁家進) ("Mr. Leung"), aged 37, is an experienced finance and accounting professional. He is currently a director of Gemcoast Limited, a private company in Hong Kong principally engaged in providing financial consultancy services to its clients. He is a member of Chartered Accountants in Australia and New Zealand and is a member of its Hong Kong Council. He is also a licensed person to carry on Type 9 (asset management) regulated activity under the Hong Kong Securities and Futures Commission (the "**SFO**") since July 2019.

Since November 2017, Mr. Leung has been and continues to serve as an independent non-executive director of Prosperous Printing Company Limited (stock code: 8385) and independent non-executive director of GBA Holdings Limited (stock code: 261) from 27 March 2023. Previously, Mr Leung was an independent non-executive director of Samson Paper Holdings Limited (stock code: 731) from July 2020 to January 2022.

Mr. Leung obtained a bachelor of commerce degree from The University of New South Wales, Australia in March 2006. Except as disclosed above, Mr. Leung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

SENIOR MANAGEMENT

Our Board is assisted and supported by our senior management team, which currently comprises four members. The following table sets forth certain information of our senior management:

Name	Age	Date of joining our Group	Position
Ms. Wong Wai Sze (黃慧思)	58	2 August 2010	Vice President – Management
Mr. Hu Min (胡民)	62	3 October 1993	Vice President – Production

Ms. Wong Wai Sze (黃慧思) ("Ms. Wong"), aged 58, is the Vice President – Management of our Group. She is primarily responsible for overseeing our Group's internal audit, information technology affairs, and factory inspections. Ms. Wong has over 30 years of experience in the printing and publishing industry in Hong Kong. She joined our Group in August 2010. Prior to joining our Group, Ms. Wong worked at Regent Publishing Services Limited as a director of operations from August 1991 to March 2010. Ms. Wong has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

Mr. Hu Min (胡民) ("Mr. Hu"), aged 62, is the Vice President – Production of our Group. He is primarily responsible for overseeing our Hong Kong Factory and our Shenzhen Factory. Mr. Hu has over 27 years of experience in the printing and publishing industry in Hong Kong. Mr. Hu has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

COMPANY SECRETARY

Mr. Chen Kun ("**Mr. Chen**") has been appointed as the Company Secretary with effect from 1 January 2021. Mr. Chen is a practicing solicitor in Hong Kong and was admitted in November 2011. Mr. Chen received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from the University of Hong Kong. For details, please refer to the announcement dated 31 December 2020.

COMPLIANCE OFFICER

Ms. Chan Sau Po is the compliance officer of our Group. Please refer to the sub-section headed *"Board of Directors – Executive Directors"* above for her biographical details.

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 factory in Shenzhen (the "**Shenzhen Factory**") and the factory in Hong Kong (the "**Hong Kong Factory**").

Each of these factories is a self-functioning printing and production arm of the Group, and they share the printing workload allocated by the management. The revenue of the Group was approximately HK$194.8 million for the year ended 31 December 2022 representing a decrease of approximately 30.9% from approximately HK$281.8 million for the year ended 31 December 2021. Such decrease was mainly due to decrease of sales order due to COVID-19 and overall global economic uncertainty. The gross profit was approximately HK$57.1 million for the year ended 31 December 2022, as compared to the gross profit of approximately HK$54.2 million for the year ended 31 December 2021. The improvement in gross profit margin was primarily due to the implementation of cost control measures by the Group.

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 tightening monetary policy, the U.S.-China trade dispute, an increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, we remain cautiously optimistic of the prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build the Group's competitive strengths so as to increase market share and profitability. To achieve its goal, the Group plans to implement the following business strategies: improving its equipment and the level of automation, expanding customer base and strengthening sales and marketing coverage, and continuing to attract and retain top talent in the industry.

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 was approximately HK$194.8 million for the year ended 31 December 2022 representing a decrease of approximately 30.9% from approximately HK$281.8 million for the year ended 31 December 2021.

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 39.5% from approximately HK$227.6 million for the year ended 31 December 2021 to approximately HK$137.8 million for the year ended 31 December 2022 which is driven by the decrease in sales.

Management Discussion and Analysis

Gross profit and gross profit margin

The gross profit was approximately HK$57.1 million for the year ended 31 December 2022, as compared to the gross profit of approximately HK$54.2 million for the year ended 31 December 2021. The improvement in gross profit margin was primarily due to the implementation of cost control measures by the Group.

Other income

Other income mainly consists of the foreign exchange gain/loss, gain on disposal of property, rental income and income received from government subsidies. The Group recorded other income of approximately HK$14.2 million during the year ended 31 December 2021 and HK$6.0 million during year ended 31 December 2022. The decrease was primarily due to the decrease in rental income received during the year ended 31 December 2022.

Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and depreciation. The administrative expenses increased from approximately HK$54.5 million during the year ended 31 December 2021 to HK$55.7 million during the year ended 31 December 2022, which was mainly due to increase in repairs and maintenance expenses during the year ended 31 December 2022.

Finance costs

The Group recorded finance costs of approximately HK$5.9 million during the year ended 31 December 2021 and HK$7.1 million during the year ended 31 December 2022. The finance costs increased by approximately 20.3% in the year ended 31 December 2022 as compared to the same period in 2021 due to an increase in interest expense on borrowings and lease liabilities.

Income tax

Income tax represents income tax paid or payable by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction the Group operates or domiciles. The Group had no tax payable in other jurisdiction other than Hong Kong and the PRC during the year ended 31 December 2021 and 2022. The operations in Hong Kong are subject to the two-tiered profits tax rate regime, which the first HK$2 million of profits of qualifying entity will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. The operations in the PRC are subject to an enterprise income tax rate of 25.0%. The Group recorded income tax of approximately HK$1.3 million during the year ended 31 December 2022 (2021: HK$2.0 million).

Loss for the year

As a result of the foregoing, the year ended 31 December 2022 recorded loss of approximately HK$59.7 million as compared to loss of approximately HK$83.1 million during the year ended 31 December 2021. The improvement was primarily due to a decrease in impairment losses on trade and other receivables.

Management Discussion and Analysis

Liquidity, financial resources and capital structure

As at 31 December 2022, the Group had net current liabilities of approximately HK$126.7 million (as at 31 December 2021: net current liabilities of approximately HK$72.6 million), of which the cash and cash equivalents were approximately HK$1.3 million. The Group's current ratio as at 31 December 2022 is 0.4 (as at 31 December 2021: 0.7). The gearing ratio as at 31 December 2022 was 2.98 (as at 31 December 2021: 1.24) which is calculated on the basis of the Group's total bank loans, other loans, overdrafts and lease liabilities over the total equity.

Total bank borrowings, other loans, overdrafts and lease liabilities for the Group amounted to approximately HK$172.4 million as at 31 December 2022 (as at 31 December 2021: approximately HK$161.3 million). As at 31 December 2022, bank loans, other loans and overdrafts in the amounts of approximately HK$142.8 million are due within one year.

The Group adopts centralised financing and treasury policies in order to ensure the Group funding is utilised 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.

Material uncertainty related to going concern

The Group sustained a loss of approximately HK$59,655,000 for the year ended 31 December 2022, and as of that date, the Group had net current liabilities of approximately HK$126,699,000 and bank loans and overdrafts amounting to approximately HK$138,684,000 and other loans amounting to HK$4,165,000 which are due for repayment within one year. The breach of loan covenants detailed in Note 24(v) may render the bank loans and overdraft of approximately HK$123,848,000 becoming immediately due for repayment. The Group's pledged bank deposits and cash at bank amounted to approximately HK$2,017,000 and HK$1,261,000, respectively as at 31 December 2022. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the directors of the Company has reviewed the Group's cash flow forecast which cover a period of not less than twelve months from 31 December 2022.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debt obligation and capital expenditure requirements for at least twelve month period from the date of the end of the reporting period.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The plans and measures undertaken to mitigate the liquidity pressure and to improve the financial position of the Group are summarised in Note 3.2 to the consolidated financial statements.

Please refer to "Corporate Governance Report – Board's view on Material Uncertainty" for further details.

Management Discussion and Analysis

Foreign currency management

We are exposed to currency risk primarily through our 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 and GBP. We have not entered into or transacted any other financial instruments for hedging purpose during the year ended 31 December 2022. The Directors will determine by reference to the currency risk management policies, assess the exposure to foreign exchange risk, consider whether or not and to what extent the Group should enter into similar forward foreign exchange contracts and monitor them in line with the Group's currency risk management policies.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of property, plant and equipment such as machinery for production. Our capital expenditure was funded by internal resources, finance leases and bank borrowings during the year ended 31 December 2022.

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Property, plant and equipment	**202,620**	196,747
Intangible assets	**297**	444
Deposits for acquisition of property, plant and equipment	**—**	253
	202,917	197,444

Significant investment, material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no significant investment held by the Group nor any material acquisition or disposal of subsidiary, associate and joint venture for the year ended 31 December 2022.

Future plans for material investments or capital assets

As at the date of this report, the Board does not have any plan for material investments or additions of capital assets.

CHARGE ON GROUP ASSETS

As at 31 December 2022, the bank facilities were secured by pledged bank deposits of the Group, financial assets at fair value through profit or loss, the Group's property, plant and equipment and corporate guarantees from the Company and certain subsidiaries. These bank facilities amounted to HK$135,973,000 (2021: HK$167,599,000) as at 31 December 2022. These facilities were utilised to the extent of HK$123,848,000 (2021: HK$147,756,000) as at 31 December 2022. Pledged bank deposits are approximately HK$2.0 million as at 31 December 2022 (2021: HK$2.0 million). As at 31 December 2022, the Group's properties with carrying amounts of HK$97,863,000 (2021: HK$95,147,000) were pledged as collateral for the Group's banking facilities. As at 31 December 2022, the Group's financial assets at fair value through profit or loss with carrying amounts of HK$14,822,000 (2021: HK$14,935,000) were pledged as collateral for the Group's bank facilities.

CAPITAL STRUCTURE

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

COMMITMENTS

The capital commitments outstanding as at 31 December 2022 not provided for in the financial statements were nil (2021: nil) for purchase of property, plant and equipment.

Treasury policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Employees and remuneration policy

As at 31 December 2022, the Group had 459 (2021: 480) employees in total. The staff costs of the Group (including directors' emoluments, and management, administrative and operational staff costs) for the year ended 31 December 2022 were approximately HK$61.4 million (2021: HK$71.1 million). 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

EVENTS AFTER THE REPORTING PERIOD

On 14 March 2023, Prosperous (SZ), a wholly-owned subsidiary of the Company, entered into the SPA with the Purchaser in respect of Prosperous (SZ)'s sale of the Machinery. For details, please refer to the announcement of the Company dated 14 March 2023.

Save as disclosed above, the Board is not aware of any events after the reporting period that require disclosure.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil). During the year ended 31 December 2022, there was no arrangement under which any shareholder of the Company waived or agreed to waive any dividend.

Corporate Governance Report

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022 (the "**Reporting Period**").

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Board believes that good and effective corporate governance practices are keys to obtaining and maintaining the trust of the shareholders of the Company (the "**Shareholders**") and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the Shareholders.

CORPORATE GOVERNANCE PRACTICE

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

The Company has complied with the principles and applicable code provisions of the CG Code for the year ended 31 December 2022, except the deviation from CG Code provision C.2.1 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 our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. The Directors are of the view that it would be in the Group's best interest for Mr. Lam to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

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

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

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 Reporting Period.

BOARD OF DIRECTORS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The Directors' responsibilities include inter alias:

- To attend regular Board meetings focusing on business strategy, operational issues and financial performance;
- To approve annual budgets covering strategy, financial and business performance, key risks and opportunities;
- To monitor the quality, timeliness, relevance and reliability of internal and external reporting;
- To consider and approve the consolidated financial statements in quarterly, interim reports, annual reports and announcements;
- To focus its attention on matters affecting the Company's overall strategic policies, finances and Shareholders;
- To consider dividend policy and dividend amount; and
- To review and monitor the corporate governance policies and practices of the Group to ensure compliance with the legal and regulatory requirements.

The Company has taken out director liability insurance to cover liabilities arising from legal action against the Directors.

Corporate Governance Report

Composition

The composition of the Board as at the date of this report is set out as follows.

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

Save for the spousal relationship between Mr. Lam and Ms. Yao Yuan, there is no financial, business, family or other material/relevant relationship among members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The profile of each Director are set out in the section headed "Profile of Directors and Senior Management" of this report.

With the various experience of the executive Directors and the independent non-executive Directors (the "**INEDs**") and having regard to the nature of the Group's business, the Company recognises the benefits of having a Board with well-balanced experience and qualification to maintain a sustainable business development of the Group in long run. In recognition of the Company's commitment to a well-balanced Board, the nomination committee is entrusted to review the Company's human resources policy and recruitment process to ensure the effectiveness of the policy.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the Reporting Period and up to the date of this report, four board meetings were respectively held. The individual attendance record of the Board meetings is set out as follows:

Name of Directors	Number of Board Meetings attended/eligible to attend
Mr. Lam Sam Ming	4/4
Ms. Yao Yuan	4/4
Ms. Chan Sau Po	4/4
Ms. Cheung Yin	4/4
Mr. Wong Hei Chiu	4/4
Mr. Leung Vincent Gar-Gene	4/4

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three INEDs representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. As such, there is a strong element in the Board to provide independent judgment.

In accordance with code provision C.3.3 of the Code, the Company has entered into a letter of appointment with each of the INEDs for initially a fixed term of two years commencing from 13 December 2021 and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director has entered into a service agreement with the Company for initially a fixed term of two years commencing from 13 December 2021 and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The service agreements and/or letters of appointment of the Directors are subject to termination in accordance with their respective terms. They can be renewed in accordance with the articles of association of the Company ("**Articles**") and the applicable GEM Listing Rules.

Corporate Governance Report

As required under the Articles, all Directors are subject to election by the Shareholders at the first general meeting after their appointment by the board of directors. At every annual general meeting of the Company at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election thereat.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the Shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision A.2 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars and forums organised by qualified professionals, to develop and refresh their knowledge as to the industry and skills in relation to their contribution to the Board.

All the Directors understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

During the Reporting Period, all the Directors participated in a training seminar regarding director's responsibilities and duties by the Company's legal advisers to ensure that he/she has appropriate understanding of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. Such training seminar was related to corporate governance, connected transactions and directors' continuing obligations.

The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to Directors by the Company whenever necessary.

Corporate Governance Report

BOARD COMMITTEES

The Board has established four Board committees, namely, the audit committee, the remuneration committee, the nomination committee and the risk management committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with respective written terms of reference. All the Board committees should report to the Board on their decisions and works. The practices, procedures and arrangements of conduct of committee meetings follow in line with, so far as practicable, those of the Board meetings and the respective terms of reference of the committees.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

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.

During the Reporting Period and up to the date of this report, four audit committee meetings were held. The individual attendance record of the meetings of the audit committee is set out as follows:

Name of Directors	Number of meetings of the audit committee attended/eligible to attend
Ms. Cheung Yin *(Chairman)*	4/4
Mr. Wong Hei Chiu	4/4
Mr. Leung Vincent Gar-Gene	4/4

During the meeting, the audit committee reviewed (i) the Group's audited consolidated financial statements for the Reporting Period, with a recommendation to the Board for approval; (ii) the Group's financing and accounting policies; and (iii) the Group's internal control system and risk management functions.

Remuneration Committee

The remuneration committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of all Directors and senior management and determine, with delegated responsibilities, the remuneration package of individual Director and senior management.

The remuneration committee consists of three members, being Mr. Wong Hei Chiu (Chairman), Ms. Cheung Yin and Mr. Lam Sam Ming.

During the Reporting Period and as at the date of this report, one remuneration committee meeting was held.

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.

Nomination Committee

The nomination committee was established on 31 December 2017 with its written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee consists of three members, being Mr. Lam Sam Ming (Chairman), Mr. Wong Hei Chiu and Ms. Cheung Yin.

During the Reporting Period and as at the date of this report, one nomination committee meeting has been held.

Risk Management Committee

The risk management committee on 15 November 2017 with its written terms of reference by reference to the code provisions of the CG Code. The primary duties of the risk management committee are to assist the Board in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of the Group's regulatory compliance procedures and system.

The risk management committee consists of three members, being Mr. Lam Sam Ming (Chairman), Ms. Chan Sau Po and Ms. Yao Yuan.

During the Reporting Period and as at the date of this report, one risk management committee meeting has been held.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including production, procurement, marketing, finance, human resources, information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

There being no internal audit unit as the Board does not perceive the cost efficiency to set up one at the present scale of operations of the Company, the Board has invested resources to enhance the internal control system and to take active steps in addressing the recommendation of the internal control system review in the management letter from the external auditors during the audit process.

During the Reporting Period, the Board reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for the Reporting Period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the Reporting Period in this report.

BOARD'S VIEW ON MATERIAL UNCERTAINTY

The Directors had reviewed the Group's cash flow projections prepared by the management (the "**Management**") of the Company that covered a period of not less than 12 months from 31 December 2022. Having taken into account the above-mentioned plans and measures, the Directors were of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Such cash flow forecasts include the following assumptions:

1) One of the other loans with outstanding balance amounting to HK$1,500,000 as at 31 December 2022 shall be matured in March 2023 in accordance with the repayment schedule.

2) The Group has signed a sale and purchase agreement with a third party buyer on 14 March 2023 to sell one eight-color printing machine. The total consideration for the sale and purchase of the machinery is approximately HK$2,960,000 (RMB2,550,000). 10% of the consideration has been received upon signing of the sale and purchase agreement. The remaining consideration will be received before delivery of the machine which is expected to be completed within one month after signing the sale and purchase agreement.

3) The Group is actively seeking for a buyer to dispose certain properties including five carparks located in Hong Kong owned by the Group at HK$130,000,000 and the Group expects the sales transactions will be successfully completed after twelve months from the end of the reporting period. The sales proceeds will be used for repayment of bank loans and overdraft which are subject to loan covenant and repayable on demand within twelve months as detailed in Note 24(v).

4) Subsequent to the year ended 31 December 2022, additional funding amounting to approximately HK$3,300,000 have been secured from a bank in PRC.

The directors of the Company also note the following considerations, relevant to the Group's ability to continue as a going concern:

- At 31 December 2022, the Group had available undrawn banking facilities of approximately HK$12,124,000. The maturity of these facilities are September 2023.

In the event forecast cash flow is not achieved, the directors of the Company have also evaluated other plans that could be undertaken to improve their liquidity position as follow:

1) The Group has actively negotiated with banks and financial institutions to revise the loan covenant clause to reduce the risk of breaching loan covenant which adversely resulting in immediate loan repayment.

2) The Group has been actively negotiating with its bankers to renew or/and extend its existing banking facilities, of which available of unutilised banking facilities to the amount of HK$12,140,000 as at 31 December 2022;

3) The Group is actively and regularly reviewing its capital structure and sourcing additional capital by raising new debt financing or, issuing new shares, where appropriate.

4) The Group is closely monitoring its operations and implementing cost control on operating costs and administrative expenses with an aim to attain positive and sustainable cash flow from operations;

Taking into account all assumptions and plans as described above, the directors of Company are of the opinion that the Group will have sufficient working capital to maintain its operations and to meet its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, uncertainty exists as to whether the revision of loan covenant clause or whether the bank facilities can be renewed and all other alternative operating and financing plans as the Group is still negotiating with its external financiers on the financing to the Group and the sales of certain properties depend on the market condition. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

To resolve the going concern issues, the Group will continue to undertake the following measures: (1) 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, (2) the Group has been actively negotiating with its bankers to renew or/and extend its existing banking facilities, (3) the Group intends to dispose of certain properties, (4) 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.

AUDITOR'S REMUNERATION

During the Reporting Period, TANDEM (HK) CPA Limited ("**Tandem**") tendered its resignation as the auditor of the Group with effect from 31 October 2022. On 31 October 2022, the Company engaged CWK CPA Limited ("**CWK**") as the external auditor. The fees in respect of audit services provided by TANDEM and CWK for the Reporting Period amounted to approximately HK$1,000,000 and HK$900,000 respectively. No auditor had been engaged to provide non-audit services.

COMPANY SECRETARY

Mr. Chen Kun, was appointed by the Board as the company secretary of the Company on with effect from 31 December 2020. The biographical details of Mr. Chen are set out in the section headed "Profile of Directors and Senior Management" of this report.

SHAREHOLDERS' RIGHT

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 74 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more Shareholders in accordance with Companies Ordinance (Cap 622, Laws of Hong Kong), which provides (1) the members of a company may request the directors to call a general meeting of the company; (2) the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings; (3) a request (a) must state the general nature of the business to be dealt with at the meeting; and (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting; and (4) requests may consist of several documents in like form; and (5) a request (a) may be sent to the company in hard copy form or in electronic form; and (b) must be authenticated by the person or persons making it.

Right to put enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Procedure for shareholders to put forward proposals at shareholders' meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the principal place of business of the Company in Hong Kong or by e-mail to **rainbow@prosperous-printing.com** for the attention of the Company Secretary.

INVESTOR RELATIONS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities in accordance with GEM Listing Rules.

The Company's annual and interim reports and circulars are printed and sent to all Shareholders.

Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website (**www.prosperous-printing-group.com.hk**). The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis.

The Company acknowledges that general meetings are good communication channel with Shareholders and the Directors and the members of the Board committees are encouraged to attend and answer questions raised by Shareholders at the general meetings.

The Company is committed to promoting and maintaining effective communication with Shareholders and other stakeholders. The Board is committed to ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company so as to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company.

During the Reporting Period, there had been no change in the Company's constitutional documents.

Environmental, Social and Governance Report

INTRODUCTION

Prosperous Printing Company Limited (the "**Company**") and its subsidiaries (the "**Group**") are committed to promoting sustainable development and social responsibility, which is important to create long-term value for the Group's shareholders, employees and other stakeholders. The Group strives to provide employees with a safe and healthy working environment as well as talent training and development. This report covers environmental, social and governance matters of the Group for the year commencing 1 January 2022 to 31 December 2022 ("**FY2022**") and information comparative figures of the previous year ended 31 December 2021 ("**FY2021**") have been included for comparison purpose.

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 Group's products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials. Production activities typically involving information editing, color pantone management, proof reading, printing plates production, offset and digital printing, stitching and binding, quality controls, finished products packaging, warehousing, freight and delivery.

The Group had completed the lease agreement with the independent third party for providing the Group with exclusive production operation support in Hong Kong operating on the Group's existing premises, machineries and facilities. As from 1 January 2022, the Group had taken back the printing production facilities in Hong Kong under the Group's management. The following figures for FY2021 on production activities are referring to the Shenzhen Factory only.

This environmental, social and governance report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**").

This report provides information related to the business activities of the production sites and warehouse facilities directly controlled by the Group. Data from our customers or suppliers are not included as such data is difficult to verify with available resources.

We believe that understanding the views of our stakeholders lays a solid foundation to the long-term growth and success of the Group. We develop multiple channels to a broad spectrum of stakeholders in order to provide them with the opportunity to express their views on our sustainability performance and future strategies. To reinforce mutual trust and respect, we are committed to maintaining enduring communication channels, both formally and informally, with stakeholders to enable us to better shape our business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. We have identified employees, customers, suppliers, business partners, banks, shareholders, government and the community at large as our key stakeholder groups. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.

The COVID-19 virus in 2019 and characterized by the World Health Organization as pandemic had continued the un-favourable impact on the Group's production and business activities into FY2022, while the general uplifts on the restriction of travelling between Hong Kong and the other parts of the world in March 2023 offers positive sign towards our returning to the pre-2019 business environment.

Environmental, Social and Governance Report

1. Environmental Protection Strategy

The Group is environmental conscious and strives to operate its production processes and facilities that maximizing our resources efficiently, improving productivity while minimizing the unfavorable impacts, seeking to contribute to the improvement of ecological environment and sustainable development. The Group has to ensure that our operations are compliant with all the relevant environmental rules and regulations.

1.1 Environmental Rules and Regulations

Our printing operations are subject to various environmental rules and regulations, such as, PRC Environmental Protection Law (《中華人民共和國環境保護法》), PRC Prevention and Control of Environmental Pollution Caused by Solid Waste Law (《中華人民共和國固體廢物污染環境防治法》), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) and Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong).

Our Shenzhen Factory is certified in conformity with the Environmental Management System Standard: GB/T24001-2016/ISO 14001:2015 for the Printing and Related Management Activities of Packaging and Decoration Printing.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gases ("**GHG**") emissions, discharges into water and land, generation of hazardous and non-hazardous wastes during FY2022.

1.2 Green Production Objective

The Group has to measure, monitor and control the level of emissions of exhaust gases, GHG and generation of hazardous wastes during production and to look for possible improvements for reducing the level of wastes generated from production.

Since October 2021, the Group's Shenzhen factory has been granted a 5-year Waste Disposal Licence (《排污許可證》) by the Shenzhen Environmental Protection Department Longguan Office (深圳市生態環境局龍崗管理局) approving our internal control system for monitoring the emissions of waste water and exhaust gases during production and in compliance with the prescribed standards required for the printing industry.

1.2.1 Emissions Measurements

The Group's emission of exhaust and GHG gases is primarily from purchased electricity and fuel used in production, factories and offices. There are other indirect emissions generated, for example, purchased paper, purchased printing plates, paper waste and business travelling.

During the offset printing process, chemically tainted water is released through washing of the printing plates in the prepress production and the cleaning of ink rollers from the printing presses. In the ink application process, there are certain Volatile Organic Compounds ("**VOC**") emissions such as benzene, toluene and p-xylene. Though the emissions are considered insignificant, our Shenzhen Factory installed environmental air filters to minimize the VOC emission. Effluent is generated in our business operation mainly for cleaning, personal consumption of employees and usage in staff quarters.

The Group has engaged external qualified testing companies for collecting and analyzing the emissions of exhaust and GHG gases, effluent discharged from our Shenzhen Factory, where the Group's main production facilities are located. The testing basis and samples collection procedures are conducted according to the prevailing regulations and procedures as in previous years.

Direct emissions of GHG are from production, usage of motor and electrical vehicles, indirect emission is due to electricity consumption.

GHG emission	**FY2022 tCO_2e**	FY2021 tCO_2e
Direct	**21.20**	26.83
Indirect	**6,173.83**	8,549.70
Total	**6,195.03**	8,576.53
Total production output in ton	**8,599.59**	14,224.08

tCO_2e: Per ton of equivalent carbon dioxide emission

Testing results of the GHG emission of our factory confirmed full compliance with the required environmental and safety standards in Shenzhen City.

The following testing results on the exhaust gases emitted from our Shenzhen Factory in FY2022 also confirmed that the density of harmful content such as benzene, toluene, p-xylene and other VOC have been in full compliance with the required environmental and safety standards in Shenzhen City.

	FY2022 Density (mg/m^3)	FY2021 Density (mg/m^3)
Benzene 苯	**0**	0
Toluene 甲苯	**0**	0.0150
P-Xylene 二甲苯	**0**	0.0075
Non-methane hydrocarbon 非甲烷總烴	**1.690**	0.7050
Other VOC	**0.02625**	0.4150

The contents of the effluent generated from our Shenzhen Factory have also been collected during FY2022 for testing with the results confirmed that we are in full compliance with the required environmental and safety standards in Shenzhen City as indicated below.

Testing results	FY2022	FY2021
pH value	**7.1125**	7.300
Suspended matter, mg/L	**36.75**	0
Chemical oxygen demand, mg/L	**62**	8.50
Biochemical oxygen demand 5 days, mg/L	**17.775**	2.325
Ammonia nitrogen, mg/L	**0.31475**	0.138
Total phosphorus, mg/L	**0.085**	0.045
Chromaticity, times	**2**	2

The above testing results have been published in the Shenzhen factory's website for public inspection regarding environmental protection information disclosure（環境信息公開表）.

1.2.2 Materials Recycling

The Group aims to optimize the use of materials resources throughout the production process and increasing the recycling use of materials for minimizing wastage. In FY2022, total paper materials purchased were 11,296.73 ton increased by 16.50% from 9,697.17 ton in FY2021 mainly due to the level of increase inventories for production requirement.

Papers used in the offices are to be printed and written on both sides, documents recorded in soft copy format that facilitate transmission through email is encouraged for reducing the usage of papers.

In order to enhance the efficiency and tidiness for our collection of scrap paper materials from production, we have set up centralized mechanical equipment for compression and bundling of scrap papers in our Shenzhen Factory for expediting the process and increase the recycling rate. Other recyclable materials such as carton box, used printing plates and waste metals are separately identified and recycled. We are working closely with our printing ink suppliers by returning their plastic ink containers for reuse and reduce wastage.

The collection of waste materials in our Shenzhen Factory during FY2022 when compared with FY2021 is as follows:

(in kg)	FY2022 Quantity	FY2021 Quantity	Changes Quantity	%
Scrap papers	**2,170,355**	2,958,358	**(788,003)**	(26.64)
Used printing plates	**70,490**	135,760	**(65,270)**	(48.08)
Sub-total and recycled	**2,240,845**	3,094,118	**(853,273)**	(27.58)
Hazardous wastes	**5,811**	3,798	**2,013**	53.00
Total	**2,246,656**	3,097,916	**(851,260)**	(27.48)

All scrap papers and used printing plates are recycled and have been disposed to authorized collectors handling recycle of the materials. During FY2022 except for the hazardous wastes, a total of 2,240.85 ton of waste materials, decreased from 3,094.12 ton in FY2021, has been recycled, representing a 99.74% of the waste materials being recycled as 99.88% in previous year.

For the protection of our customers' intellectual property rights, all the scrap printed papers and books must be shredded before being recycled. For the printing plates, these must be left idle for at least 60 days for oxidation before sending to waste collector for recycling.

The wooden pallets used during transportation and delivery of goods have also been recycled and returned for usage and decreased from 2,355 pieces in FY2021 to 562 pieces in FY2022 mainly due to reduced subcontracting work when wooden pallets are used during transportation.

During FY2022, the total amount of hazardous wastes generated from our production was equivalent to 0.07% per kg unit of production when compared with 0.03% in FY2021. The non-hazardous wastes generated by the Group during FY2022 that were recycled equivalent to 0.26 per kg unit of production when compared with 0.22 in FY2021.

1.2.3 Hazardous Waste Management

For the disposal of hazardous wastes generated from production, we strictly follow the PRC Prevention and Control of Environmental Pollution Caused by Solid Waste Law and engaged independent authorized waste collector for disposal of the hazardous wastes. Our administration department maintains proper records on the amounts of hazardous wastes disposed each year.

Our employees are required to comply with the following practices and procedures for the proper handling of hazardous wastes:

- Employees who are required to handle hazardous waste must attended the required training before assigned to their positions

- Clear instructions and protective equipment are provided to employees handling the wastes

- Hazardous wastes are stored in rigid containers to avoid spillage and at designated storage area

During FY2022, a total of 5.80 ton of hazardous wastes was produced and increased by 52.63% from 3.80 ton in FY2021 with the majority of the hazardous waste was attributable to the residues generated from treatment of sewage water.

1.2.4 Shipment of Products

The Group encourages our customers to consolidate the shipment volumes and orders if applicable for reducing the numbers of individual shipment that can minimize the times of sea voyages on the environmental impact. The Group is using recyclable pallets for loading products to containers.

1.2.5 Environmental Monitoring Costs

The Group has incurred recurrent operating costs for monitoring and management of our internal control system on environmental protection, including engagement of qualified companies to conduct testing on the emissions of exhaust gases and effluent during production processes to ensure that we are in full compliance with all the environmental and safety laws and regulations.

With our commitment to environmental protection, during FY2022, total direct costs incurred on environmental protection in the treatment of effluent, different types of testing, repairs and maintenance costs incurred on the treatment facilities for exhaust gas and effluent in the factory premises, decreased by 34.16% from HKD998,884 in FY2021 to HKD657,699 mainly attributable to the installation of a one time new monitoring system for exhaust gases emission during printing production in our Shenzhen factory in FY2021.

1.2.6 Management Approach for FY2023

(i) Reduce energy consumption and carbon emissions:

- To monitor and control GHG emission per unit of production output in full compliance with the laws and regulations

(ii) Recycle materials to minimize waste and conserve resources:

- To continue promoting the use of digital format data for saving document printing

- To continue monitoring the efficient collection of scrap paper materials for recycling

1.3 High Performance Production Objective

The Group is to achieve high performance production using the necessary materials and avoid using excessive resources causing wastage and environmental unfriendly.

1.3.1 Monitoring Resources Usage

The principal raw material used for production is paper and close monitoring on paper usage in relation to our level of production to ensure no excessive usage.

The Group's usage of paper, printing plate, ink, electricity and water during FY2022 and compared with FY2021 is as follows:

	FY2022 Amount (HKD)	FY2021 Amount (HKD)	Change Amount (HKD)	%
Paper	67,845,433	65,260,221	2,585,212	3.96
Printing plate	4,166,393	5,735,696	(1,569,303)	(27.36)
Printing ink	3,167,021	4,151,388	(984,367)	(23.71)
Electricity charges	7,349,343	7,357,089	(7,746)	(0.11)
Water charges	155,563	238,094	(82,531)	(34.66)
Total production output in (kg)	8,599,590	14,224,079	(5,624,489)	(39.54)
Average number of employees	455	518	(63)	(12.16)

The cost of paper increased by 3.96% during FY2022 to HKD67.85 million mainly due to purchases of additional papers for different production requirements while the quantity of paper used had increased by 17.08% from 9,697.17 tons to 11,296.73 tons over the same period. The Group has been maintaining a conservative inventory management policy on procurement. Printing plate expense decreased by 27.36% to HKD4.17 million commensurate with the level of usage as a result of the decrease in production orders. Printing ink cost decreased by 23.71% to HKD3.17 million while the quantity of ink consumed decreased by a smaller extent of 8.5% to 84,937 kg attributable to price negotiation with supplier under the slowdown business environment.

1.3.2 Production Management

We have been implementing production automation and efficient production management to maximize our resources efficiency and improve our productivity without compromising the quality of our product. Our Shenzhen Factory is certified with Recognition of Excellence as a G7 Master Qualified Facility, conformity with Quality Management System Standard ISO9001: 2015 and also certified as Master Facility Colorspace that our quality on printing and the production facility satisfies globe recognized industry standard. In FY2022, our average production output per employee was 18,900 kg decreased by 31.17% from 27,460 kg of the previous year mainly due to decrease in production orders. Subcontracting charges in FY2022 was HKD18,919,246 decreased by 58.24% from HKD45,304,079 in FY2021.

1.3.3 Production Automation

We are using our self-developed direct refill system for siphoning ink directly from centralized tanks to the individual printing press. This automatic refill system ensures the continuous supply of ink to the printing presses without stoppage, thus enhancing production efficiency and at the same time, overcame the wastage of ink and time when compared with manually transferred ink from containers to the individual printing presses.

The Group's computer-to-plate (CTP) machinery and systems have eliminated the requirement for the production of ozalids that saved the usage of special papers and chemicals for producing the ozalids. The blueprints of books and paper products can be produced efficiently by the CTP system upon receiving the digital information directly from customers for download directly that increase accuracy, shorten lead-time for checking and approval by customers.

The Group has been working with an external software company for developing our in-house designed automatic marking system for tracking the movements of work-in-progress (WIP) under different stages in production. Information and the required processing procedures of a production order will be first input to the software system. Information is then updated to the system after the completion of one production process and barcodes will be printed out for attaching to the WIP before passing on to the next department for handling. A barcode reading machine installed in the next department will record the information on the incoming WIP and similarly after completion, the department is required to update the information in the system and print out the revised barcodes for attaching to the WIP. This system can provide real time tracking information on the current status of all the production orders.

In addition, we have installed digital printing machines both in Hong Kong and the Shenzhen Factory for meeting customers' orders under quick turnaround time and use less electricity and ink when compared with the traditional offset printing presses.

The aforementioned automated machineries and system have significantly improved our production efficiency, required less intensive labor and made significant improvements in the quality and consistency of our products.

1.3.4 Use of Water and Electricity

The Group is committed to conserving the use of water as a valuable natural resource. We only use water supplied from municipal sources in our Shenzhen Factory and do not have any on-site wells. Although water is not directly utilized for production, the Group has engaged external qualified testing companies to conduct testing on the effluent collected from our Shenzhen Factory to ensure our compliance with the required environmental and safety standards. Sprinkler is used on hose for watering plants in the Shenzhen Factory.

Effluent is mainly generated from cleaning and the employees' living activities in Shenzhen Factory. Effluent is collected in a tank for purification treatment before being channeled for flushing the washrooms. We have put up notices at the eye-catching areas to increase the awareness of our employees on conserving water. We shall continue managing the usage of water consumption and to maintain and repair the water pipes in Shenzhen Factory for that purpose.

The indirect water consumption during FY2022 reduced from HKD238,094 to HKD155,563 mainly due to less water and disinfectant had been consumed for sanitizing of premises in Shenzhen Factory while the pandemic has been under control, the average unit cost was maintained at the level of HKD0.02 per kg of production output as in FY2021.

Electricity is principally used for operating the Group's plant and machinery for production. Except for the machinery slow down downtime, all the supervisors of production departments are instructed to switch off the plant and machinery when not in use.

The direct energy consumption in respect of electricity charges during FY2022 for the Group slightly decreased from HKD7,357,089 in FY2021 to HKD7,349,343, while the average unit cost per kg of production output was HKD0.85 increased from HKD0.52 in FY2021, mainly attributable to the higher electricity charges in Hong Kong than Shenzhen when the Group took back the production operation in Hong Kong during the year.

The Group has been using more energy efficient LED lightings for energy savings and notices have been placed at the entrance areas for reminding employees to switch off all lightings, air-conditioning system and electrical appliances during lunch break and after office hour before leaving. We have been using more telephone and video conferencing for conducting meetings between Hong Kong and Shenzhen offices and with customers for saving the travelling and time required, making contribution to environmental saving. The use of mobile telecommunication system has become essential during the COVID-19 pandemic.

1.3.5 Management Approach for FY2023

(i) Enhance the barcode tracking system, implement suitable automation in production, strengthen the operational management, improve production efficiency and productivity:

- To increase production output per worker by 5%
- To maintain the electricity usage in the level of production output

(ii) Monitor water consumption:

- To continue with water saving campaigns throughout the Group
- To maintain total water consumption quantity commensurate with the level of production

1.4 *Environmentally Friendly Materials Objective*

The Group aims to apply more environmentally friendly materials in our production and reducing the usage of materials that are very difficult to recycle.

1.4.1 Paper

We encourage our customers to use papers coming from sustainable forestry with Forest Stewardship Council "FSC" label endorsement. We have obtained the FSC Chain-of Custody certification for our usage of the FSC label on our products when certain criteria are met. Product with FSC label affixed provides a confirmation to our customer and the end consumer that the product is originated from well-managed forests, controlled sources, reclaimed materials or a mixture of these.

During FY2022, the quantity of FSC papers used in our production increased by 57.32% to 4,703.21 tons when compared with 2,989.62 tons used in FY2021 attributable to customers' growing awareness of using environmentally friendly papers.

1.4.2 Soybean Oil Based Ink

We are using soybean oil based ink in our printing presses for all production. Compared to the traditional solvent base ink, the soybean oil-based ink is environmentally friendly that substantially reduces the emission of VOC to the atmosphere both in the product itself and during production, which also improves the air quality at our workplace. The Group will continue to use soybean oil-based ink going forward.

1.4.3 Plastic Materials

With the growing awareness of the difficulty in recycling plastic materials, we are encouraging our employees to reduce the usage of single use plastic items during production and daily activities, such as plastic holders, utensils, cups, bags, etc. Plastic film has been used in the bulk packaging of finished products when loading on pallets and we are looking for alternative materials and method for replacing the plastic film if possible.

1.4.4 Management Approach for FY2023

(i) Usage of environmentally friendly materials in our production when applicable and to encourage our customers and employees to be environmentally friendly and give more consideration on using sustainable resources.

- To continue looking for environmentally friendly material for replacing the current plastic film for bulk packaging of finished products when loading on pallets

- To encourage our customers to use papers with FSC label in their products

2. Employment Strategy

The Group is to maintain good relationship with employees who are valuable assets, encouraging the employees for personal development, providing the employees with a safe and pleasant working environment.

Good relationship with the employees can foster their job satisfaction, encourage increasing productivity and with a lower turnover rate.

The demographics of the Group's employees at the year-end date of FY2022 when compared with FY2021 are as follows:

	FY2022	FY2021	Changes	
	Number	Number	Number	%
Number of employees at year end –	454	480	(26)	(5.42)
– Male	292	290	2	0.69
– Female	162	190	(28)	(14.74)
Average number of employees during the year	466	518	(52)	(10.04)
Employees working for –				
– Over 5 years	333	335	(2)	(0.60)

2.1 *Competitive Remuneration Objective*

The Group considers offering competitive remuneration package is necessary for the attraction and retention of employees.

2.1.1 Compensation and Benefits

All the employees of the Group are required to enter into employment contracts when enrollment for clearly stating out the terms and conditions, salaries and allowances, benefits and job duties of the employees. A copy of the employee handbook is also provided to each employee in the Shenzhen Factory when he first joined.

The Group complies with all the Labour Law of the PRC and Hong Kong, the Implementing Regulations of the Labour Contract Law of the PRC, Regulations on Paid Annual Leave for Employees, PRC Social Insurance Law and Employment Ordinance in Hong Kong together with other relevant laws and regulations.

We provide social insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to our employees in PRC according to PRC Social Insurance Law and MPF according to the Mandatory Provident Scheme Ordinance in Hong Kong.

The Group also offers for employees in Hong Kong with four to ten years of continuous service, the employer's additional voluntary contributions equal to 5% to 10% of the employees' monthly basic salaries when the employees make additional voluntary contributions to the MPF Scheme at the same time, subject to the maximum limit of 10%. Additionally, the Group had arranged with a medical service provider in Hong Kong offering those employees who had completed three years of employment for personal health check programs at special discounted rates.

The Group adopts an 8-hour working system and voluntary overtime. Overtime is limited to be within statutory limit to protect employees' health. In addition, the Group prohibits employee to work on a technical task before the relevant employee has received adequate training to safeguard employees' safety.

The Human Resources Department is monitoring the salaries and remuneration packages offering to employees both in Hong Kong and PRC that the Group's remuneration packages are competitive when compared with other employers offering similar job duties and working conditions.

Excluding the directors' remuneration, the total employees' costs incurred by the Group for FY2022 when compared with FY2021 are as follows:

	FY2022 Amount (HKD)	FY2021 Amount (HKD)	Change Amount (HKD)	%
Salaries and allowances	**44,082,221**	60,574,000	**(16,491,779)**	(27.23)
Social and retirement benefits	**9,013,850**	10,611,963	**(1,598,113)**	(15.06)
Total	**53,096,071**	71,185,963	**(18,089,892)**	(25.41)

Total salaries and allowances paid to employees decreased by 27.23% from HKD60.57 million in FY2021 to HKD44.08 million in FY2022 mainly as a result of less overtime payments to employees of the Shenzhen Factory under less production. Social and retirement benefits payment decreased by a lesser extent of 15.06% from HKD10.61 million to HKD9.01 million due to the retirement benefits are computed based on employees' basic salaries.

2.1.2 Employees Turnover

Majority of the Group's employees is working in the Shenzhen Factory, and due to the general high mobility of employees in Shenzhen City, the turnover rate of new employees who have been employed for less than two years, has been high and in line with general market conditions. The continuous economic development in Shenzhen City has offered various different kinds of job opportunities that downplayed the attraction for people working in the industrial sector, especially for the younger generation.

Total number of employees resigned from the Group decreased from 154 persons in FY2021 to 79 persons in FY2022. Out of the resigned employees in FY2022, 35 were employed for less than 2 years when compared with 93 in FY2021.

Number of employees who resigned in FY2022 and FY2021:

	FY2022	FY2021	**Change**	%
Less than 2 years of employment	**35**	93	**(58)**	(62.37)
Employees with over 2 years of employment	**44**	61	**(17)**	(27.87)
Total employees resigned	**79**	154	**(75)**	(48.70)

In order to attract employees continuing working for the Group, competitive remuneration package, good relationship with the employees with promotion prospects are continue to be applicable. The Group continues to pay high regard to the employees who have serviced the Group over the past years and contribute to the Group's success, additional awards were given to employees of the Group who have been employed for: 30 years – 1 person, 25 years – 1 person, 20 years – 1 person and 15 years – 1 person as our token of appreciation for their contributions and hard work.

2.1.3 Employee Communication

Open communication is an important element in achieving effective workplace management. Proper communication with the employees is very important for the employees to understand the business strategies and future development of the Group.

We encourage employees to voice their opinions through various communication channels at all levels. We provide suggestion boxes, website, internal newsletters and communication meetings where employees can express their concerns and suggestions. Both the telephone numbers and email addresses of the Shenzhen Factory Manager and the Chief Representative of the Labour Union are available for all the employees of our Shenzhen Factory. Information, opinions and suggestions gathered from the employees are to be followed up by our Human Resources Department for discussion with senior management.

The Group encourages the employees to discuss any issues and problems they identified directly with their supervisors. The Group has the whistle-blowing policy whereby an employee can inform the Chairman of the Audit Committee of the Group of any suspected wrong doings and other irregularities that they have identified.

2.1.4 Management Approach for FY2023

(i) Enhance the good relationship with employees through various communication channels and employees' activities:

- To continue encouraging open communications at all levels of the Group and facilitates employees to give their opinions through various communication channels
- To continue providing different types of activities for the employees
- To maintain the turnover rate of employees with over 2 years of employment below 10%
- To maintain the number of employees with over 5 years of employment with the Group

2.2 Personal Development and Advancement Objective

The Group considers personal development of employee is important for future advancement in career. Learning of new skills and knowledge is necessary for equipping the employee to handle additional job duties not only in his own specialty area, but also in different duty and supervisory function.

2.2.1 Training programs

The Human Resources Department encourages our employees to develop and advance their careers in the Group and organized training courses for the employees. Each new employee of our Shenzhen Factory is required to attend training on employees' regulations, fire prevention and safety, additional training will be provided for those handling safety information and precautions on their daily job duties.

We have provided internal trainings on industrial safety, fire drill and precautions for the employees of our Shenzhen Factory to stay alert of fire accident and the passages for evacuation in case of emergency. Our employees have also participated in training courses on quality control, handling leakage of hazardous chemicals, first aid training and alerts to frauds.

	FY2022		FY2021	
	Person-times	**Total training hours**	Person-times	Total training hours
Orientation programs	**212**	**212**	244	244
Fire and chemical leakage drills	**1,426**	**1,426**	1,149	1,335
On-the-job trainings	**248**	**306**	59	50
Outside trainings	**832**	**832**	460	460
Safety on job resumption	**782**	**782**	460	460
Total	**3,500**	**3,558**	2,372	2,549

The total number of times employees participated in the training courses increased from 2,372 in FY2021 to 3,500 in FY2022 and total hours for attending training courses increased from 2,549 hours to 3,558 hours mainly due to increased number of employees of the Shenzhen Factory participated in training. The average total training hours per total average number of employees in FY2022 increased to 7.6 hours when compared with 4.9 hours in FY2021.

We encourage our employees to explore their potential talents and offer them opportunities to learn technical and management skills to prepare themselves for taking up leadership roles when ready in supporting our continuous growth.

2.2.2 Management Approach for FY2023

(i) Foster a continuous learning environment and encourage employees to develop and advance their careers in the Group:

- To meet the training needs of employees, provide training courses for new information and career development

- To maintain the average training hours per employee at 5 hours each year

2.3 Respect of Labor and Human Rights Objective

The Group is committed to respect the labor and human rights of all our employees through the following principles as stated in our human resources management policies:

Freely Chosen Employment – We do not use forced or prison labor. We ensure that the terms of employment are voluntary. Our employees work at the Group of their own free will and are free to resign upon giving reasonable notice under the employment contract. We do not require employees to lodge deposits or hand over passports or work permits as a condition of employment.

No Child Labor – We comply with all appropriate local and international regulations in relation to the restrictions on the employment of child labor.

Freedom of Association – We allow our employees have the freedom of association to join any organizations or professional bodies of their own choices.

Anti-slavery – We are committed to respect and treat our employees with dignity. We do not tolerate any forced labor and we do not accept any physical and financial punishment for employee wrongdoing.

Benefits and Wages – We ensure that the remuneration and benefits for our employees comply with or exceed the minimum legal requirements. We maintain proper communication with our employees and understand their needs and conduct regular communication meetings to have direct dialogs with our employees.

Overtime policy – Overtime is voluntary and employees are compensated for overtime in accordance with the laws.

Equal Opportunity and No Discrimination Policy – We ensure that our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the grounds of age, sex, marital status, race, religion, disability or any other non job related factors. Remuneration is determined with reference to performance, qualifications and experience.

Harassment and Abuse – We do not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees.

Any issues or enquiries raised by our employees through different communication channels will be handled and investigated promptly and confidentially by the Human Resources Department, followed by disciplinary measures if necessary.

No case of misconduct was reported during FY2022 and we are committed to upholding the professional ethical conduct and the highest level of integrity of our employees.

2.3.1 Management Approach for FY2023

(i) Respect the labor and human rights of all the employees with clearly defined human resources management policies:

- To continue the Group's human resources management policies in compliance with the regulatory requirements

2.4 Healthy Workplace for Employees Objective

The Group aims to provide a pleasant, supportive and healthy workplace for our employees, and to foster a caring working environment. We recognized that having a motivated workforce is important in the Group's efficient operations.

2.4.1 Implementation of Health Precautionary Measures

Although the local pandemic has been under control recently, the principal precautionary measures and protocols implemented by our Shenzhen Factory since February 2020 for the health protection of our employees under the outbreak of the COVID-19 pandemic are still applicable. Our Shenzhen Factory continues the implementation of restricted access management procedure that security guards are responsible to check and ensure all persons who enter the Shenzhen Factory are required (i) to wear proper facial masks, (ii) to confirm in writing whether recent visits have been made to highly infectious provinces or cities in China or overseas, (iii) to measure the body temperature, and (iv) to apply alcohol disinfectant to clean hands that all procedures are satisfied before the person can gain entrance.

Other precautionary measures such as regular cleaning and sanitizing procedures in the office and factory premises, prescribed usage of surgical masks, gloves, disinfectants, cleaning materials provided by the Group are also applicable.

Rules and regulations for the prevention of possible cross-infection of the COVID-19 virus for employees when taking meals, sitting plans in canteen, lunch break hours, control of different types of vehicles entering the Shenzhen Factory remained effective. Employees are reminded of the importance of maintaining personal hygiene and physical health to enhance their personal immunity system against illness.

2.4.2 Compliance with Safety Standards

Our Shenzhen Factory is certified with Work Safety Standardization by the State Administration of Work Safety in PRC confirming that our facilities operate with the required standards on social responsibility, health and safety. According to the requirements of our customers for additional certification, our Shenzhen Factory is also certified with ICTI Ethical Toy Program, Disney's Facility and Merchandise Authorization endorsement that validate our compliance with local laws and high quality working conditions.

	FY2022	FY2021	**Changes**	%
Numbers of injuries and accidents reported	**17**	28	**(11)**	(39.29)
Loss of working days	**247**	182	**65**	35.71
Fatality case	**0**	0	**0**	0

During FY2022, our loss of working days was 247, which was higher than 182 days in FY2021 due to two injury cases when one worker was granted leave for 80 days and the other one for 78 days. The number of injuries and accidents reported in FY2022 was 17 cases decreased from 28 cases happened in FY2021 while we have broadened the range of reporting cases including minor injuries since FY2021 for our tracking purpose on health precautionary measures and we did not have any work related fatality case.

2.4.3 Safety Training

Maintaining an accident-free workplace environment is always a challenge. Our Human Resources Department has established health and safety training programs to increase the awareness of workplace safety. Each new employee working in our Shenzhen Factory is required to undergo orientation programs training before they are assigned to work in their job positions.

Other trainings mainly focus on work safety and health protection including fire drills, occupational injury prevention training, fall prevention training, workplace safety training such as chemical usage, machinery safety and forklift operation, which reinforces the idea and awareness of occupational and fire safety for our employees.

Due to the gradual relaxation on the numbers of persons allowed in gathering under COVID-19, the Group had arranged more external training courses for employees' participation than in previous year and re-start the Group's annual dinner for the employees in Hong Kong in FY2022.

2.4.4 Management Approach for FY2023

(i) Provide a supportive, pleasant and healthy workplace for the employees and foster a caring working environment:

- To provide health and safety training courses if applicable for employees and reminding them the importance of industrial safety
- To reduce the loss of working hours due to injuries at or below 400 days (decreased from 500 days set in FY2022)
- To ensure a zero work related fatality case

3. Supply Chain Management Strategy

A well-established supply chain management is necessary to manage the selection of approved suppliers with quality materials and a system to continue monitoring the performance of suppliers is crucial for the Group's sustainable operations.

3.1 Reliable Suppliers Objective

The Group's supply chain management system is for selection of reliable and qualified suppliers to work with the Group for providing quality and timely supply of materials for production requirements on an on-going basis.

We aim at building long-term relationships with our suppliers based on mutual trust that all purchases must be under a fair, objective and professional manner. Our procurement is based upon criteria that not only price, quality, delivery capacity are important, but also integrity, social and environmental responsibility.

3.1.1 Selection of Suppliers

Suppliers can be coming from trade referrals, for new materials, replacement of existing supplier, and all the new suppliers need to go through a comprehensive supplier audit to ensure meeting our procurement criteria before acceptance as approved suppliers.

During FY2022, all of our major suppliers are from the local industries in PRC and Hong Kong and the major material that the Group purchased for the year is paper material. The selection of local suppliers can reduce the transportation requirement that is environmentally friendly and also shorten the delivery lead-time for production efficiency.

3.1.2 Monitoring and Assessment

We conduct testing and examinations at an early stage of production process on the critical materials to identify any possible defective issues and to discuss with the suppliers for corrective actions in a timely manner.

There are regular performance assessments on the approved suppliers for continuing meeting our selection criteria and to ensure that any unfavorable issues on the supply of materials can be identified earlier to mitigate the potential risks that could affect our production planning, delivery and quality of our products.

If there are areas of non-compliance identified during the supplier audit, the supplier is required to propose corrective actions and implementation schedule for our follow up checking to confirm that the corrective actions have been properly implemented.

During FY2022, we have not conducted external audit of our major suppliers due to the COVID-19 while we have been closely monitoring our major suppliers internally especially during the pandemic environment. A small number of local suppliers were added as approved suppliers for the supply of consumables to our Shenzhen Factory.

3.1.3 Management Approach for FY2023

(i) Continue managing our supply chain in a socially and environmentally responsible manner and source from approved suppliers who satisfied the Group's procurement criteria.

- To conduct regular assessments and audit on 5 major suppliers

4. Product Responsibility Strategy

We should be a responsible producer of products that comply with all the necessary quality and safety standards for final consumption by consumers without any concern for hazardous substance and defective.

4.1 Quality Product Objective

From initial design to final production, our products should meet the customers' specified standards on design and material usage to ensure that our products also comply with the necessary quality and safety standards before shipment.

4.1.1 Product Safety

We are committed to manufacture products that meet the highest international health and safety standards. All our products follow strict specifications on banned and restricted substances on the ink, paper, glue, and plastic film materials in our production. Our products sold in the United States and Europe are in compliance with the required safety standards, such as RoHS (Restriction of Hazardous Substances) Directive, EN (European Standards), SVHC (Substances of Very High Concern) under REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation, ASTM (American Society for Testing and Materials) Standards.

4.1.2 Quality Control and Testing Procedures

We have implemented a stringent quality control system, from materials, components, machines and equipment, and the final products to ensure that the use of all materials and production processes are compliant with both international and local standards and requirements.

Our production facilities are all certified with ISO9001 and ISO14001. Under the quality management system, quality assurance is performed to examine the product's quality against the acceptance quality level standard at every stage of the production process. Incoming raw materials, such as paper and ink, are periodically tested against customers' required technical specifications. Colours are matched against the customers' approved blue print. Finished goods are to undergo a number of tests and visual inspections, before packaging and delivery to ensure the exact customers' specifications are met. We have also maintained a professional customer services team with high service standard to ensure responsiveness to customers' needs. By implementing the highest level of standard on quality management, we provide not only excellent products with services, but also safe and secured products to our customers.

4.1.3 Management Approach for FY2023

(i) Continue to ensure that all products are compliant with the international quality and safety standards

- To comply and enhance the Group's quality control system on production
- To ensure zero product recalls, fines or penalties relating to non-compliance with regulations

5. Anti-Corruption

We are committed to establish and maintain an ethical culture that honesty and integrity are the basic attributes of all our employees that we should prevent any frauds that could happened in all our business activities. We shall uphold the high standard of honesty and integrity for the interests of all our stakeholders, including our employees, suppliers and customers.

Amongst all the internal rules and regulations for anti-corruption, all the employees, including the directors, are forbidden from receiving benefits, interests from others that can possibly create conflicts of interests when they are exercising their job duties. All the employees who are looking for part-time jobs must first obtained prior approval for ensuring there are no conflicts of interests.

All of our employees are free to report any suspected fraud or corruption activities to top management and the Group has the whistle-blowing policy allowing the reporting directly to the Chairman of the Audit Committee for taking further investigations and necessary actions on allegations for protecting the overall interests of the Group. Our internal control policy has specified control procedures for conducting the investigation and no reprisals shall be made against the employee reporting the suspected case.

The Group complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering. There was no case received by the Group during FY2022 and also FY2021 for reporting any suspected fraud and corruption activities that reflect the proper and fair conduct of the Group's business and operating activities.

6. Community Investment

The Group has an obligation to offer community investment as being part of the local community where the Group's operations are located and we strive to operate as a responsible corporate and continually support the economic and social vitality of local communities.

During FY2022, amidst the COVID-19 pandemic, the Group has focused the community services on public health consideration; in our Shenzhen factory, we provided volunteer workers participated in the promotion of public health and precautionary against COVID pandemic for 10 counts and promotion of civilized hiking for 5 counts.

7. Closing remarks

As a responsible corporate citizen, we will continue to make efforts contributing to the well-being on environmental protection and social responsibility in the Group's overall business strategies and activities, taking into consideration to add value for our stakeholders and to also care for the communities. By the time of writing this ESG Report, the Government of the HKSAR had already lifted the mask-wearing requirement starting from 1 March 2023. As quoted from news.gov.hk, "*…given the local epidemic situation is under control and the chance of a rebound is slim, …Hong Kong can continue on the path towards normalcy….*". The directors are cautiously optimistic that the business activities of the Group will improve in the coming year and will continue the Group's ESG policy for fostering a better environment.

DIRECTORS' REPORT

The Board hereby present the Directors' report and the consolidated financial statements for the year ended 31 December 2021 (the "**Reporting Period**").

LISTING ON GEM

The Company was incorporated as a limited liability company in Hong Kong on 23 December 1992.

The Company became the holding company of the Group upon the completion of the corporate reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

The shares of the Company (the "**Shares**") were listed on the GEM on 13 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The Group's products comprise mainly books and other paper-related products. 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 Group's management.

For the development, performance or position of the Group's business, details are set out in the section headed "Chairman's Statement" and the section headed "Management Discussion and Analysis" of this report.

For the principal financial risks and uncertainties facing the Company, details are set out in Note 30 to the consolidated financial statements in this report.

(A) Environmental policies and performance

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

An environmental policy and manual of procedures have been effective upon Listing which demonstrates the Group's commitment to environmental protection. All staff, subcontractors and suppliers are required to diligently implement the policy and the manual, which will be reviewed regularly in light of experience, feedback from staff, business development, current legislations and regulations.

(B) Compliance with laws and regulations

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the Reporting Period, and up to the date of this report.

(C) Key relationships with employees, customers and suppliers

The Directors are of the view that the Company has maintained good relationship with its employees, customers, suppliers and bankers.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are presented in the consolidated statement of profit or loss and other comprehensive income of this report.

The Board does not recommend the payment of a final dividend for the Reporting Period.

SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the years ended 31 December 2017, 2018, 2019, 2020 and 2021, 2022 are set out in this report.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by our Group during the Reporting Period are set out in Note 33 to the consolidated financial statements in this report comprising (i) directors and senior management remuneration; and (ii) a partnership ("**Partnership**") in which Mr. Lam and Ms. Yao hold interest, has granted to the Company an exclusive right ("**Licences' Usage Right**") to use the vehicles licences free of change, while our Company has granted to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, a non-exclusive licence to use the names "Prosperous" or "萬里" (whether used individually or together) for the Partnership (the "**Names' Usage Right**"). Our Directors (including our independent non-executive Directors) are of the view that the transactions are on normal commercial terms or better:

- the granting to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, the Names' Usage Right for the sole purpose of holding the Vehicle Licences in return for the granting to our Company Licences' Usage Right is part and parcel of the reciprocal arrangement contemplated;

- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership agreed to grant to our Group the Licences' Usage Right without charging any fee and only in consideration of our Company granting them, in their capacities as the partners of the Partnership, the Names' Usage Right; and

- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, have collectively and individually undertaken to our Group that they will not use the names "Prosperous" or "萬里" or other similar names except for holding the Vehicle Licences.

For details, please refer to the section headed "Connected Transactions – Exempt Continuing Connected Transactions" in the Prospectus.

All these transactions are fully exempt from the reporting announcement, independent shareholders' approval, annual review and all other relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

DISCLOSURE UNDER RULE 17.21 AND RULE 17.23 OF THE GEM LISTING RULES

In respect of bank loans with carrying amount of HK$138,557,000 secured by the pledged bank deposits as at 31 December 2021, the Group breached the corresponding bank covenants, which are primarily related to maintain the net tangible assets of the Group at HK$200,000,000. Such breach was noted after the end of the reporting period for the financial year ended 31 December 2021 when the Group performed an impairment assessment on the trade receivables as at 31 December 2021 and an impairment loss of HK$56,150,000 was made, which decreased the Group's net tangible assets. As disclosed in announcement dated 15 June 2022, the Bank has renewed the Facility while the Bank also wrote to draw the Company's attention that the Company shall ensure breach of terms of Facility shall be rectified on or before 31 March 2023. In light of the Bank's agreement to renew the Facility, the Company does not expect the Bank to take legal action in respect of the breach of Facility if the same can be rectified on or before 31 March 2023. The Company is currently in negotiation with the bank for renewal of facility and has obtained indicative terms from the bank which is subject to the bank's internal approval.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Period are set out in Note 28 to the consolidated financial statements in this report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") on 15 November 2017, the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

A summary of the Scheme is set out below:

(a) Purpose of the Share Option Scheme

The purpose of the Scheme is to provide additional incentive to any eligible persons of the Group and to promote the success of the Group's business.

(b) Participants

The Board may, at its absolute discretion and on such terms as it may think fit, invite any eligible persons to join the Scheme.

(c) Total number of Shares available for issue under the Scheme

The maximum number of Shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. i.e. a total of 80,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit must be separately approved by Shareholders in general meeting.

(e) Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

(f) Minimum period for which an option must be held before exercise

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

(g) Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(i) Remaining life of the Scheme

The Scheme will remain in force for a period of ten years commencing on 24 September 2016 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by Shareholders in general meeting.

No share option has been granted or exercised under the Scheme during the Reporting Period. No share option was outstanding as at the year end date of the Reporting 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 during the Reporting Period.

DEBENTURE

No debenture was issued by the Company during the Reporting Period.

EQUITY-LINKED AGREEMENT

Save as the Scheme, no equity-linked agreement was entered into by the Company or subsisted during the Reporting Period which (a) will or may result in the Company issuing Shares; or (b) requires the Company to enter into an agreement that will or may result in the Company issuing Shares.

DONATION

The Group has not made any charitable donation of not less than HK$10,000 during the Reporting Period.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate insurance cover in respect of claims and legal actions against the Directors and its officers.

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 year end date of the Reporting Period, our Directors had the following interests and/or short positions in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which had to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, will be required to be notified to our Company and the Stock Exchange:

(i) Interests in our Company

Name of Director	Capacity	Number of Shares *(Note 1)*	Percentage of interest in our Company
Mr. Lam *(Note 2&4)*	Interest of controlled corporation	480,000,000 (L)	60%
Ms. Yao *(Note 3&4)*	Interest of spouse	480,000,000 (L)	60%

Notes:

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

2. These 480,000,000 Shares are held by First Tech, 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 Inc. ("**First Tech**"), a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its 72,000,000 shares (the "**Charged Shares**") in the issued share capital of the Company in favour of a third party ("**Lender**") as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam Sam Ming, the chairman and controlling shareholder of the Company. As at the date of this report, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

(ii) Interests in associated corporation of our Company

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

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

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

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

Name of substantial shareholder	Capacity	Number of Shares *(Note 1)*	Percentage of interest in our Company
First Tech *(Note 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 BVI which is wholly and beneficially owned by Mr. Lam, an executive Director.

3. The Company was notified by First Tech Inc. ("**First Tech**"), a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its 72,000,000 shares (the "**Charged Shares**") in the issued share capital of the Company in favour of a third party ("**Lender**") as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam Sam Ming, the chairman and controlling shareholder of the Company. As at the date of this report, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

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

DIRECTORS AND THEIR SERVICE AGREEMENTS

The composition of the Board during the Reporting Period up to the date of this report is set out as follows.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Group or any other body corporate.

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

* Directors of the Company and its subsidiaries

The Director of subsidiaries who held office during the financial year and up to the date of this report are Mr. Lam Sam Ming and Ms. Yao Yuan. Mr. Lam is the sole director of the following subsidiaries of the Group: Century Sight Limited, Great Wall Printing Company Limited, Mr. Classic Inc., Great China Gains Inc., Super Noble Limited, Tactful Hero Limited. Ms. Yao Yuan is the legal representative of Prosperous Printing (Shenzhen) Co., Ltd.（中萬印刷（深圳）有限公司）. Mr. Lam and Ms. Yao Yuan are the directors of Prosperous Printing (HK) Company Limited and Printplus Limited.

Directors' Report

Each Director has entered into a service agreement or letter of appointment with the Company for initially a fixed term of two years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

Biography details of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this report.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

EMOLUMENT OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emolument of the Directors and the five highest paid individuals of the Group are set out in Note 13 to the consolidated financial statements in this report.

EMOLUMENT POLICY

The remuneration committee of the Board will make recommendations on the remuneration of the Directors and senior management and to recommend members of the Board and determine, with delegated responsibilities, the remuneration package of individual Director and senior management. The remuneration committee 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.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as the transactions set out in Note 33 to the consolidated financial statements in this report, the Group has not entered into any transaction, arrangement or contract that is significant in relation to the Group's business to which any of member of the Group was a party and in which a Director or a connected entity of that Director had, directly or indirectly, a material interest.

Saved as disclosed, there was no contract of significance between the Company or one of its subsidiaries on the one hand, and a controlling shareholder or any of its subsidiaries on the other, subsisting during or at the end of the Reporting Period.

Saved as disclosed, there was also no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during or at the end of the same period.

Directors' Report

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.

INTEREST OF CONTROLLING SHAREHOLDERS

Save as disclosed in this report, the Directors are not aware of any business or interest of the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

NON-COMPETITION UNDERTAKING

Each of Controlling Shareholders (together the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 15 November 2017, details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Deed of non-competition" in the Prospectus.

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition. The INEDs have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking for the Reporting Period.

MANAGEMENT CONTRACT

During the Reporting Period, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

MAJOR CUSTOMERS

For the Reporting Period, the Group's five largest customers accounted for approximately 60.9% of the total revenue of the Group and the largest customer of the Group accounted for approximately 25.3% of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

Directors' Report

MAJOR SUPPLIERS

For the Reporting Period, the Group's five largest suppliers, one of which is our sub-contractor, accounted for approximately 18.0% of the cost of sales of the Group and the largest supplier of the Group accounted for approximately 5.7% of the cost of sales.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

CORPORATE GOVERNANCE

The corporate governance report of the Company for the Reporting Period is set out of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the public float of the Company's issued securities is sufficient with at least 25% held by the public.

DISTRIBUTABLE RESERVES

As at the year end date of the Reporting Period, the Company has no reserves available for distribution to its Shareholders.

AUDITOR

The consolidated financial statements of the Company for the Reporting Period were audited by CWK CPA Limited. CWK CPA Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting (the "**AGM**") of the Company. A resolution for their re-appointment as the auditor of the Company will be proposed at the AGM.

EVENTS AFTER THE REPORTING PERIOD

Please refer to the section headed "Events after the Reporting Period" in the "Management Discussion and Analysis" in this annual report for details.

Mr. Lam Sam Ming
Chairman

Hong Kong, 31 March 2023

INDEPENDENT AUDITOR'S REPORT

CWK
中主環球

To the members of Prosperous Printing Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Prosperous Printing Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 65 to 153, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related To Going Concern

We draw attention to note 3.2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$59,655,000 for the year ended 31 December 2022, and the Group had net current liabilities of approximately HK$126,699,000. These conditions, along with other matters as set forth in note 3.2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Management's measures to address the going concern issue are also described in note 3.2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Expected credit losses ("ECL") on trade receivables</td></tr>
<tr><td>We identified the recognition of expected credit losses on trade receivables as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole and there is involvement of management judgement and estimates in evaluating the ECL allowance of the Group's trade receivables at the end of the reporting period.

As at 31 December 2022, the Group had trade receivables of HK$45,461,000, net of ECL allowance of HK$108,726,000. The Group recognises loss allowance for trade receivables at an amount equal to lifetime ECLs which is calculated using collective and individual basis. Credit-impaired trade debtors and trade debtors with significant balance are assessed for ECL individually. In calculating the ECL allowance, the loss rates are estimated based on actual loss experience over past 5 years with reference from external valuer's information. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. his has resulted in a significant degree of management judgement in the ECL assessment.</td><td>Our procedures in relation to ECL of trade receivables included:

• discussing the Group's policies and procedures on credit periods given to customers with the management;

• testing the aging of the trade receivables as at 31 December 2022 to the underlying financial records, on a sample basis;

• evaluating the competence, capabilities and objectivity of the external valuer;

• inquiring management for the status of each of the material trade receivables past due as at 31 December 2022 and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trading records, checking historical settlement records;

• assessing the appropriateness of the ECL calculation methodology, adopted by external valuer by examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECL allowance.</td></tr>
</table>

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Lok Hei.

CWK CPA Limited
Certified Public Accountants
Chan Lok Hei
Practising Certificate Number: P06654

Hong Kong
31 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**194,827**	281,810
Cost of sales		**(137,765)**	(227,591)
Gross profit		**57,062**	54,219
Other income	7	**5,957**	14,215
Other gains (losses), net	8	**13,441**	(7,205)
Distribution costs		**(25,348)**	(23,910)
Administrative expenses		**(55,655)**	(54,538)
Impairment losses under expected credit loss model on trade and other receivables, net		**(46,703)**	(57,968)
Finance costs	9	**(7,086)**	(5,939)
Loss before tax	10	**(58,332)**	(81,126)
Income tax expense	11	**(1,323)**	(1,960)
Loss for the year		**(59,655)**	(83,086)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(12,825)**	5,024
Total comprehensive expenses for the year		**(72,480)**	(78,062)
		HK cents	HK cents
Loss per share			
Basic	15	**(7.46)**	(10.39)

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**202,620**	196,747
Intangible assets	17	**297**	444
Financial assets at fair value through profit or loss	18	**14,822**	17,861
Deposits for acquisition of property, plant and equipment		**–**	253
Deferred tax assets	27	**219**	446
		217,958	215,751
CURRENT ASSETS			
Inventories	19	**26,762**	35,216
Trade and other receivables	20	**52,501**	126,286
Pledged bank deposits	21	**2,017**	2,016
Bank balances and cash	22	**1,261**	2,048
		82,541	165,566
CURRENT LIABILITIES			
Trade and other payables	23	**51,527**	79,063
Bank loans and overdrafts	24	**138,684**	147,756
Other loans	24	**4,165**	–
Amount due to a shareholder	25	**400**	–
Loan from a shareholder	25	**270**	–
Lease liabilities	26	**13,171**	7,185
Income tax payable		**1,023**	4,157
		209,240	238,161
NET CURRENT LIABILITIES		**(126,699)**	(72,595)
TOTAL ASSETS LESS CURRENT LIABILITIES		**91,259**	143,156
NON-CURRENT LIABILITIES			
Loan from a shareholder	25	**8,214**	–
Other loan	24	**535**	–
Lease liabilities	26	**15,856**	6,353
Deferred tax liabilities	27	**8,849**	6,518
		33,454	12,871
NET ASSETS		**57,805**	130,285

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**100,843**	100,843
(Deficits)/reserves		**(43,038)**	29,442
TOTAL EQUITY		**57,805**	130,285

These consolidated financial statements on pages 65 to 153 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Lam Sam Ming
Director

Chan Sau Po
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK$'000	Capital reserve HK$'000 (Note (i))	Statutory surplus reserve HK$'000 (Note (ii))	Exchange reserve HK$'000	Retained profits (losses) HK$'000	Total HK$'000
At 1 January 2021	100,843	3,318	–	(3,936)	108,122	208,347
Loss for the year	–	–	–	–	(83,086)	(83,086)
Other comprehensive income for the year	–	–	–	5,024	–	5,024
Total comprehensive income (expense) for the year	–	–	–	5,024	(83,086)	(78,062)
Transfer to statutory surplus reserve	–	–	5,125	–	(5,125)	–
At 31 December 2021 and 1 January 2022	100,843	3,318	5,125	1,088	19,911	130,285
Loss for the year	**–**	**–**	**–**	**–**	**(59,655)**	**(59,655)**
Other comprehensive expense for the year	**–**	**–**	**–**	**(12,825)**	**–**	**(12,825)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(12,825)**	**(59,655)**	**(72,480)**
At 31 December 2022	**100,843**	**3,318**	**5,125**	**(11,737)**	**(39,744)**	**57,805**

Notes: (i) Capital reserve comprises deemed contribution from the controlling shareholder in prior years.

(ii) As stipulated by the People's Republic of China (the "**PRC**"), the subsidiary in the PRC is required to appropriate 10% of their after-tax profit to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(58,332)**	(81,126)
Adjustments for:		
Amortisation of intangible assets	**116**	120
Bank interest income	**(177)**	(220)
Change in fair value of financial assets at fair value through profit or loss	**47**	2,884
Deposit on acquisition of property, plant and equipment written off	**–**	1,000
Depreciation of property, plant and equipment	**23,046**	24,964
Early termination of lease	**–**	(7)
Exchange differences	**37**	(86)
Finance costs	**7,086**	5,939
Gain on disposal of assets held for sale	**–**	(954)
Provision of impairment losses under ECL on trade receivables, net	**39,552**	56,150
Impairment losses under ECL on other receivables, net	**7,151**	1,818
(Gain) loss on disposal of property, plant and equipment	**(3,763)**	1,165
Gain on termination of insurance plan, net	**(23)**	–
Operating cash flows before movements in working capital	**14,740**	11,647
Decrease in inventories	**5,852**	20,291
Decrease (increase) in trade and other receivables	**27,560**	(22,223)
(Decrease) increase in trade and other payables	**(35,894)**	35,254
Cash generated from operations	**12,258**	44,969
Income tax paid		
– the PRC Enterprise Income Tax ("**EIT**")	**(1,004)**	(1,509)
– Hong Kong Profits Tax	**(895)**	(913)
NET CASH FROM OPERATING ACTIVITIES	**10,359**	42,547
INVESTING ACTIVITIES		
Proceeds from disposal of asset held for sale	**–**	13,500
Decrease in pledged bank deposits	**–**	7,110
Proceeds from disposal of property, plant and equipment	**7,466**	1,111
Interest received	**176**	220
Payment for investment in key management insurance policies	**–**	(9,473)
Proceeds from termination of insurance plan	**2,949**	–
Payment for purchase of property, plant and equipment	**(4,946)**	(2,057)
Payment for deposits for acquisition of property, plant and equipment	**–**	(249)
NET CASH FROM INVESTING ACTIVITIES	**5,645**	10,162

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES			
Repayment of bank loans		**(101,020)**	(280,475)
Repayment of other loans		**(5,002)**	–
Repayment of lease liabilities		**(13,803)**	(15,662)
Interest and other borrowing costs paid		**(5,570)**	(5,024)
Interest on lease liabilities paid		**(1,516)**	(915)
Proceeds from bank loans		**87,494**	256,994
Proceeds from other loans		**9,791**	–
Advance from a shareholder		**8,546**	–
NET CASH USED IN FINANCING ACTIVITIES		**(21,080)**	(45,082)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,076)**	7,627
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**(6,274)**	(13,911)
Effect of foreign exchange rate changes		**(7)**	10
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by	22	**(11,357)**	(6,274)
Bank balance and cash		**1,261**	2,048
Bank overdrafts		**(12,618)**	(8,322)
		(11,357)	(6,274)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

Prosperous Printing Company Limited (the "**Company**") is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 December 2017. Its holding company is First Tech Inc, a company incorporated in the British Virgin Islands ("**BVI**") and its ultimate controlling party is Mr. Lam Sam Ming, who is also the Chairman and executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company and its subsidiaries (the "**Group**") are principally engaged in the production and trading of books and paper products.

Other than the subsidiary established in the People's Republic of China (the "**PRC**"), whose functional currency is Renminbi ("**RMB**"), the functional currency of the Company and its subsidiaries is Hong Kong Dollars ("**HK$**").

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS 2018-2020

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current year and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or 1 January 2024

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

    (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

    (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation.*

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2022, including bank loans and overdrafts, other loan, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transactions*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 to 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3.3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. At 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$127,097,000 and HK$29,027,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange ("**Listing Rules**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment,* leasing transactions that are accounted for in accordance with HKFRS 16 *Leases,* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets.*

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Going concern assessment

The consolidated financial statements have been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The validity of which depends upon the successful implementation and outcome of the following measures to be undertaken by the Group. The directors of the Company are of the opinion that, taking into account the following 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 31 December 2022.

Management continues to closely monitor the liquidity position of the Group, which includes the sensitivity analysis of forecast bank and cash balances for various factors to ensure adequate liquidity is maintained.

The Group sustained a loss of approximately HK$59,655,000 for the year ended 31 December 2022, and as of that date, the Group had net current liabilities of approximately HK$126,699,000 and bank loans and overdrafts amounting to approximately HK$138,684,000 and other loans amounting to HK$4,165,000 which are due for repayment within one year. The breach of loan covenants detailed in Note 24(v) may render the bank loans and overdraft of approximately HK$123,848,000 becoming immediately due for repayment. The Group's pledged bank deposits and cash at bank amounted to approximately HK$2,017,000 and HK$1,261,000, respectively as at 31 December 2022. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the directors of the Company has reviewed the Group's cash flow forecast which cover a period of not less than twelve months from 31 December 2022.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debt obligation and capital expenditure requirements for at least twelve month period from the date of the end of the reporting period. Such cash flow forecasts include the following assumptions:

1) One of the other loans with outstanding balance amounting to HK$1,500,000 as at 31 December 2022 shall be matured in March 2023 in accordance with the repayment schedule.

2) The Group has signed a sale and purchase agreement with a third party buyer on 14 March 2023 to sell one eight-color printing machine. The total consideration for the sale and purchase of the machinery is approximately HK$2,960,000 (RMB2,550,000). 10% of the consideration has been received upon signing of the sale and purchase agreement. The remaining consideration will be received before delivery of the machine which is expected to be completed within one month after signing the sale and purchase agreement.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Going concern assessment (Continued)

3) The Group is actively seeking for a buyer to dispose certain properties including five carparks located in Hong Kong owned by the Group at HK$130,000,000 and the Group expects the sales transactions will be successfully completed after twelve months from the end of the reporting period. The sales proceeds will be used for repayment of bank loans and overdraft which are subject to loan covenant and repayable on demand within twelve months as detailed in Note 24(v).

4) Subsequent to the year ended 31 December 2022, additional funding amounting to approximately HK$3,300,000 have been secured from a bank in PRC.

The directors of the Company also note the following considerations, relevant to the Group's ability to continue as a going concern:

- At 31 December 2022, the Group had available undrawn banking facilities of approximately HK$12,124,000. The maturity of these facilities are September 2023.

In the event forecast cash flow is not achieved, the directors of the Company have also evaluated other plans that could be undertaken to improve their liquidity position as follow:

1) The Group has actively negotiated with banks and financial institutions to revise the loan covenant clause to reduce the risk of breaching loan covenant which adversely resulting in immediate loan repayment.

2) The Group has been actively negotiating with its bankers to renew or/and extend its existing banking facilities, of which available of unutilised banking facilities to the amount of HK$12,140,000 as at 31 December 2022;

3) The Group is actively and regularly reviewing its capital structure and sourcing additional capital by raising new debt financing or, issuing new shares, where appropriate.

4) The Group is closely monitoring its operations and implementing cost control on operating costs and administrative expenses with an aim to attain positive and sustainable cash flow from operations;

Taking into account all assumptions and plans as described above, the directors of Company are of the opinion that the Group will have sufficient working capital to maintain its operations and to meet its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Going concern assessment (Continued)

Notwithstanding the above, uncertainty exists as to whether the revision of loan covenant clause or whether the bank facilities can be renewed and all other alternative operating and financing plans as the Group is still negotiating with its external financiers on the financing to the Group and the sales of certain properties depend on the market condition. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

3.3 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group recognised revenue from (i) production and trading of books and paper products; and (ii) provision of sub – contracting services in relation to books and paper products.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Revenue from sale of goods

Revenue from sales of goods is generally recognised when control of products has been transferred to the customer. Control of the product is considered transferred to the customer, being at the point the products are delivered to the customer's specific location and the customer has accepted the products. Therefore, the directors of the Company consider that the control over such good is transferred at a point in time, instead of over time.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Payment of the transaction price is usually due within 30 days – 180 days of the date when control of the products is transferred to the customer.

Provision of sub-contracting services

Revenue arising from provision of sub-contracting services is recognised when the customer accepts and takes control of the goods sub-contracted to the Group.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease components, and accounts for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred as the Group has no qualifying assets.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "**MPF**") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" included in the property, plant and equipment, in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is disrecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Impairment on property, plant and equipment (including right-of-use assets) and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment (including right-of-use assets) and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment (including right-of-use assets) and intangible assets with finite useful lives are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Impairment on property, plant and equipment (including right-of-use assets) and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 21.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other income” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables, bank loans and overdrafts and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting policies (Continued)

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent company, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) That person's children and spouse or domestic partner;

(b) Children of that person's spouse or domestic partner; and

(c) Dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, notwithstanding the existence of the material uncertainty as described in Note 3.2 to the consolidated financial statement. The validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group. Details of the going concern assessment are explained in Note 3.2 to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Provision of ECL for trade receivables

The impairment loss on trade receivables are measured using ECL model on collective and individual basis which requires the Group to use judgement and estimates in making assumptions and selecting the inputs to the ECL model, based on the number of days that an individual receivable is outstanding as well as their current repayment ability, and taking into account information obtained from external valuer specific to respective customer as well as pertaining to the economic environment in which the debtors operate at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowance for impairment loss on trade receivables.

At 31 December 2022, the carrying amount of the trade receivable was approximately HK$45,461,000 (2021: HK$113,004,000). During the year ended 31 December 2021, an impairment loss on trade receivables of approximately HK$39,552,000 (2021: HK$56,150,000) has been recognised.

The information about the ECL and the Group's trade receivables are disclosed in Note 30(b) and 20, respectively.

(ii) Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amounts of property, plant and equipment (including rights-of-use assets) subject to impairment assessment were HK$202,620,000 (2021: HK$196,747,000). Based on the estimated recoverable amount, no impairment loss on property, plan and equipment has been recognised during the years ended 31 December 2022 and 2021.

Based on the estimated recoverable amount, no impairment loss on property, plant and equipment has been recognised during the years ended 31 December 2022 and 2021.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
– Sale of books and paper products	194,598	270,892
– Provision of subcontracting services in relation to books and paper products	229	10,918
	194,827	281,810

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

	2022 HK$'000	2021 HK$'000
Timing of revenue recognition at point in time	194,827	281,810

(ii) Performance obligations for contracts with customers

The Group sells books and paper products and provides subcontracting service to customers. Revenue is recognised when control of goods has transferred, being when the goods have been shipped to customers' specific location. For provision of subcontracting service, the revenue is recognised when the customer accepts and takes control of the goods sub-contracted to the Group.

The Group's performance obligation satisfies within a period of less than one year. At 31 December 2022 and 2021, there are no unsatisfied performance obligations.

6. OPERATING SEGMENT

Information reported to the board of directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource 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.

Information about geographical information

Revenue from external customers

The Group's customers are mainly located in Hong Kong, the PRC, United States and United Kingdom.

Information about the Group's revenue from external customers is presented based on the geographical location of shipment.

	2022 **HK$'000**	2021 HK$'000
Hong Kong	**101,862**	137,549
The PRC	**229**	10,918
United States	**91,059**	130,645
United Kingdom	**762**	1,024
Others (Note)	**915**	1,674
	194,827	281,810

Note: Revenue from individual countries included in other countries is not significant.

6. OPERATING SEGMENT (CONTINUED)

Information about geographical information (Continued)

Non-current assets

Information about the Group's non-current assets, other than financial assets at FVTPL and deferred tax assets, is presented based on the geographical location of the assets.

	2022 HK$'000	2021 HK$'000
Hong Kong (place of domicile)	133,310	124,727
The PRC	69,607	72,717
	202,917	197,444

Information about major customers

Revenue from customers of corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2022 HK$'000	2021 HK$'000
Customer A	48,881	61,007
Customer B	24,536	43,604
Customer C	20,473	N/A*

* The revenue did not contribute over 10% of the total revenue of the Group in prior year.

7. OTHER INCOME

The Group's other income is presented as follows:

	2022 HK$'000	2021 HK$'000
Bank interest income	177	220
Early termination of lease	–	7
Government grants		
– PRC government subsidies (Note i)	940	586
– Employment Support Scheme (Note ii)	1,167	–
Income from sales of scrap materials	–	3,145
Rental income (Note iii)	408	7,320
Sundry income	3,265	2,937
	5,957	14,215

Notes:

i. The amount represents government grants received from local PRC government authorities for contribution to local economies, of which entitlements were unconditional, at the discretion of the relevant authorities and recognised immediately as other income in the year of receipt.

ii. The amount represents government grants received from the Hong Kong Special Administrative Region as employment protection incentives subsidy to the Group, which were immediately recognised as other income for the year as the Group fulfilled all the relevant granting criteria.

iii. The Group leases out a number of machineries and a property under operating leases. The leases run for a period of one year (2021: one). None of the leases includes variable lease payments.

8. OTHER GAINS (LOSSES), NET

The Group's other gains (losses), net is presented as follows:

	2022 HK$'000	2021 HK$'000
Change in fair value of financial assets at FVPTL:		
– investment funds	(330)	(155)
– investments in key management insurance policies	283	(2,729)
Deposit for acquisition of property, plant and equipment written off	–	(1,000)
Gain on disposal of assets held for sale	–	954
Gain (loss) on disposal of property, plant and equipment	3,763	(1,165)
Gain on termination of insurance plan, net (Note 18(b))	23	–
Net foreign exchange gain (loss)	9,702	(3,110)
	13,441	(7,205)

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest expenses on:		
– bank loans and overdrafts	**5,570**	4,889
– lease liabilities	**1,516**	915
– other borrowing costs	**–**	135
	7,086	5,939

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2022 HK$'000	2021 HK$'000
Staff costs, including directors' emoluments:		
– Salaries, wages and other benefits	**58,106**	64,429
– Contributions to retirement benefit schemes	**6,087**	6,687
	64,193	71,116
Other items:		
Amortisation of intangible assets, included in administrative expenses	**116**	120
Depreciation, included in:		
Cost of sales		
– Owned property, plant and equipment	**5,065**	4,293
– Right-of-use assets	**14,059**	15,361
Administrative expenses		
– Owned property, plant and equipment	**1,513**	3,961
– Right-of-use assets	**2,409**	1,349
	23,046	24,964
Auditors' remuneration	**984**	1,000
Amount of inventories recognised as expenses	**57,071**	90,013
Impairment losses under expected credit loss model on:		
– trade receivables	**39,552**	56,150
– other receivables	**7,151**	1,818

11. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current tax		
Hong Kong Profits Tax		
– Current year	261	435
– Under provision in prior year	–	39
PRC Enterprise Income Tax		
– Current year	–	896
– (Over) under provision in prior year	(1,465)	478
	(1,204)	1,848
Deferred tax (Note 27)		
– Current year	2,527	112
	1,323	1,960

i) Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, 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 years ended 31 December 2022 and 2021 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 Enterprise income tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

iii) The Group's subsidiaries in the BVI are not subject to taxation.

11. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **HK$'000**	2021 HK$'000
Loss before tax	**(58,332)**	(81,126)
Tax at the domestic income tax rate of 16.5% (2021: 16.5%)	**(9,624)**	(12,696)
Tax effect of expenses not deductible for tax purpose	**1,514**	6,714
Tax effect of income not taxable for tax purpose	**(2,062)**	(3,543)
Tax effect of estimated tax losses not recognised	**4,236**	1,616
Utilisation of tax losses previously not recognised	**(714)**	(194)
Tax effect of temporary difference not recognised	**7,706**	9,566
Deferred tax asset impairment	**1,692**	–
Statutory tax concession	**–**	(20)
(Over) under provision in prior year	**(1,465)**	517
Effect of different tax rates of subsidiary operating in other jurisdiction	**40**	–
Income tax expense for the year	**1,323**	1,960

Details of the deferred taxation are set out in Note 27.

12. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its Hong Kong employees. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the subsidiaries (the "**Employer**") in Hong Kong and its employees makes monthly mandatory contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The mandatory contributions from each of the Employer and employees are subject to a cap of HK$1,500 per month.

In addition, employees with 4 to 10 years of service of the Group are entitled to receive the employer's additional voluntary contributions equal to 5% to 10% of the employees' monthly basic salaries when the employees make additional voluntary contributions to the MPF Scheme at the same time. The maximum voluntary contributions of the Group for those employees with services of the Group more than 10 years are 10% of the employees' basic salaries.

During the year ended 31 December 2022, a total contribution of HK$759,000 (2021: HK$602,000) was made by the Group in respect of this scheme.

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, the PRC subsidiary is required to contribute to a state managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2022, a total contribution of approximately HK$5,328,000 (2021: HK$6,085,000) was made by the Group is respect of this scheme.

13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

(a) Directors' and chief executive remuneration

Directors' and chief executives' remuneration for the year disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies is follows:

For the year ended 31 December 2022

	Directors' fees HK$'000	Salaries and bonus HK$'000	Contributions retirement benefit scheme HK$'000	Total HK$'000
Executive directors				
Lam Sam Ming ("**Mr. Lam**")				
(Chairman and chief executive)	2,160	360	18	2,538
Yao Yuan ("**Ms. Yao**")	324	56	16	396
Chan Sau Po	860	169	18	1,047
Independent non-executive directors				
Cheung Yin	120	–	–	120
Wong Hei Chiu	120	–	–	120
Leung Vincent Gar-Gene	120	–	–	120
	3,704	585	52	4,341

13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

(a) Directors' and chief executive remuneration (Continued)

For the year ended 31 December 2021

	Directors' fees HK$'000	Salaries and bonus HK$'000	Contributions retirement benefit scheme HK$'000	Total HK$'000
Executive directors				
Mr. Lam *(Chairman and chief executive)*	2,160	360	18	2,538
Ms. Yao	324	54	16	394
Chan Sau Po	835	160	18	1,013
Independent non-executive directors				
Cheung Yin	120	–	–	120
Wong Hei Chiu	120	–	–	120
Leung Vincent Gar-Gene	120	–	–	120
	3,679	574	52	4,305

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(ii) Mr. Lam is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(iii) Neither the chief executive nor any of the directors waived or agreed to waive any emoluments paid by the Group during the years ended 31 December 2022 and 2021.

13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

(b) Employee's emoluments

Of the five individuals with the highest emoluments, two (2021: two) were directors and the chief executive of the Company whose emoluments are set out above. The emoluments of remaining three (2021: three) individuals were as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other emoluments	2,223	2,320
Retirement scheme contributions	54	54
	2,277	2,374

Their emoluments were within the following band:

	Number of individuals	
	2022	2021
Nil to HK$1,000,000	3	3
	3	3

(c) No emolument has been paid by the Group to the directors and the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2022 and 2021.

14. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2022 HK$'000	2021 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	(59,655)	(83,086)

	2022 '000	2021 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	800,000	800,000

There were no dilutive potential ordinary shares during the years ended 31 December 2022 and 2021, and therefore, diluted loss per share is the same as basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in leasehold land and buildings held for own use HK$'000 Note c (i)	Other properties leased for own use HK$'000 Note c (ii)	Plant and machinery HK$'000	Leasehold improvements, fixtures and furniture HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2021	117,000	21,783	250,525	19,199	7,951	416,458
Additions	–	1,277	1,594	896	–	3,767
Disposals	–	(303)	(6,509)	(10)	(1,592)	(8,414)
Exchange realignment	–	639	3,475	149	16	4,279
At 31 December 2021 and 1 January 2022	**117,000**	**23,396**	**249,085**	**20,234**	**6,375**	**416,090**
Additions	–	30,290	2,533	2,666	–	35,489
Disposals	–	(20,945)	(18,018)	(1,544)	(497)	(41,004)
Exchange realignment	–	(1,968)	(9,202)	(414)	(43)	(11,627)
At 31 December 2022	**117,000**	**30,773**	**224,398**	**20,942**	**5,835**	**398,948**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2021	17,819	10,414	154,353	10,084	4,722	197,392
Provided for the year	4,034	9,636	9,131	1,590	573	24,964
Eliminated on disposals	–	(284)	(4,454)	(2)	(1,379)	(6,119)
Exchange realignment	–	428	2,638	32	8	3,106
At 31 December 2021 and 1 January 2022	**21,853**	**20,194**	**161,668**	**11,704**	**3,924**	**219,343**
Provided for the year	4,035	10,613	4,130	3,791	477	23,046
Eliminated on disposals	–	(20,945)	(15,169)	(712)	(474)	(37,300)
Exchange realignment	–	(1,250)	(7,337)	(151)	(23)	(8,761)
At 31 December 2022	**25,888**	**8,612**	**143,292**	**14,632**	**3,904**	**196,328**
NET CARRYING AMOUNTS						
At 31 December 2022	**91,112**	**22,161**	**81,106**	**6,310**	**1,931**	**202,620**
At 31 December 2021	95,147	3,202	87,417	8,530	2,451	196,747

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a) Ownership interests leasehold land and buildings are depreciated over the shorter of the term of useful lives of the buildings or unexpired term of the lease using the straight-line method.

Other than ownership interests in leasehold land and buildings, properties, plant and equipment are depreciated using the reducing balance method at the following rates per annum:

Plant and machinery	10%
Leasehold improvements, fixtures and furniture	20% or terms of lease whichever is shorter
Motor vehicles	20%

b) At 31 December 2022, the Group's certain land and buildings and plant and machinery with the carrying amounts of HK$91,112,000 (2021: HK$95,147,000) and HK$6,571,000 (2021: Nil), respectively were pledged for the Group's banking facilities and one of the other loans, respectively as referred to in Note 24 to the consolidated financial statements.

c) Right-of-use assets

The analysis of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

	Notes	2022 HK$'000	2021 HK$'000
At carrying amount			
Ownership interests in leasehold land and buildings held for own use in Hong Kong, with remaining lease term of 50 years or more	(i)	**91,112**	95,147
Other properties leased for own use	(ii)	**22,161**	3,202
Plant and machinery	(iii)	**12,443**	23,568
Motor vehicles	(iii)	**1,381**	1,843
		127,097	123,760

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

c) Right-of-use assets (Continued)

The analysis of the expense items in relation to leases recognised in profit or loss are as follows:

	2022 **HK$'000**	2021 HK$'000
Depreciation charge of right-of-use assets by class of underlying assets:		
– Ownership interests in leasehold land and buildings	**4,035**	4,034
– Other properties leased for own use	**10,613**	9,636
– Plant and machinery	**1,475**	2,579
– Motor vehicles	**345**	461
	16,468	16,710

	2022 **HK$'000**	2021 HK$'000
Expense relating to short-term leases	**127**	112
Total cash outflow for leases	**15,913**	16,577
Addition to right-of-use assets	**30,290**	1,277

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several industrial buildings for its book and paper products business, where its production facilities are primary located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, which the directors of the Company consider the ownership interests in leasehold land and buildings cannot be separated.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

c) Right-of-use assets (Continued)

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office premises, production plant and warehouses through tenancy agreements. The leases typically run for an initial period of 1 to 3 years under fixed terms payment.

(iii) Other leases

The Group leases production plant, machinery and motor vehicles under leases expiring from 1 to 3 years. All leases include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

d) Impairment assessment

During the year ended 31 December 2022 and 2021, as there was a loss incurred, the management of the Group concluded there was indication for impairment and conducted impairment assessment on property, plant and equipment (including right-of-use assets) which related to the book and paper business based on the value in use calculation with the assistance of the independent professional qualified valuer. The Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on value in use and no impairment loss on property, plant and equipment has been recognised during the years ended 31 December 2022 and 2021.

17. INTANGIBLE ASSETS

	Computer software HK$'000
COST	
At 1 January 2021	1,185
Exchange realignment	36
At 31 December 2021 and at 1 January 2022	**1,221**
Exchange realignment	**(97)**
At 31 December 2022	**1,124**
ACCUMULATED AMORTISATION	
At 1 January 2021	635
Provided for the year	120
Exchange realignment	22
At 31 December 2021 and at 1 January 2022	**777**
Provided for the year	**116**
Exchange realignment	**(66)**
At 31 December 2022	**827**
CARRYING AMOUNT	
At 31 December 2022	**297**
At 31 December 2021	444

Computer software is amortised on a straight-line basis over 10 years.

18. FINANCIAL ASSETS AT FVTPL

	Notes	2022 HK$'000	2021 HK$'000
Financial assets at FVTPL consisted of:			
– Investment funds in Hong Kong	(a)	**2,103**	2,498
– Investment in key management insurance policies	(b)	**12,719**	15,363
		14,822	17,861

18. FINANCIAL ASSETS AT FVTPL (CONTINUED)

(a) Investment funds in Hong Kong

	2022 HK$'000	2021 HK$'000
Investment funds in Hong Kong, at fair value		
– Unlisted but quoted funds	**2,103**	2,498

The fair value of investment funds is based on the net assets value of the funds at the end of the reporting period.

The financial assets at FVTPL of approximately HK$2,103,000 (2021: HK$2,498,000) were denominated in RMB and pledged as collateral for the Group's banking facilities (see Note 24) as at 31 December 2022.

(b) Investment in key management insurance policies

The Group invested in savings-type insurance policies as detailed below:

Policies:	2016 Policy	2017 – Policy I	2017 – Policy II	2021 Policy
Beneficiary and policy holder:	The Company	The Company	The Company	The Company
Insurance policy type:	Life insurance plan	Life insurance plan	Life insurance plan	Life insurance plan
Insured person:	Mr. Lam Chairman and chief executive	Ms. Chan Sau Po Executive director	Ms. Yao Executive director	Mr. Lam Chairman and chief executive
Insured sum:	US$1,250,000	US$536,395	US$1,000,000	US$1,765,000
Premium period:	18 years	15 years	15 years	18 years
Premium paid:	US$655,862	US$128,000	US$256,580	US$1,222,397
Interest received:	4% per annum guaranteed for first year thereafter variable return (with guaranteed minimum of 2%)	3.9% per annum guaranteed for first five years thereafter variable return (with guaranteed minimum of 2.25%)	3.4% per annum guaranteed for first year thereafter variable return (with guaranteed minimum of 1.8%)	4.25% per annum guaranteed for first year thereafter variable return (with guaranteed minimum of 2%)

AT FAIR VALUE	HK$'000	HK$'000	HK$'000	HK$'000	Total HK$'000
At 31 December 2022	**4,776**	**–**	**–**	**7,943**	**12,719**
At 31 December 2021	4,683	960	1,966	7,754	15,363

18. FINANCIAL ASSETS AT FVTPL (CONTINUED)

(b) Investment in key management insurance policies (Continued)

In the current year, the Group terminated two of the investment in key management insurance policies, which are 2017 – Policy I and 2017 – Policy II, respectively. The surrender value for 2017 – Policy I and 2017 – Policy II at disposal date were approximately HK$987,000 and HK$1,962,000, respectively. There are resulting gain on disposal of HK$27,000 for 2017 – Policy I and loss on disposal of HK$4,000 for 2017 – Policy II.

The directors of the Company consider that the surrender value of this insurance policy provided by the insurance company approximates its fair value.

The Company can terminate the insurance policy at any time and can receive cash based on the surrender value of the insurance policy at the date of withdrawal which is determined by the gross premium paid at inception plus accumulated interest earned and minus insurance policy expense.

The balances of the deposit of key management insurance policies are denominated in United States dollars ("**US$**"), being a currency other than the functional currency of the relevant group entity.

Insurance policies amounted to HK$12,719,000 (2021: HK$12,437,000) was pledged to a bank to secure banking facilities (see Note 24) granted to the Group.

Further disclosure on the fair value hierarchy and basis of fair value measurement of the investments in insurance policy are detailed in Note 30(d).

19. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Raw materials	**15,103**	21,945
Work-in-progress	**8,010**	8,287
Finished goods	**3,649**	4,984
	26,762	35,216

20. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**154,187**	182,178
Less: Allowance for credit losses	**(108,726)**	(69,174)
	45,461	113,004
Other receivables	**3,168**	953
Advance to a supplier	**–**	7,072
Prepayments	**200**	94
Utility and other deposits	**724**	2,226
Other tax recoverable	**2,948**	2,937
	52,501	126,286

The Group does not hold collateral over these balances.

As at 1 January, 2021, trade receivables from contracts with customers amounted to HK$145,327,000.

(i) The Group allows credit terms 30 – 180 days from the date of billing to its trade customers.

The following is an aged analysis of the trade receivables, net of allowance for credit losses, presented based on invoice dates, at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Within 1 month	**14,874**	17,887
1 to 3 months	**7,008**	25,339
3 to 6 months	**6,704**	13,211
6 to 12 months	**4,109**	7,370
Over 1 year	**12,766**	49,197
	45,461	113,004

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) (Continued)

At 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$132,646,000 (2021: HK$68,931,000) which are past due on the reporting date. Out of the past due balances HK$101,751,000 (2021: HK$57,541,000) has been past due 90 days or more and is not considered in default. The directors of the Group do not consider the amounts are in default based on the historical long-term business relationship with the customer and ongoing sales together with continuous partial settlement. Large number of small customers are assessed collectively based on historical credit loss experience adjusted by forward-looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Before accepting any new customer, the management of the Group estimates the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year.

Details of impairment assessment of trade and other receivables are set out in Note 30(b) to the consolidated financial statements.

(ii) The Group's trade and other receivables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2022 **HK$'000**	2021 HK$'000
US$	**37,692**	27,326
British Pound ("**GBP**")	**1,447**	767
Euro	**140**	98
	39,279	28,191

21. PLEDGED BANK DEPOSITS

Pledged bank deposits were pledged to a bank to secure banking facilities granted to the Group. The pledged deposits carry fixed interest rate of 0.4% (2021: 0.05%) per annum. The pledged bank deposits will be released upon the maturity of relevant bank facilities.

Details of impairment assessment of pledged bank deposits are set out in note 30(b).

22. CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents in the consolidated statement of financial position		
– Cash at bank and on hand (Note (i))	1,261	2,048
– Bank overdrafts (Note (ii))	(12,618)	(8,322)
Cash and cash equivalents in the consolidated statement of cash flows	(11,357)	(6,274)

Notes:

(i) Cash and bank balances for the purpose of meeting the Group's short-term cash carry interest at market rates commitments, which range from 0.001% to 0.375% (2021: 0.001% to 0.3%).

(ii) Bank overdrafts carry interest a market rates at 6.13% (2021: range from 5% to 5.5%).

At 31 December 2022, bank balances of a PRC subsidiary amounting to HK$65,000 (2021: HK$158,000) are not freely convertible into other currencies and subject to the exchange restrictions imposed by the PRC government.

Details of impairment assessment of bank balances are set out in note 30(b).

The Group's bank balances and cash that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2022 HK$'000	2021 HK$'000
US$	188	204

23. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**27,214**	55,097
Accrued staff costs	**5,631**	4,960
Other accruals	**1,313**	1,608
Other payables	**16,952**	17,120
Other tax payable	**417**	278
	51,527	79,063

The following is an aged analysis of the trade payables presented based on invoice date at the end of reporting period is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 month	**8,435**	9,844
1 to 3 months	**6,277**	16,016
3 to 6 months	**2,936**	19,382
6 to 12 months	**6,375**	9,700
Over 1 year	**3,191**	155
	27,214	55,097

The credit periods granted to the Group by suppliers range from 7 to 120 days.

24. BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank loans – secured		
– Variable rate borrowings	**126,066**	139,434
– Bank overdrafts	**12,618**	8,322
	138,684	147,756
Other loans – unsecured (note)	**4,700**	–
	143,384	147,756

Note: Other loans represents the loans borrowed from a non-financial institution.

	Bank loans and overdrafts		Other loans	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
The carrying amount of the above borrowings are repayable*:				
Within one year	**5,634**	–	**4,165**	–
Within a period of more than one year but not exceeding two years	**–**	–	**535**	–
	5,634	–	**4,700**	–
The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) and repayable:				
Within one year	**125,740**	64,380	**–**	–
Within a period of more than one year but not exceeding two years	**1,327**	9,785	**–**	–
Within a period of more than two years but not exceeding five years	**4,262**	70,592	**–**	–
Within a period of more than five years	**1,721**	2,999	**–**	–
	133,050	147,756	**–**	–
Carrying amounts of total borrowings	**138,684**	147,756	**4,700**	–
Less: Amount due within one year shown under current liabilities	**(138,684)**	(147,756)	**(4,165)**	–
Amount shown under non-current liabilities	**–**	–	**535**	–

* The amount due are based on scheduled repayment dates set out in the loan agreements.

24. BORROWINGS (CONTINUED)

(i) The effective interest rates of the Group's bank loans and overdrafts and other loan are as follows:

	2022 HK$'000	2021 HK$'000
Effective interest rates:		
Bank loans and overdrafts	**3.04%-6.13% per annum**	1.61%-6.5% per annum
Other loans	**5.91%-6.25% per annum**	–

(ii) At 31 December 2022 and 2021, the banking facilities were secured by pledged bank deposits, financial assets at FVTPL, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries.

As at 31 December 2022, one of the other loans were secured by plant and equipment.

(iii) The carrying amounts of assets pledged against bank loans and overdrafts and other loan as at the end of the reporting period were analysed as follows:

	2022 HK$'000	2021 HK$'000
Property, plant and equipment	**97,863**	95,147
Financial assets at FVTPL	**14,822**	14,935
Pledged bank deposits	**2,017**	2,016
	114,702	112,098

24. BORROWINGS (CONTINUED)

(iv) At 31 December 2022, the Group had banking facilities amounted to HK$150,808,000 (2021: HK$167,599,000) of which HK$138,684,000 (2021: HK$147,756,000) has been utilised.

(v) All of the Group's banking facilities are subject to the fulfilment of covenants based on the financial information of the Group and certain of its subsidiaries, as are commonly found in loan arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. In addition, certain of the Group's banking facilities letters contain clauses which give the banks the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

Pursuant to the facility agreement, it will be an event of default if Mr. Lam Sam Ming is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 51% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

At 31 December 2022, in respect of bank loans with carrying amount of HK$123,848,000 (2021: HK$138,557,000) secured by the pledged bank deposits, financial assets at FVTPL, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries, the Group breached the corresponding bank covenants, which are primarily related to maintain the net tangible assets of the Group at the agreed level. On discovery of the breach, the directors of the Company informed the bank and commenced a renegotiation of the terms of the loans with the banker to revise the financial covenant clause. As of the date of issuance of these consolidated financial statements, the negotiations in respect of the breach of loan covenants of bank loans of HK$123,848,000 had not been concluded. The directors of the Company consider the breach of the covenant would not trigger immediate demand for repayment from bank. Further details of the Group's management of liquidity risk are set out in Note 30(b).

25. AMOUNT DUE TO A SHAREHOLDER/LOAN FROM A SHAREHOLDER

Balance represents the amounts due to and loan from a shareholder, Mr Lam Sam Ming, of which the amounts due to a shareholder are non-trade in nature, unsecured and interest free. The amount due to a shareholder is repayable within one year.

The loan from a shareholder amounted to HK$4,484,000 is interest-bearing at 2.94% per annum of which HK$270,000 is classified as current liabilities.

The remaining loan from a shareholder amounted to HK$4,000,000 is interest-free and is not required to be settled within one year.

26. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**13,171**	7,185
After 1 year but within 2 years	**12,604**	3,404
After 2 years but within 5 years	**3,252**	2,949
	29,027	13,538
Less: Amount due from settlement within 12 months, shown under current liabilities	**(13,171)**	(7,185)
Amount due for settlement after 12 months shown under non-current liabilities	**15,856**	6,353

At 31 December 2022, the incremental borrowing rate applied on the calculation of present value of lease liabilities was ranged from 3.23% to 7.26% per annum (2021: 3.23% to 7.26% per annum).

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

27. DEFERRED TAX ASSETS/(LIABILITIES)

For the purpose of presentation in the consolidated financial statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	219	446
Deferred tax liabilities	(8,849)	(6,518)
	(8,630)	(6,072)

The movements in deferred tax (assets) and liabilities during the current and prior years are as follows:

	Unrealised profit or loss arising from intra-group transactions HK$'000	Depreciation allowance in excess of the related depreciation HK$'000	Impairment losses on receivables HK$'000	Depreciation charge of right-of-use assets HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2021	157	8,271	(2,182)	(458)	–	5,788
(Credited)/charged to profit or loss	(146)	174	2,182	402	(2,500)	112
Exchange realignment	–	180	–	(8)	–	172
At 31 December 2021 and at 1 January 2022	11	8,625	–	(64)	(2,500)	6,072
(Credited)/charged to profit or loss	(11)	(1,298)	(37)	1,373	2,500	2,527
Exchange realignment	–	–	–	31	–	31
At 31 December 2022	–	7,327	(37)	1,340	–	8,630

27. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

At 31 December 2022, the Group has estimated unused tax losses of approximately HK$135,264,000 (2021: HK$113,934,000) available for offset against future profits. No deferred tax assets have been recognised as at 31 December 2022. As at 31 December 2021, a deferred tax assets has been recognised in respect of approximately HK$15,152,000 of such losses, no deferred tax asset has been recognised in respect of the remaining approximately HK$98,782,000 due to the unpredictability of future profits streams. The tax losses do not expire under current tax legislation.

At the end of the reporting period, the Group has deductible temporary differences arising from impairment loss on receivables of approximately HK$117,859,000 (2021: HK$71,176,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$45,844,000 (2021: HK$46,128,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	**2022**	2021
	('000)	('000)	**HK$'000**	HK$'000
Issued and fully paid:				
Ordinary shares				
At the beginning and end of the reporting period	**800,000**	800,000	**100,843**	100,843

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year was to maintain the net debt-to-equity ratio in a balance position.

The capital structure of the Group consists of net debt, which includes bank loans and overdrafts and other loan, amount due to and loan from a shareholder and lease liabilities disclosed in Notes 24, 25 and 26 respectively, net of pledged bank deposits, bank balances and cash, and equity attributable to owners of the Company, comprising issued share capital, retained losses and other reserves.

The gearing ratio at the end of the reporting period was as follows:

	2022	2021
	HK$'000	HK$'000
Debt (i)	**181,295**	161,294
Pledged bank deposits	**(2,017)**	(2,016)
Bank balances and cash	**(1,261)**	(2,048)
Net debt	**178,017**	157,230
Equity (ii)	**57,805**	130,285
Net debt to equity ratio	**308%**	121%

(i) Debt is defined as short-term bank loans and overdrafts and other loans, amount due to and loan from a shareholder and lease liabilities, as detailed in Notes 24, 25 and 26.

(ii) Equity includes all capital and (deficits) reserves of the Group.

Except for the banking facilities which require the fulfilment of covenants as disclosed in Note 24, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets at FVTPL		
– Investment funds in Hong Kong	2,103	2,498
– Investments in key management insurance policies	12,719	15,363
	14,822	17,861
Financial assets at amortised cost	57,740	120,248
Financial liabilities at amortised cost	196,435	219,881

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, deposits, pledged bank deposits, bank balances and cash, trade and other payables, bank loans and overdrafts, other loans, amount due to a shareholder and loan from a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Certain group entities have foreign currency sales and purchases denominated in RMB, US$ and GBP other than the functional currency of respective entities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which included financial assets at FVTPL, trade and other receivables, bank balances and cash, and trade and other payables at the end of the reporting period are as follows:

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and intra-group balances at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**53,178**	45,591	**7,767**	12,831
RMB	**2,103**	2,498	**–**	69,265
GBP	**1,447**	767	**–**	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The directors of the Company consider the impact of currency risks denominated US$ is insignificant as US$ pegged with HK$.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in HK$ against the relevant foreign currencies. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to the management represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax loss where HK$ strengthen 5% (2021: 5%) against the relevant currency. For a 5% (2021: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the post-tax loss for the year as set out below:

	Profit or loss	
	2022	2021
	HK$'000	HK$'000
RMB	**87**	(2,788)
GBP	**60**	32

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest risk in relation to pledged bank deposits (see note 21), bank balance (see note 22), bank loans and overdrafts (see note 24), and lease liabilities (see note 26). Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by the management is set out below.

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2022		2021	
	Effective interest rate %	Amount HK$'000	Effective interest rate %	Amount HK$'000
Fixed rate borrowings:				
Lease liabilities	3.23% – 7.26%	29,027	3.23% – 7.26%	13,538
		29,027		13,538
Variable rate borrowings:				
Bank overdrafts	3.38% – 6.13%	12,618	5.5%	8,322
Bank loans	3.04% – 6.09%	126,066	1.3% – 3.1%	139,434
Other loans	5.91% – 6.25%	4,700	–	–
		143,384		147,756
Total borrowings		172,411		161,294

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased (2021: increased/decreased) the Group's loss after tax and increased/decreased retained losses (2021: retained profit) by approximately HK$1,422,000 (2021: HK$1,234,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to variable-rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group's exposure to fair value interest risk is insignificant.

(iii) Other price risk

Other price risk relates to the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investment in unlisted but quoted funds classified as financial assets at FVTPL.

The sensitivity analysis has been determined based on the exposure to the price of quoted fund at the reporting date. If the price of the quoted fund had been 5% higher/lower, the loss for the year would decrease/increase by HK$105,000 (2021: HK$125,000) as a result of the change in fair value.

The assumed volatilities of unlisted quoted fund represent management's assessment of a reasonably possible change in these security prices over the next twelve-month period.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer obtained from external valuer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in single segments or countries in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 6.7% (2021: 6.7%) of the total trade receivables were due from the Group's largest customer and 13.5% (2021: 13.5%) of the total trade receivables were due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a collective and individual assessment. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the impairment loss based on past due status is further distinguished between the Group's different customer bases.

The customer bases consist of the following groups, classified by credit risk characteristics:

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

Collective assessment

Group 1:	Insured customers – credit loss is hedged by insurance policies and have no historical default record
Group 2:	Long-term business relationship customers – always pay late but have no historical default record
Group 3:	Other customers are neither in Group 1 & 2 nor credit-impaired with significant increase in credit risk but not credit-impaired

Individual assessment

Credit-impaired trade debtors and trade debtors with significant balance are assessed for ECL individually.

For Group 1, the Group has monitoring procedures in place to make sure that the credit limit granted to these customers maintains at an acceptable level compared to the sum insured by the insurance companies. In this regard, management considers credit risk in respect of these customer is significantly mitigated.

For Group 2, in view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers.

For Group 3, expected loss rates are based on actual loss experience over the past 3 years and with reference from external valuer's information. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

Credit-impaired trade debtors and trade debtors with significant balances with gross carrying amount of HK$23,747,000 (2021: HK$12,546,000) and HK$75,435,000 (2021: HK$75,941,000) respectively as at 31 December 2022 were individually assessed. At 31 December 2022, the balance of impairment loss in respect of these individually assessed receivables was HK$84,191,000 (2021: HK$23,949,000).

The following tables provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 31 December 2021:

	ECL rate	Gross carrying amounts HK$'000	Loss allowance HK$'000	Net carrying amounts HK$'000
At 31 December 2022				
Provision on collective basis				
Group 1 customers	0%*	15,493	–	15,493
Group 2 customers	0%	–	–	–
Group 3 customers				
– Current (not past due)	0.41%	8,119	(33)	8,086
– Within 1 month past due	0.41%	728	(3)	725
– 1 to 3 months past due	1.25%	1,012	(13)	999
– 3 to 6 months past due	3.72%	62	(3)	59
– Over 6 months past due	7.42%	576	(43)	533
– Over 1 year	84.20%	29,014	(24,440)	4,574
		55,004	(24,535)	30,469
Provision on individual basis	0.41%-100%	99,183	(84,191)	14,992
		154,187	(108,726)	45,461

* At 31 December 2022, according to the historical observed default rates of expected lives of Group 1 customers, the ECL rates are immaterial.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

	ECL rate	Gross carrying amounts HK$'000	Loss allowance HK$'000	Net carrying amounts HK$'000
At 31 December 2021				
Provision on collective basis				
Group 1 customers	0%*	28,297	–	28,297
Group 2 customers	0%	–	–	–
Group 3 customers				
– Current (not past due)	0.59%	18,027	(106)	17,921
– Within 1 month past due	0.59%	2,700	(16)	2,684
– 1 to 3 months past due	1.79%	3,963	(71)	3,892
– 3 to 6 months past due	5.34%	635	(34)	601
– Over 6 months past due	10.65%	235	(25)	210
– Over 1 year	87.78%	51,257	(44,993)	6,264
		105,114	(45,245)	59,869
Provision on individual basis	30.03%–100%	77,064	(23,929)	53,135
		182,178	(69,174)	113,004

* At 31 December 2021, according to the historical observed default rates of expected lives of Group 1 customers, the ECL rates are immaterial.

Expected loss rates are based on actual loss experience over past 5 years and with reference from external valuer's information. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	13,024	–	13,024
Changes due to financial instruments recognised as at 1 January 2021:			
Impairment losses recognised	51,373	1,123	52,496
Impairment losses reversed	(321)	–	(321)
New financial assets originated	3,975	–	3,975
At 31 December 2021	68,051	1,123	69,174
Changes due to financial instruments recognised as at 1 January 2022:			
Transfer to credit-impaired	(19,861)	19,861	–
Impairment losses recognised	40,012	2,764	42,776
Impairment losses reversed	(3,226)	–	(3,226)
New financial assets originated	2	–	2
At 31 December 2022	**84,978**	**23,748**	**108,726**

Changes in the loss allowance for trade receivables are mainly due to:

	2022 Increase/(decrease) in lifetime ECL		2021 Increase/(decrease) in lifetime ECL	
	Non-credit impaired HK$'000	**Credit impaired HK$'000**	Non-credit impaired HK$'000	Credit impaired HK$'000
Increase in days past due over one year	**–**	**2,764**	51,373	1,123
Trade debtor with significant balances assessed individually	**–**	**–**	–	–
One trade debtor with gross amount of HK$22,625,000 defaulted and transferred to credit-impaired	**(19,861)**	**19,861**	–	–

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables and deposits

Movement in impairment loss in respect of deposits and other receivables during the year is as follows:

	2022 HK$'000	2021 HK$'000
Balance at 1 January	**2,003**	185
Settlement during the year	**(41)**	(162)
Impairment loss recognised during the year	**7,172**	1,980
Balance at 31 December	**9,134**	2,003

At the end of the reporting period, the Group reviews deposits and other receivables for evidence of impairment on an individual and collective bases. At 31 December 2022, the Group determined deposits and other receivables with significant balance of approximately HK$9,108,000 was individually assessed (2021: HK$9,050,000). Based on this individual assessment, impairment loss of approximately HK$7,130 (2021: HK$1,978,000) was recognised during the year. An impairment of approximately HK$42 (2021: HK$2,000) was recognised based on collective assessment.

Pledged bank deposits and cash at banks

The Group mitigates its exposure to credit risk by placing deposits with banks with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings. Bank loans with a repayment on demand clause, including the bank loans that are repayable on demand due to breach of loan covenants as disclosed in Note 24, are included in the earliest time band regardless of the possibility of the bank choosing to exercise its rights.

The Group relies on bank loans and overdrafts as a significant source of liquidity. At 31 December 2022, the Group has available unutilised overdraft and short-term bank loan facilities of HK$382,000 (2021: HK$4,678,000) and HK$12,124,000 (2021: HK$15,165,000) respectively. Details of which are set out in Note 24.

The directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 31 December 2023 and other measures taken by the management as referred to in Note 3.2 to the consolidated financial statements, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 31 December 2022.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate	On demand or less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Total carrying amount
	(%)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2022							
Trade and other payables	–	44,167	–	–	–	44,167	44,167
Bank loans	3.13	118,417	1,554	4,661	1,762	126,394	126,066
Other loans	6.02	4,299	541	–	–	4,840	4,700
Bank overdrafts	5.99	12,618	–	–	–	12,618	12,618
Amount due to a shareholder	–	400	–	–	–	400	400
Loan from a shareholder	2.94	447	4,862	3,948	–	9,257	8,484
Lease liabilities	5.08	14,280	13,071	3,269	–	30,620	29,027
		194,628	20,028	11,878	1,762	228,296	225,462
At 31 December 2021							
Trade and other payables	N/A	72,125	–	–		72,125	72,125
Bank loans	2.6	139,434	–	–		139,434	139,434
Bank overdrafts	5.5	8,322	–	–		8,322	8,322
Lease liabilities	5.77	7,723	3,700	3,081		14,504	13,538
		227,604	3,700	3,081		234,385	233,419

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. At 31 December 2022, the aggregate carrying amounts of these bank loans amounted to HK$120,433,000 (2021: HK$139,434,000). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid within two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31 December 2022	**112,784**	**1,554**	**4,661**	**1,762**	**120,761**	**120,433**
31 December 2021	56,306	10,001	71,019	3,088	140,414	139,434

(c) Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement of financial instruments

One of the Group's financial assets is measured at fair value at the end of the reporting period. The following table provides an analysis of financial instrument that is measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1		Level 2		Level 3		Valuation techniques and key inputs
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	
Financial assets at FVTPL							
Investment funds in Hong Kong	–	–	2,103	2,498	–	–	The fair value of investment in the unlisted investment fund is based on the net assets value of the fund, which take into consideration the fair value of underlying assets and liabilities of the unlisted investment fund.
Investments in key management insurance policies	–	–	–	–	12,719	15,363	The fair value of the key management insurance contracts is determined by reference to the surrender cash value, which is primarily based on the performance of the underlying investment portfolio together with the guaranteed minimum returns, reported by the bank on a regular basis.

There were no transfers between Levels 2 and 3 during the years ended 31 December 2022 and 2021.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans HK$'000	Other loans HK$'000	Amount due to/ loan from a shareholder HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2022	139,434	–	–	13,538	152,972
Financing cash flows:					
Proceeds from new bank loans	87,494	–	–	–	87,494
Repayment of bank loans	(106,145)	–	–	–	(106,145)
Proceeds from other loan	–	9,791	–	–	9,791
Repayment of other loan	–	(5,446)	–	–	(5,446)
Advance from a shareholder	–	–	8,546	–	8,546
Non-cash changes:					
Interest on bank loans and overdrafts	5,125	445	–	–	5,570
Repayment of lease liabilities	–	–	–	(15,318)	(15,318)
Interest on lease liabilities	–	–	–	1,516	1,516
New leases entered	–	–	–	30,290	30,290
Exchange adjustments	158	(90)	338	(999)	(593)
At 31 December 2022	126,066	4,700	8,884	29,027	168,677

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Bank loans HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2021	164,169	20,519	184,688
Changes from financing cash flows:			
Proceeds from new bank loans	256,994	–	256,994
Repayment of bank loans	(285,499)	–	(285,499)
Repayment of lease liabilities	–	(16,577)	(16,577)
Non-cash changes:			
New leases entered	–	1,277	1,277
Early termination of tenancy agreements	–	(26)	(26)
Interests on lease liabilities	–	915	915
Interests on bank loans and overdrafts	5,024	–	5,024
Settlement of factoring loan	(1,254)	–	(1,254)
Reallocate lease liabilities to other payables	–	7,168	7,168
Exchange adjustments	–	262	262
At 31 December 2021	139,434	13,538	152,972

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group entered into lease arrangements in respect of lease properties and machineries (2021: properties and machineries). On commencement of the lease, the Group recognised right-of-use assets and lease liabilities of approximately HK$30,290,000 (2021: HK$1,277,000) and HK$30,290,000 (2021: HK$1,277,000) respectively. In addition, deposit paid for acquisition of property, plant and equipment amounted to HK$253,000 as at 31 December 2021 was capitalised to offset the purchase cost of property, plant and equipment during the year ended 31 December 2022.

33. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant transactions with related parties during the years ended 31 December 2022 and 2021:

i) Prosperous Printing Co. (the "**Partnership**"), a partnership carried on by Mr. Lam and Ms. Yao, spouse of Mr. Lam granted to the Company exclusive right to use vehicle licenses without charge.

ii) The Company granted to the Partnership, a non-exclusive license to use of the name "Prosperous" or "萬里" without charge.

(b) Save as disclosed elsewhere in the consolidated financial statements, the Group has no other material balances with related parties as at 31 December 2022 and 2021.

(c) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in Note 13, is as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other emoluments	5,932	5,969
Retirement scheme contributions	88	88
	6,020	6,057

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	164,336	164,336
Property, plant and equipment	4,633	5,444
Financial assets at fair value through profit or loss	14,822	17,861
Deferred tax assets	–	1,692
	183,791	189,333
Current assets		
Trade and other receivables	4,498	25,173
Amounts due from subsidiaries (Note i)	111,002	106,117
Pledged bank balances	2,017	2,016
Bank balances and cash	136	246
	117,653	133,552
Current liabilities		
Trade and other payables	10,035	29,536
Amounts due to subsidiaries (Note i)	130,973	111,321
Bank loans and overdrafts	123,848	138,525
Lease liabilities	986	1,960
	265,842	281,342
Net current liabilities	(148,189)	(147,790)
Total assets less current liabilities	35,602	41,543
Non-current liabilities		
Lease liabilities	420	1,003
	420	1,003
NET ASSETS	35,182	40,540
Capital and reserves		
Share capital	100,843	100,843
Deficits	(65,661)	(60,303)
TOTAL EQUITY	35,182	40,540

Approved and authorised for issue by the Board of Directors on 31 March 2023 and signed on its behalf by

Lam Sam Ming *Director*	**Chan Sau Po** *Director*

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

i) The amounts are unsecured, non-interest bearing and repayable on demand.

ii) The movements in reserves of the Company are as follows:

	Capital reserve HK$'000 (Note)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2021	3,318	49,576	52,894
Loss and total comprehensive expense for the year	–	(113,197)	(113,197)
At 31 December 2021 and 1 January 2022	3,318	(63,621)	(60,303)
Loss and total comprehensive expense for the year	–	(5,358)	(5,358)
At 31 December 2022	3,318	(68,979)	(65,661)

Note: Capital reserve comprises deemed contribution from the controlling shareholder in prior years.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following list contains the particulars of subsidiaries. All the subsidiaries are private companies and the class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Class of shares held	Particulars of issued and fully paid capital/registered share capital	Proportion of ownership interest held by the Company				Principal activity
				Directly		Indirectly		
				2022 %	2021 %	2022 %	2021 %	
Printplus Limited	Hong Kong/ 18 February 2004	Ordinary	100 shares	100%	100%	–	–	Trading of books and paper products
Century Sight Limited	Hong Kong/ 22 February 2008	Ordinary	100 shares	100%	100%	–	–	Investment holding
Great Wall Printing Company Limited	Hong Kong/ 23 May 2008	Ordinary	100 shares	–	–	100%	100%	Trading and production of books and paper products
Prosperous Printing (HK) Company Limited	Hong Kong/ 6 July 2018	Ordinary	10,000 shares	100%	100%	–	–	Trading of books and paper products
Prosperous Printing (Shenzhen) Co., Ltd. (中萬印刷(深圳)有限公司) (Note)	the PRC/ 3 December 2010	Paid up	RMB60,000,000 registered capital	100%	100%	–	–	Productions of books and paper products
Mr. Classic Inc.	British Virgin Islands ("**BVI**")/ 6 January 2016	Ordinary	50,000 shares of US$1 each	100%	100%	–	–	Investment holding
Great China Gains Inc.	BVI/ 6 January 2016	Ordinary	50,000 shares of US$1 each	100%	100%	–	–	Investment holding
Super Noble Limited	Hong Kong/ 10 March 2008	Ordinary	10,000 shares	–	–	100%	100%	Property investment
Tactful Hero Limited	Hong Kong/ 10 March 2008	Ordinary	1,000 shares	–	–	100%	100%	Property investment

Note: Prosperous Printing (Shenzhen) Company Limited is established in the PRC as a wholly foreign-owned enterprise. The English name is for identification purpose only.

36. COMPARATIVES

Certain comparative figures are reclassified to conform with presentation for the current year.

37. EVENTS AFTER THE REPORTING PERIOD

The Group has signed a sale and purchase agreement with a third party buyer on 14 March 2023 to sell one eight-color printing machine. The total consideration for the sale and purchase of the machinery is approximately HK$2,960,000 (RMB2,550,000). 10% of the consideration has been received upon signing of the sale and purchase agreement. The remaining consideration will be received before delivery of the machine which is expected to be completed within one month after signing the sale and purchase agreement. The carrying value of the machine was zero as at 31 December 2022, and the Group currently expects to record a gain on disposal.

Five-year Financial Summary

	2022 HK$'000 Note	2021 HK$'000 Note	2020 HK$'000 Note	2019 HK$'000 Note	2018 HK$'000 Note
For the year					
Revenue	**194,827**	281,810	278,944	461,561	432,538
(Loss)/profit before taxation	**(58,332)**	(81,126)	(99,534)	30,074	30,769
(Loss)/profit attributable to equity holders of the Company	**(59,655)**	(83,086)	(100,824)	18,199	24,335
At year end					
Total assets	**300,499**	381,317	471,355	541,171	536,880
Total liabilities	**(242,694)**	(251,032)	(263,008)	(241,479)	(251,148)
Total equity attributable to equity holders of the Company	**57,805**	130,285	208,347	299,692	285,732

Note:

The financial figures were extracted from the consolidated financial statements in the respective annual report.