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SMART GLOBE HOLDINGS LIMITED
竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code on Main Board: 1481)
(Stock code on GEM: 8485)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor

MESSIS 大有融資

Financial adviser to the Company

紅日資本有限公司
RED SUN CAPITAL LIMITED

On 20 April 2020, an application was made by the Company to the Stock Exchange for the listing of, and permission to deal in, (i) the 1,000,000,000 Shares in issue; and (ii) any Shares which may be issued upon exercise of any shares options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing from GEM pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules. As six months had passed since the aforesaid application, a re-submission of the Transfer of Listing application has been made by the Company to the Stock Exchange on 27 October 2020.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 3 December 2020 for the Shares to be listed on the Main Board and to be de-listed from GEM. Immediately prior to the listing of the Shares on the Main Board, the listing of the existing Shares on GEM will be withdrawn. The last day of dealings in the Shares on GEM (stock code on GEM: 8485) will be 10 December 2020. It is expected that dealings in the Shares on the Main Board (stock code on the Main Board: 1481) will commence at 9:00 a.m. on 11 December 2020. As at the date of this announcement, the Board confirms that all the applicable pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English or Chinese stock short names of the Company, the existing Share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

The price of the Shares has been volatile since the GEM Listing Date. To the best of its knowledge after making reasonable enquiries, the Board is not aware of any reasons for such volatility. The Board noted that the price of the Shares has been volatile and may continue to be volatile upon listing on the Main Board. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

References are made to the announcements of the Company made on 20 April 2020 and 27 October 2020 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing under the transfer of listing arrangement pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 20 April 2020, an application was made by the Company to the Stock Exchange in relation to the Transfer of Listing. As six months had passed since the aforesaid application, a re-submission of the Transfer of Listing application has been made by the Company to the Stock Exchange on 27 October 2020. The Company has applied for the listing of, and permission to deal in, (i) the 1,000,000,000 Shares in issue; and (ii) any Shares which may fall to be issued upon exercise of any shares options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 3 December 2020 for the Shares to be listed on the Main Board and to be de-listed from GEM. As at the date of this announcement, the Board confirms that all the applicable pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

Immediately prior to the listing of the Shares on the Main Board, the listing of the existing Shares on GEM will be withdrawn. The last day of dealings in the Shares on GEM (stock code on GEM: 8485) will be 10 December 2020. It is expected that dealings in the Shares on the Main Board (stock code on the Main Board: 1481) will commence at 9:00 a.m. on 11 December 2020.

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

REASONS FOR THE PROPOSED TRANSFER OF LISTING

The issued Shares have been listed and traded on GEM since the GEM Listing Date. The Group is a one-stop printing service provider with an international customer base, offering a full suite of printing services which cover pre-press, offset printing to post-press services. For further details of the Group's business, please refer to the section headed "Principal activities and business model of the Group" in this announcement. There has been no material change in the Company's business model, regulatory environment, industry landscape, board composition and Controlling Shareholders and no major acquisitions or disposals by the Group since the GEM Listing and up to the date of this announcement.

The Directors consider that Main Board is a premier board on the Stock Exchange and the Transfer of Listing will increase attractiveness of Shares to investors, broaden the Company's investor base and attain higher trading liquidity for Shares, which is beneficial to the Company for its continued growth, financing flexibility and business development, and is in the overall interest of the Company and will create a long-term value to its Shareholders as a whole. In addition, the Board also believes that the Transfer of Listing will:

- enhance the profile and promote the market recognition of the Company among public investors and its existing and potential customers (such as international publishers and book traders), which will, in turn, have positive impact on its business developments and strengthen the confidence of its stakeholders;

- reinforce confidence of existing and potential customers and suppliers in the financial strength, corporate governance and credibility of the Group as the Main Board is generally perceived to be a more advanced status for listed companies and has more stringent requirements for listing than GEM. This can be an advantage for the Group when negotiating terms for its sales and purchases and to seek for more business opportunities; and

- promote the corporate image of the Company. As such, it will be easier for the Group to retain and recruit experienced staff as well as to attract new customers.

As at the date of this announcement, the Board does not contemplate any material change in the nature of the business of the Group immediately following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 28 December 2017, being the GEM Listing Date. Subject to continuing compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code on GEM: 8485) will be 10 December 2020. Dealings in the Shares on the Main Board (stock code on the Main Board: 1481) will commence at 9:00 a.m. on 11 December 2020.

The Transfer of Listing will have no effect on the existing Share certificates which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing Share certificates.

Currently, the Shares are traded in the board lot of 10,000 Shares each and are traded in Hong Kong Dollars. The principal share registrar and transfer office of the Company is Estera Trust (Cayman) Company Limited, and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English or Chinese stock short names of the Company, the existing Share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 4 December 2017 and took effect on the GEM Listing Date for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and for such other purposes as the Board may approve from time to time. The Share Option Scheme will remain effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

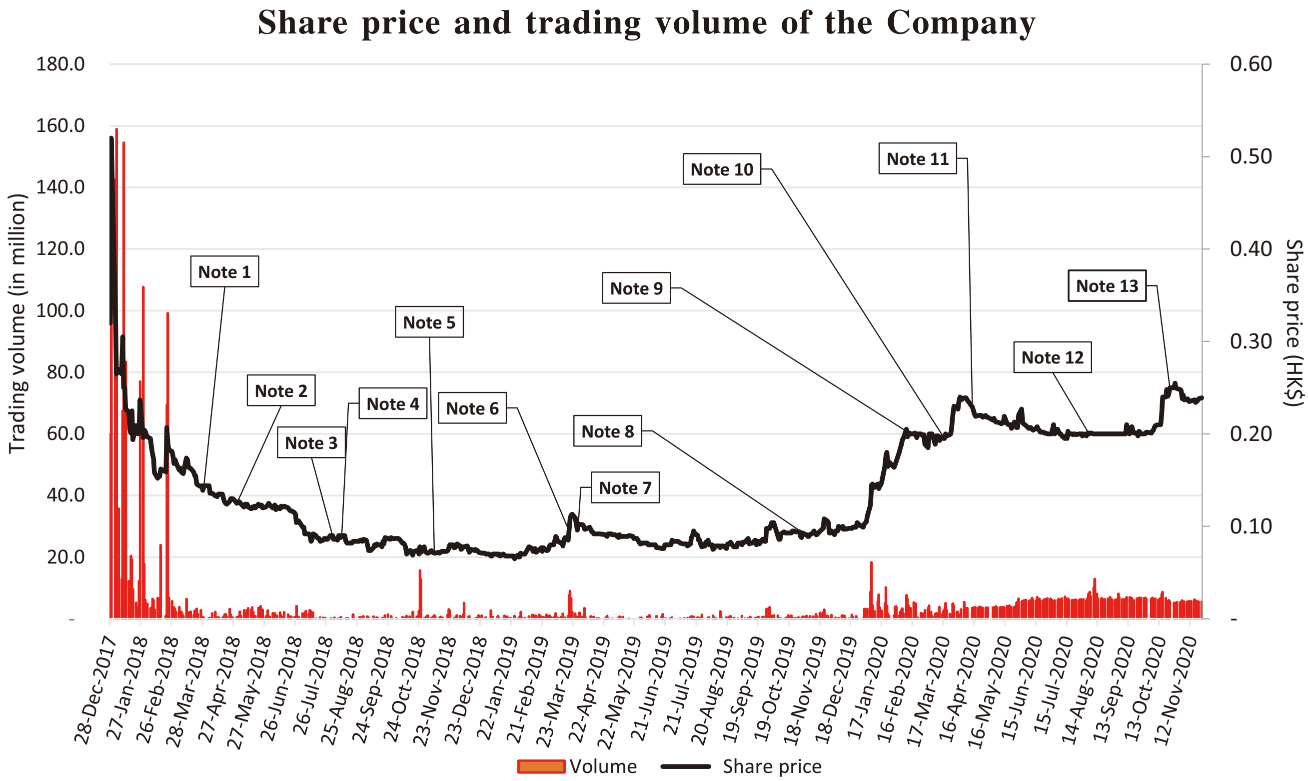
Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options to eligible participants, including, among others, the directors, advisors, consultants and employees of the Company or any of its subsidiaries, entitling them to subscribe for Shares in accordance with the terms of the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the GEM Listing Date, being 50,000,000 Shares, unless further Shareholders' approval is obtained in a general meeting.

The listing of the Shares to be issued pursuant to the exercise of any options under the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules. As at the date of this announcement, no share option has been granted since the adoption of the Share Option Scheme and there were no share option outstanding, and the Company has not issued any options, warrants or similar rights or convertible equity securities which will be transferred to the Main Board as at the date of this announcement.

SHARE PRICE VOLATILITY

The price of the Shares has been volatile since the GEM Listing Date. The offer price per Share pursuant to the GEM Listing was HK$0.25. The highest and lowest closing prices at which the Shares have traded on GEM since the GEM Listing Date and up to the Latest Practicable Date were HK$0.52 (i.e. on 29 December 2017) and HK$0.065 (i.e. on 25 January 2019), respectively. During the aforesaid period, the price per Share had risen by a maximum of approximately 108.0% (by comparing the offer price and the highest closing price) and decreased to a minimum of approximately 74.0% (by comparing the offer price and the lowest closing price).

The chart below sets out the daily closing price and trading volume of the shares since the GEM Listing Date and up to the Latest Practicable Date.



Notes:

1. The Company issued the annual report and annual results announcement for the year ended 31 December 2017 on 29 March 2018.

2. The Company issued the profit warning announcement for the three months ended 31 March 2018 on 3 May 2018.

3. The Company issued the interim results announcement for the six months ended 30 June 2018 on 3 August 2018.

4. The Company issued the interim report for the six months ended 30 June 2018 on 10 August 2018.

5. The Company issued the third quarterly results announcement for the nine months ended 30 September 2018 on 9 November 2018.

6. The Company issued the annual results announcement for the year ended 31 December 2018 on 18 March 2019.

7. The Company issued the annual report for the year ended 31 December 2018 on 29 March 2019.

8. The Company issued the third quarterly results announcement for the nine months ended 30 September 2019 on 11 November 2019.

9. The Company issued the positive profit alert announcement for the year ended 31 December 2019 on 14 February 2020.

10. The Company issued the annual results announcement for the year ended 31 December 2019 on 20 March 2020.

11. The Company issued announcement in respect of the formal application for the proposed Transfer of Listing on 20 April 2020.

12. The Company issued the interim results announcement for the six months ended 30 June 2020 on 7 August 2020.

13. The Company issued the announcement in respect of the renewal of application for the proposed Transfer of Listing on 27 October 2020.

As shown in the chart above, the closing price of the Shares has dropped constantly since the GEM Listing Date from HK$0.320 to HK$0.144 on 3 April 2018, being the first trading day after the Company issued the annual report and annual results announcement for the year ended 31 December 2017, which may probably be driven by the market reaction on the possible adverse effect on the financial results of the Group for the year due to the non-recurring listing expenses in relation to the GEM Listing as disclosed in the Prospectus. After that, the closing price of the Share has further declined to HK$0.124 on 4 May 2018, being the first trading day after the Company published the profit warning announcement for the Group's unaudited management accounts for the three months ended 31 March 2018, and further to HK$0.085 on 6 August 2018, being the first trading day after the Company announced its interim results for the six months ended 30 June 2018. The closing price of the Shares then slightly increased to HK$0.090 on 10 August 2018, being the first trading day after the Group issued the interim report for the six months ended 30 June 2018. Such fluctuations in the closing prices of the Shares may be likely due to the market reaction and speculation activities on the Group's financial performance after the publication of the Company's profit warning announcement, interim results announcement and/or interim report. Since then, the closing price of the Shares remained relatively steady and subsequently reached a lower end of HK$0.065 on 25 January 2019. The closing price of the Shares rose to HK$0.095 on 19 March 2019 and HK$0.102 on 1 April 2019, being the first trading day after the Company issued the annual results announcement and annual report for the year ended 31 December 2018, and then fluctuated within the range between HK$0.075 and HK$0.108 during the rest of 2019.

The closing price of the Shares then showed a general upward trend since January 2020 and rose to HK$0.199 on 23 March 2020, being the first trading day after the Company announced its annual results for the year ended 31 December 2019 with a recommendation of a final dividend, and further rose to HK$0.220 on 21 April 2020, being the first trading day after the Company announced its formal application for the proposed Transfer of Listing. The closing price of the Shares then generally hovered within the range between HK$0.195 and HK$0.227 with an average of HK$0.207 during the period from 22 April 2020 up to 7 August 2020. The closing price of the Shares went back to HK$0.200 on 10 August 2020, being the first trading day after the Company issued the interim results announcement for the six months ended 30 June 2020, and hovered within the range between HK$0.198 and HK$0.219 with an average of HK$0.202 during the period from 11 August 2020 to 15 October 2020. The closing price of the Shares rose to HK$0.240 on 16 October 2020 and further rose to HK$0.255 on 28 October 2020, being the first trading day after the Company issued the announcement in respect of its renewal of application for the proposed Transfer of Listing. Since then and up to 30 October 2020, the closing price of the Shares had remained at approximately HK$0.250. Such fluctuations in the closing prices of the Shares may be likely due to the market reaction and speculation activities after the publication of the aforesaid announcements. The closing price of the Shares then gradually went down to HK$0.236 on the Latest Practicable Date. To the best of the Directors' knowledge, after having made all reasonable enquiries, the Directors were not aware of any reasons for such volatility or of any information that had to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board noted that the price of the Shares has been volatile and may continue to be volatile upon listing on the Main Board. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 8 May 2020 to the Directors to (i) issue and allot new Shares; (ii) repurchase Shares; and (iii) extend the general mandate granted to the Directors to issue Shares by nominal amount of Shares repurchased by the Shareholders, will continue to be valid and remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(c) the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such mandate.

SHAREHOLDING DISTRIBUTION

The Company has made an enquiry into its shareholding, and to confirm the Company's shareholding distribution. Based on the information received up to the date of this announcement and to the best knowledge of the Directors upon due inquiry, as at 2 November 2020 (being the latest practicable date for the Company to ascertain the following information prior to the Transfer of Listing), (i) the Controlling Shareholders held an aggregate of 675,000,000 Shares, representing approximately 67.5% of the then entire issued share capital of the Company; (ii) the public Shareholders held an aggregate of 250,000,000 Shares, representing approximately 25.0% of the then entire issued share capital of the Company; (iii) there were at least 470 Shareholders *(Note 1)*.

The table below sets out the number of identifiable Shareholders and the Shareholders' spread including the Shares held by the Controlling Shareholders as at 2 November 2020:

	Aggregate number of Shares held by the Shareholder(s) *(Note 2)*	**Approximate percentage of shareholding to the then entire issued share capital of the Company** %
Top three identifiable Shareholders (including the Controlling Shareholders) *(Note 3)*	782,400,000	78.24
Top 20 identifiable Shareholders (including the Controlling Shareholders) *(Note 4)*	876,310,000	87.63
Top 25 identifiable Shareholders (including the Controlling Shareholders) *(Note 5)*	882,600,000	88.26

Notes:

1. For the purpose of calculating the number of Shareholders, a Shareholder who holds Shares through multiple brokerage accounts via different brokerage firms has been counted as a single Shareholder.

2. The shareholding search conducted on 2 November 2020 cannot identify Shareholders holding an aggregate of 5,690,000 Shares, representing approximately 0.57% of the then entire issued Shares (the "**Unidentifiable Shares**").

3. Assuming that the Unidentifiable Shares were all held by the top three identifiable Shareholders, the aggregate number of Shares held by them will be 788,090,000 Shares, representing approximately 78.81% of the then entire issued Shares.

4. Assuming that the Unidentifiable Shares were all held by the top 20 identifiable Shareholders, the aggregate number of Shares held by them will be 882,000,000 Shares, representing approximately 88.20% of the then entire issued Shares.

5. Assuming that the Unidentifiable Shares were all held by the top 25 identifiable Shareholders, the aggregate number of Shares held by them will be 888,290,000 Shares, representing approximately 88.83% of the then entire issued Shares.

As at 2 November 2020, among the public Shareholders, (i) the largest public Shareholder held an aggregate of 32,400,000 Shares, representing approximately 12.96% of the then number of Shares held in public hands and 3.24% of the then entire issued Shares; (ii) the three largest public Shareholders held an aggregate of 81,290,000 Shares, representing approximately 32.52% of the then number of Shares held in public hands and 8.13% of the entire then issued Shares; and (iii) the 25 largest public Shareholders held in aggregate 134,900,000 Shares, representing approximately 53.96% of the then number of Shares held in public hands and approximately 13.49% of the then entire issued Shares.

PUBLIC FLOAT

The Directors confirm that (i) at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement; (ii) the Company has at least 300 Shareholders; and (iii) not more than 50% of the Shares held by the public are held by the three largest public Shareholders. Accordingly, the minimum 25% public float requirement under Rule 8.08 of the Main Board Listing Rules has been fulfilled. Other than (i) the Shareholders who are also the Controlling Shareholders and/or Directors; and (ii) four of the identifiable Shareholders who have past and/or present relationships with the Group given that all of them had working relationships with Mr. Chan and Ms. Tse in the past and three of whom are currently holding directorships in the company which is the landlord of the Heyuan Factory as well, to the best knowledge of the Directors after making reasonable enquiries, none of the Shareholders has any past or present relationship (including family, employment or business) with the Group, or was financed directly or indirectly by, and/or accustomed to taking instructions with respect to acquisition, disposal and exercise of voting of the Shares from, the Company and its subsidiaries, their directors, senior management or any of their respective associates.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors, the Controlling Shareholders or their respective associates has any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to the Main Board Listing Rules.

PUBLICATION OF FINANCIAL RESULTS AND FINANCIAL REPORT

The annual results announcement and the annual report of the Company for the year ended 31 December 2019, the first quarterly results announcement and first quarterly report of the Company for the three months ended 31 March 2020, the interim results announcement and the interim report of the Company for the six months ended 30 June 2020 and the third quarterly results announcement and the third quarterly report of the Company for the nine months ended 30 September 2020 were published on 20 March 2020, 29 March 2020, 14 May 2020, 7 August 2020, 13 August 2020 and 11 November 2020, respectively. Please refer to the above published documents for details.

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

COMPLIANCE WITH THE GEM LISTING RULES

To the best knowledge of the Directors after making reasonable enquiries, the Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules since the GEM Listing Date and up to the date of this announcement.

PRINCIPAL ACTIVITIES AND BUSINESS MODEL OF THE GROUP

The Group has not changed its principal businesses since its listing on GEM on 28 December 2017. The Group is a one-stop printing service provider with an international customer base, offering a full suite of services from pre-press, offset printing to post-press services, which satisfy customers' specific needs for different layout, colour, printing, binding and finishing requirements.

The Group's business usually starts with order intake from customers. Once the customer accepts the quotation prepared by the Group, the Group's PMC department will arrange for the planning and scheduling of production for the job order, and the job order is then in the pipeline for fulfilment. All the Group's production operations are conducted at the Group's Heyuan Factory comprising four properties, namely two workshops, one warehouse and one office, which is located at Heyuan, Guangdong Province, the PRC, where the Group possesses its own production lines and implements in-house printing presses. For the risk of the Group's reliance on the Heyuan Factory for production, please refer to the paragraphs headed "Material risks associated with the Group's business — The Group relies solely on the Heyuan Factory for production.".

The Group currently possesses eight production lines in the Heyuan Factory which is defined by its eight printing presses, being the Group's major production equipment, comprising one 2-colour printing press, one 4-colour printing press, four 5-colour printing presses and two 8-colour printing presses. As at the Latest Practicable Date, all the printing presses are owned by the Group and are manufactured in Japan and Germany, details of which are set forth below:

Type of printing press	**Model**	**Year of acquisition**	**Approximate remaining useful life (years)***(Note)*
8-colour printing press	Japan Komori LS-440SP	2016	5.8
8-colour printing press	Japan Komori LS-440SP	2015	5.7
5-colour printing press	Japan Komori L-528/X	2015	5.6
5-colour printing press	Japan Komori L-540/X	2015	5.6
5-colour printing press	Japan Komori L-544/X	2016	5.8
5-colour printing press	Japan Komori GL540H	2016	15.9
4-colour printing press	Japan Komori GL-444	2016	16.1
2-colour printing press	German Heidelberg 102ZP	2015	5.6

Note:

The approximate remaining useful life of the above printing presses is determined based on the estimated useful life of the Group's machineries ranging from 10 to 20 years, details of which are set out in note 14 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2019.

The table below sets out the estimated maximum production capacity and the estimated average utilisation rate of the Group's production facilities for book products for the three years ended 31 December 2019:

	For the year ended 31 December		
	2017	**2018**	**2019**
Estimated maximum printing capacity*(Notes 1 & 4)*	224.2	219.7	213.7
Actual printing output*(Notes 2 & 4)*	172.9	152.4	159.4
Estimated average utilisation rate*(Note 3)*	77.1%	69.4%	74.6%

Notes:

(1) Calculated based on a production capacity of approximately 35,900, 35,200 and 34,200 sheets per hour of the Group's printing presses, taking into account, among others, the downtime required for the change of printing plates and for colour adjustment, for the years ended 31 December 2017, 2018 and 2019, respectively. The decrease in printing capacity of the Group's printing presses during the years of 2018 and 2019 was mainly due to the increase in downtime required for changing printing plates and colour adjustment since the Group had received more scattered orders instead of bulk orders from its customers with different printing specifications. 20 production hours per day, and 312 production days per year. Such estimated maximum printing capacity is calculated for the purpose of illustrating the Group's typical production capacity.

(2) Calculated based on the actual sheets printed during the relevant year.

(3) Calculated based on the actual production volume of the relevant year divided by the estimated maximum production capacity of the relevant year. As the production capacity is calculated based on the assumptions as disclosed in note (1) above, the estimated average utilisation rates as set out in this table are for reference only and subject to any changes in the underlying assumptions.

(4) In millions of sheets.

The changes in the Group's utilisation rates during the Track Record Period were mainly attributable to the fluctuations in the orders received from the Group's customers and in line with the changes in the Group's revenue during the Track Record Period, details of which are set forth in the paragraph headed "Key financial information — Revenue" in this announcement.

The production process of the Group can be broadly divided into pre-press, printing and post-press and binding procedures, and a wide variety of finishing and/or binding operations are often required to be applied to the printed jobs. From time to time, a small amount of the pre-press and post-press procedures, which do not form key parts of the Group's production process, such as pre-press proofing, laser die-cutting, flocking and transfer printing, and in rare circumstances, a small amount of offset printing procedures if the Group does not have sufficient production capacity to meet the demands of its customers at a particular period of time, are outsourced to other third party subcontractors. The Group then stores its finished products in the warehouse at the Heyuan Factory pending delivery as per instructions of its customers. In respect of the Group's book trader customers, most of them require delivery of the finished products to the designated port of loading (usually the warehouses of the logistic service providers and/or freight forwarders in Hong Kong) at the Group's cost according to the instructions of book trader customers prior to shipping the finished products to overseas destinations as arranged by the book trader customers with the corresponding delivery costs borne by them. The logistics and customs declaration department is responsible for the planning, coordination and overall logistics in relation to delivery of the Group's finished products from the Heyuan Factory to the designated warehouse locations in accordance with the book trader customers' instructions, for which the Group prepares the clearing form accordingly, together with the required documentation and information, and submits all the relevant documentation to the competent customs office. Once cleared, the finished goods will be delivered according to the instructions of the book traders customers, who generally require the Group to deliver the goods to the warehouses of the logistic service providers and/or freight forwarders to await shipment with the locations of which indicated on the shipping order forms or other relevant shipping documents as provided by the book trader customers to the Group. The Group's logistics staff reserve vehicles and/or container space with logistics service providers and/or freight forwarders according to the transportation and/or shipping information as instructed by its book trader customers, and coordinates with the warehousing department of the aforesaid logistics service providers and/or freight forwarders. The Group's logistics staff also produce a packing list upon the loading of goods onto the vehicles arranged to accompany with the transportation and/or shipment.

The Group's products comprise (i) book products, examples of which cover children books, leisure books, educational books, medical books, art books, journals and dictionaries, with different binding methods; and (ii) novelty products, examples of which cover handcraft products, book sets, pop-up books, stationery products, products with assembly parts and other specialised products, and packaging products such as shopping bags and package boxes. The Group sells directly to its customers which principally comprise international publishers mainly headquartered in the U.S. and Europe, and book traders mainly located in Hong Kong with customers around the world which, to the best knowledge of the Directors, covers mainly the U.S., Europe and Asia. Please refer to the paragraphs headed "Key financial information — Revenue" below for the breakdown of the Group's revenue by each product category and by geographical location during the Track Record Period.

Customers usually first approach the Group and request for its quotation for printing services. The Group's sales and marketing team work together with its quotation team and PMC department to provide the Group's customers with quotations and the expected delivery schedule. The Group usually determines the price on an order-by-order basis, and generally adopts a cost-plus basis. Factors taken into account for the Group's price scale usually include, among others, costs of materials and labour, ordering quantity, expected delivery schedule, expected profit margin determined by the Group's management team as well as the Group's relationship with the customers. In some cases, the Group also takes into account other factors, such as credit terms and the customer's special requirements.

The Group's sales and marketing efforts are customer-driven as the Group believes that its knowledge of customers' requirements and specifications is essential to its ability to offer products which satisfy their changing needs. With respect to each of the existing key customers of the Group, the Group strives to increase or at least maintain both the range of the Group's product offering and the ordering volume from them. For development of new customers, the Group makes speculative approach to certain potential target customers in the publishing industry. Apart from attending and visiting various international trade fairs and exhibitions to better understand the market and industry trends and showcase its products and services to attract potential customers and thereby establish business relationships with them, the Group also makes cold calls and send emails to its targeted potential customers to promote its business, and meets with its existing and potential customers periodically by way of physical meetings and video conferencing with its overseas customers on occasions where physical meetings are not viable to understand their changing needs and discuss how the Group's products and capabilities could be effectively utilised and developed to fulfil their business needs. As part of its sales and marketing effort, since 2017, the Group has begun to offer volume rebates to selected customers with whom the Group has maintained stable business relationship, and from which the Group expects growth in the sales amounts generated and manages to achieve agreed annual sales revenue based on the annual total invoiced amounts as an incentive to promote sales. During the Track Record Period, two of the Group's major customers, being Customer C and Customer G, which have maintained business relationships with the Group for approximately five and seven years, respectively, had entered into separate annual sales rebate arrangements with the Group (the "**Sales Rebate Arrangements**") with the respective revenue targets and rate of rebates determined on a case-by-case basis taking into account, among others, the length of business relationships with the Group, expected future growth in sales amounts, possible referrals to be brought by the subject customer, credibility, payment settlement history and financial strength, and reviewed on an annual basis. Pursuant to the Sales Rebate Arrangements, the scales of rebates and rebate amounts for both customers were based on the total invoiced amount with the respective customers for each of the three years ended 31 December 2019.

The following table sets forth the breakdown of the total amount of volume rebates offered by the Group under the Sales Rebates Arrangements for each of the three years ended 31 December 2019:

	For the year ended 31 December		
Name of customer	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Customer C	3,325	—	—
Customer G	69	72	—
Total	3,394	72	—

The volume rebates offered by the Group decreased significantly for the year ended 31 December 2018 as the relevant revenue targets were not met and thus no volume rebates were offered to Customer C, owing to the significant decrease of approximately HK$54.9 million in revenue from the sales of book products to Customer C for the year ended 31 December 2018 as a result of the loss of a particular substantial sales order from Customer C as the Group was unable to agree with Customer C on the relevant quotes, details of which are disclosed in paragraphs headed "Key financial information — Revenue" in this announcement.

BUSINESS UPDATES AND RECENT DEVELOPMENTS

Business updates

Since the GEM Listing, the Group has continued to build up its competitive strengths. In terms of production, the Group has continuously upgraded its production equipment to increase the level of automation and hence the Group's overall production efficiency. The Board believes that by increasing the level of automation of the Group's production facilities, in addition to enhancement of production efficiency, the Company will benefit from reduction in labour costs and consistency in product quality. The Company's gross profit margin had been increasing steadily from approximately 32.3% for the year ended 31 December 2017 to approximately 37.8% for the year ended 31 December 2019. Set out below are the major acquisitions of production equipment made by the Group since the GEM Listing Date and up to the Latest Practicable Date:

Production equipment	**Number of unit**	**Acquisition cost** ***(approximately RMB'000)***	**Acquisition date**	**Usage**
Automatic box gluing machine (全自動糊盒機)	1	530	September 2018	Packaging products
Shuttle folding machine (全梭折書機)	1	701	September 2018	Book products
Automatic corner-cutting and line-windowing machine (全自動切角壓線貼窗機)	1	421	September 2018	Book products
Paper mounting machine (裱紙機)	1	376	December 2018	Packaging products
Automatic book folding machine (全自動橢圓包本機)	1	517	April 2019	Book products
Flatbed printing machine (平板打印機)	1	129	May 2019	Book products

Production equipment	Number of unit	Acquisition cost *(approximately RMB'000)*	Acquisition date	Usage
Automatic card sorting machine (全自動卡牌分理機)	1	483	May 2019	Packaging products
Ink supply system for printing machines (印刷機供墨系統)	1	179	May 2019	Book products
Industrial digital colour printing press (彩色生產型數碼印刷機)	1	399	August 2019	Book products
Three-sided book cutting machine (三面切書機)	1	460	October 2019	Packaging products
Four post puzzle hydraulic press (四柱拼圖液壓機)	1	195	April 2020	Packaging products
Leather case making machine (皮殼機)	1	1,062	April 2020	Book products
Automatic cover making machine (全自動封面機)	1	442	May 2020	Book products
Automatic coating machine (全自動過膠機)	1	474	May 2020	Book and packaging products
Automatic UV varnishing machine (全自動UV厚薄紙機)	1	368	May 2020	Book and packaging products
Automatic carton gluing machine (自動糊盒機)	1	153	August 2020	Packaging products
Programmable paper cutting machine (程控切紙機)	1	779	September 2020	Book and packaging products

The Group has continued to maintain its presence in both segments of book products and novelty and packaging products, and has enjoyed a stable business relationships with its major customers during the Track Record Period. To maintain its existing market share and explore business opportunities from new customers, as part of its marketing and promotional activities, the Group has continued its existing sales and marketing campaigns, such as participation in selected international exhibitions and trade shows. Set out below are the four major book fairs that the Group had attended since the GEM Listing Date and up to the Latest Practicable Date:

Name of book fair	**Date**
The London Book Fair	10–12 March 2018 12–14 March 2019
Bologna Children's Book Fair	26–29 March 2018 1–4 April 2019
BookExpo America	27–29 May 2018 29–31 May 2019
Frankfurter Buchmesse (Frankfurt Book Fair)	10–14 October 2018 10–16 October 2019

Through participating in international trade fairs and exhibitions, the Group had procured a total of 60 new customers who had placed their orders with the Group during the Track Record Period, which accounted for approximately 1.4%, 4.8%, 16.0%, and 0.7% of the Group's total revenue during the Track Record Period, respectively. The relatively high revenue contribution from new customers procured through trade fairs and exhibitions recorded for the year ended 31 December 2019 was primarily attributable to (i) the higher average sales generated from each of the individual new customers of approximately HK$278,000 for the year ended 31 December 2019 as compared to approximately HK$125,000 and HK$199,000 for the two years ended 31 December 2018, and (ii) the sales orders amounted to approximately HK$2.9 million received from a book trader customer of the Group in particular, being the French Book Trader Customer who has begun to place sales orders with the Group since 2019 as certain portion of the sales orders placed by Customer F, to the best knowledge of the Directors after making reasonable enquiries, had been transferred to the French Book Trader Customer by reason of the departure of the then responsible salesperson from Customer F who subsequently joined the French Book Trader Customer, representing approximately 52.9% of the total sales revenue contributed by new customers procured through trade fairs and exhibitions for the year ended 31 December 2019. Nonetheless, such increase in the revenue contribution from new customers procured through trade fairs and exhibitions during the year of 2019 could not be carried on to the year of 2020 as most of the trade fairs and exhibitions had been cancelled temporarily due to the outbreak of COVID-19, and in view of the gradual control of the outbreak of COVID-19, the Directors understand that these international trade fairs and exhibitions will resume to normal in the following years, and the Group shall be able to capture new business opportunities again by participating in trade fairs and exhibitions as usual. For further details of the impact of the outbreak of COVID-19 on the Group's business, please refer to the section headed "Outbreak of COVID-19" below in this announcement. As at the Latest Practicable Date, the Group had received sales orders which were yet to be delivered amounted to approximately HK$24.4 million, a majority of which are expected to be delivered to customers before or around December 2020.

Outbreak of COVID-19

Impact on the Group's operations

Since around December 2019, there has been an outbreak of COVID-19 in the PRC, Hong Kong and other countries, including the United States and the U.K. As a result of this outbreak, factories in the Guangdong Province of the PRC, including the Heyuan Factory, which is located in Heyuan, Guangdong Province, has been required by the relevant PRC authority to postpone its resumption of operations following the Chinese New Year holidays until 10 February 2020. The Heyuan Factory has gradually resumed operation since 10 February 2020. As majority of the Group's production employees had returned to work shortly after the resumption of operation of the Heyuan Factory, the Group had utilised its back-up raw materials (mainly being paper) and adjusted its production schedule to meet the sales orders, and the period following the Chinese New Year in February 2020 had been historically a low season for the Group in the PRC, there had been no material delay in meeting the delivery schedule in February 2020 for the purchase orders from the Group's customers due to the aforesaid postponement in the resumption of operation of the Heyuan Factory. By the end of February 2020, the Heyuan Factory has resumed full operation and has restored back to its full production capacity.

While some countries have implemented travel restrictions on, among others, travellers coming from the PRC and Hong Kong as a result of the outbreak of COVID-19, given that such restrictions apply only to travellers but not goods, including the Group's supplies and products, the Directors consider that such restrictions did not have any material adverse impact on the financial position and operation of the Group up to the Latest Practicable Date. Despite certain major customers of the Group operate in cities that are or have been, to the best knowledge of the Directors after making reasonable enquires, subject to lockdown, since the outbreak of COVID-19 and up to the Latest Practicable Date, (i) none of the Group's customers had cancelled any orders as a result of the outbreak of COVID-19; (ii) the Group had not been requested by any of its major customers for price reduction or offer for discount in light of the current impact of the outbreak of COVID-19 on the global economy; (iii) the Group was not aware of any of its major customers reducing or ceasing to purchase from the Group; and (iv) the Group had not been notified by any of its major customers of its intention to reduce its purchase volume or to cease to purchase from the Group due to the impact of the outbreak of COVID-19 on them. As confirmed by the Directors, due to the lockdown in various cities and/or countries in which certain of the Group's major customers are located, including the U.S. (New York, Los Angeles, Washington, Illinois and California), the U.K., France (Paris), Australia (Victoria), Canada (Toronto), the Netherlands and Belgium, there have been delay in communication with and hence placing of orders by certain major customers given that, to the best knowledge of the Directors after making reasonable enquiries, the staff of these customers including the responsible procurement personnel handling purchases from the Group were subject to compulsory quarantine arrangements and were unable to access to offices. To the best knowledge of the Directors after making all reasonable enquiries, the U.K., France (Paris), Belgium, Canada (Toronto) and all the aforementioned states in the U.S. (except Los Angeles) were still subject to lockdown as at the Latest Practicable Date. The delay in placing orders has, in turn, postponed the delivery schedule of the Group to its customers. Save for one publisher located in Germany with a purchase order in the amount of approximately HK$517,000 originally intended to be placed in mid-March 2020 but delayed to late April 2020 due to the adjustment in publication schedule of the said German customer which has already been delivered in accordance with the delivery schedule as agreed by the Group and such customer, up to the Latest Practicable Date, the Group had not experienced any delay in sales orders by its customers due to the change in market conditions as a result of the outbreak of COVID-19. As such, the Directors consider that the operations of the Group's major customers and major suppliers were not subject to material disruptions up to the Latest Practicable Date. While the Directors believe that the Group's ability in meeting upcoming purchase orders will not be materially affected by the outbreak of COVID-19, the Company maintains active and continuous dialogues with its customers to avoid any potential delay in its delivery schedules.

On the other hand, certain of the trade fairs and exhibitions, such as The London Book Fair and Bologna Children's Book Fair, had been cancelled temporarily due to the outbreak of COVID-19, which to a certain extent, affected the sales orders procured through trade fairs and exhibitions in 2020. As far as the Directors understand, in view of the gradual control of the outbreak of COVID-19, these international trade fairs and exhibitions will resume to normal in the following years. The Group plans to participate in the trade fairs and exhibitions as usual. Meanwhile, the Group had adjusted its marketing campaigns by more actively communicating with its existing and potential customers through telecommunication channels as an interim measure. For promoting the Group's business, the Group's sales and marketing personnel also make use of the marketing materials obtained from previous trade fairs and exhibitions and websites of these trade fairs and exhibitions, which list out the contact information of exhibitors, to make cold calls and send emails to potential target customers. In particular, the Group has started to produce promotional videos and send out electronic copies of the Group's brochures and list of machinery with pictures of the environment and production lines of the Heyuan Factory for marketing purposes to provide more insight into the Group's expertise and capabilities to its potential target customers. Whilst the Group has been able to meet its customers located in Hong Kong through physical meetings despite the outbreak of COVID-19, in view of the travelling restrictions imposed by various jurisdictions to prevent the spread of the COVID-19, the Group has on the other hand resorted to meet its overseas customers through video conferencing and other similar electronic means. For the nine months ended 30 September 2020, the Group had received sales orders in the total amount of approximately HK$681,000 from three customers procured through the Group's participation in international trade fairs and exhibitions in previous years who first placed their orders with the Group during the nine months ended 30 September 2020, as compared to the sales orders of approximately HK$4.9 million procured from 17 customers whom the Group had met in international trade fairs and exhibitions prior to 2019 and first placed their orders with the Group during the corresponding period in 2019. Despite the Group's adjusted sales and marketing effort in light of the outbreak of COVID-19, only a small portion of the Group's revenue in the first three quarters of 2020 was attributable to the Group's new customers procured from its participation in international trade fairs and exhibitions in previous years. Nonetheless, taking into account the significant improvement in the performance of the Group subsequently in the second quarter of 2020 and the further recovery of its revenue in the third quarter of 2020 back to the level comparable to the corresponding period in 2019 as the business operations of the Group's customers have gradually resumed back to normal with the lockdown restrictions in cities where certain of the Group's major customers are located have begun to ease and in view of the good and long-standing business relationships maintained by the Group with its existing major customers, the Directors are confident in continuously procuring orders from its existing customers. For further details of the respective length of business relationships between the Group and its major customers, please refer to the section headed "Major customers" in this announcement below. The Directors also confirm that there was no actual or foreseeable disruption on the supply of raw materials from the suppliers up to the Latest Practicable Date. To deal with any sudden shortage in supply of raw materials, the Group can utilise its inventory for production. Assuming the hypothetical case in which the Group could not procure additional raw materials for production from suppliers, it is estimated that the Group's inventory as at 30 September 2020 could support its production for approximately 3.5 months. Furthermore, given the nature of the raw materials (mainly being papers) required for its production, it is not difficult to replace a majority of the Group's current suppliers with other suppliers of comparable quality and price in the market. In the unlikely event that the operation of the current suppliers is disrupted, suspended or locked down due to the outbreak of COVID-19 or otherwise, the Group will be able to find suitable replacements with comparable quality. The Group will also prioritise the use of raw materials to more urgent purchase orders.

The Group has implemented measures which aim at preventing the spread of COVID-19 at the Heyuan Factory, such as providing face masks and sanitisers to its employees and requiring them to undergo mandatory temperature checks. The Group has also taken precautionary measures by imposing a 14 days' quarantine on all employees who returned from Hubei Province, the PRC, which accounted for a very small number of the Group's workforce in the Heyuan Factory. Since the outbreak of COVID-19 and up to the Latest Practicable Date, none of the Group's employees and/or workers in Hong Kong and the PRC had been infected by COVID-19. In case if any of its employees contracted or is suspected to have contracted with COVID-19, the Group is required to report to the relevant PRC authority and such employee would be taken to hospital for treatment. As confirmed by the Directors, up to the Latest Practicable Date, no direction has been given by the relevant PRC authority to the Heyuan Factory requiring the suspension of operations in case if employees are contracted with COVID-19. The Heyuan Factory has resumed its operations in full in accordance with relevant governmental guidelines and notices since late February 2020.

On 17 February 2020, the Guiding Opinion on Scientific Prevention and Control of Accurate Policy Division and Classification to prevent and control of the Novel Coronavirus Disease (《關於科學防治精準施策分區分級做好新冠肺炎疫情防控工作的指導意見》) (the "**Guiding Opinion**") was published by the Joint Prevention and Control Mechanism of the State Council (國務院聯防聯控機制). Under the Guiding Opinion, relevant government authorities at county level in the PRC are required to formulate specific measures to prevent and control the outbreak of COVID-19 in such area. With the strengthened policies to control the outbreak of COVID-19, it is anticipated that businesses and daily life of citizens can resume to normal.

Aside from the short-term impact on business operations, it is expected that the outbreak of COVID-19 may lead to an adverse change in the macro-economic situation and global economic downturn. According to Ipsos, certain industries, such as healthcare and medical industries, logistic industry and energy sector, have been recognised by governments as essential industries to the society as they are crucial to support the public health and safety, as well as economic and national security. Generally, governments allow these essential industries to continue their business activities to maintain social well-being, and the global printing industry for books and other printed materials as well as global paper-based packaging industry are regarded as one of the essential industries by various governments, such as the governments of the PRC and the U.S., and some local governments in Canada. Based on the foregoing and taking into account the recovering demand for printing services, (i) for printing industry for books and other printed materials, in terms of contents and target readers, including children's books, educational text books and learning materials, leisure and lifestyle books, being key types of books in the global book printing market, and (ii) for paper-based packaging industry, including shopping bags and package boxes which in turn depends on the vitality of the consumer market, as advised by Ipsos, it is expected that the impact of the outbreak of COVID-19 on the global printing industry for books and other printed materials as well as global paper-based packaging industry is relatively temporary, comparing with other industries. For further details of the impact of the outbreak of COVID-19 on the printing industry, please refer to the section headed "Industry development" in this announcement.

Notwithstanding the outbreak of COVID-19, according to Ipsos, during the forecast period from 2020 to 2022, the global printing market for books and other printed materials is expected to grow continuously from US$46.1 billion to US$46.9 billion at a CAGR of approximately 0.8%, while the global paper-based packaging industry is expected to grow from approximately US$382.4 billion to approximately US$406.5 billion at a CAGR of approximately 3.1%. Attributable to its competitive strengths, including the capability to offer one-stop printing services and valuable printing solution consultation to customers, the provision of attentive and reliable printing services with high product quality, as well as the in-depth market knowhow and industry knowledge of its management, the Directors believe that the Group will continue to benefit from the expected industry growth. On the other hand, while a potential general market downturn may result in intensified competition, the Directors believe that as a competitive printing service provider, the Group will be able to sustain its business growth. Furthermore, according to Ipsos, as opposed to comprehensive printing service providers like the Group, small-scale printing houses and local boutique printing shops are more vulnerable to economic downturns. The Directors believe that the Group will be able to benefit and capture business opportunities resulting from the aforesaid market consolidation. During the outbreak of COVID-19, more publishers have offered free online access to their publications including availability of free audio books. The Directors believe that the free online access arrangements will only be temporary arrangements and hence shall not affect the printing industry in the long run.

On the other hand, while changes in reading habits of consumers, especially the rise of e-book readers, pose a threat to traditional book publishing and printing business, the Directors consider that as compared to electronic publications, paper-based printing products particularly educational items including children books and learning materials have special advantages in terms of, among others, personal interaction and improvement of concentration level. According to Ipsos, despite of the emergence of electronic reading devices and e-books, a stable growth of the gross output value of the global printing industry for books and other printed materials as a whole is expected to be supported by continuing demand for specific printed books, such as children books, due to the increasing awareness of the potential health issues associated with the prolonged use of electronic screens, especially among children and young adolescents, which is expected to grow from approximately US$6.7 billion in 2020 to approximately US$6.9 billion in 2022 at a CAGR of approximately 1.0%, in view of the increasing health concern and rising literacy rate around the world, and thus stimulating the general demand for printing services. In particular, certain of the Group's customers are publishers focusing on children books and educational materials, including Customer C, which is among the Group's top five customers during the Track Record Period. As such, the Directors believe that the continuing demand for specific printed books, such as children books, will benefit the business of these publisher customers and in turn the Group's business. In addition, as advised by Ipsos, with the emergence of the e-commerce platforms for the sales of books and other printed materials, consumers are able to purchase books and other printed materials through online retailers despite the quarantine measures thus limiting their access to physical bookstores during the outbreak of COVID-19. Coupled with the rising demand for in-house leisure activities, such as book-reading, the Directors believe that that book traders, book publishers and book retailers would be benefited from the growth of e-commerce worldwide due to the outbreak of COVID-19, and thus the Group's business. If the market demand continues to shrink and market competition worsens in the long run, the Directors expect that there may be pressure on the Group's profit margins. In this regard, the Group has continued and will keep on adoption of cost management measures including, in particular, enhancement of its level of automation in its production process through acquisition of additional machineries and equipment and upgrading its existing production equipment.

Impact on the Group's financial performance

Set forth below is the unaudited quarterly revenue of the Group for the nine months ended 30 September 2020 and the corresponding comparative figures in 2019:

	Three months ended 31 March		Six months ended 30 June		Nine months ended 30 September	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**
Revenue *(HK$'000)*	23,978	19,181	61,295	55,953	103,856	96,777
Approximate percentage period-to-period change (%)	(20.0)		(8.7)		(6.8)	

Below further set out the comparisons of the Group's unaudited revenue by quarter and quarterly revenue by product category for the nine months ended 30 September 2020:

	Revenue	**Quarter-to-quarter variance**	**Approximate percentage quarter-to-quarter change**
	HK$'000	*HK$'000*	*%*
1st quarter (January to March)	19,181	—	—
2nd quarter (April to June)	36,772	17,591	91.7
3rd quarter (July to September)	40,824	4,052	11.0

	For the three months ended 31 March		**For the six months ended 30 June**		**For the nine months ended 30 September**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Book products	16,934	88.3	48,290	86.3	81,686	84.4
Novelty and packaging products	2,747	11.7	7,663	13.7	15,091	15.6
Total	19,681	100.0	55,953	100.0	96,777	100.0

As illustrated above, the Group recorded a slight decrease in revenue by approximately HK$7.1 million or 6.8%, from approximately HK$103.9 million for the nine months ended 30 September 2019 to approximately HK$96.8 million for the nine months ended 30 September 2020. Since the outbreak of COVID-19, the quarterly revenue of the Group has been improving steadily. During the first three quarters of 2020, the percentage decrease in the quarterly revenue of the Group in

2020 as compared to the corresponding quarter in 2019 decreased substantially by 11.3 percentage points from approximately 20.0% for the three months ended 31 March 2020 to approximately 8.7% for the six months ended 30 June 2020, and further decreased by 1.9 percentage points to approximately 6.8% for the nine months ended 30 September 2020. As mentioned above, as a result of the outbreak of COVID-19, due to the lockdown in various cities in which certain of the Group's major customers are located, there have been delay in communications with and hence placing of orders by these customers which has in turn postponed the delivery schedule of the Group to them. As such, aside from the longer period of suspension of production operation in the first quarter of 2020 which had led to a moderate decrease in the Group's revenue for the three months ended 31 March 2020 as compared to the same period in 2019, the aforementioned delay in placing of orders by these customers and in turn the delivery schedule of the Group's products had also resulted in the delay in the recognition of the Group's revenue. The impact of such delay since the outbreak of COVID-19 had been reflected in the significant improvement in the performance of the Group subsequently in the second quarter of 2020 and the further recovery of its revenue in the third quarter of 2020 back to the level comparable to the corresponding period in 2019 with a slight decrease of only approximately 6.8% as the business operations of the Group's customers have gradually resumed back to normal with the lockdown restrictions in cities where certain of the Group's major customers are located have begun to ease. In particular, during the first two quarters of 2020, the revenue from the Group's novelty and packaging products segment had increased significantly from approximately HK$2.2 million in the first quarter of 2020 to approximately HK$7.7 million for the six months ended 30 June 2020 due to the aforementioned gradual resumption of the business operations of the Group's customers as the lockdown restrictions had started to be lifted. Attributable to the increase in demand for paper-based packaging products, such as paper bags and boxes in light of the growth of online retailing in the midst of the outbreak of COVID-19, the Group's revenue from its novelty and packaging products segment further increased to approximately HK$15.1 million for the nine months ended 30 September 2020, representing an increase of approximately 96.1% as compared to that for the six months ended 30 June 2020. Based on the foregoing and taking into account (i) the decrease in gross profit margin of the Group for the nine months ended 30 September 2020 as compared to that of the corresponding period in 2019, and (ii) the Group's revenue for the nine months ended 30 September 2020 and the confirmed sales orders received by the Group which were yet to be delivered as at the Latest Practicable Date of approximately HK$24.4 million, it is expected that the net profit (excluding professional fee for the Transfer of Listing) for the year ending 31 December 2020 will slightly decrease as compared to that of 2019. For further details of discussion of the Group's result of operations for the nine months ended 30 September 2020, please refer to the section headed "Key financial information" in this announcement.

In addition, from 1 January 2020 up to the Latest Practicable Date, the Group had received sales orders in the amount of approximately HK$137.3 million, representing a slight increase of approximately 1.3% as compared to those received of approximately HK$135.5 million for the corresponding period in 2019, and the Directors are optimistic about the financial performance of the Group based on the sales orders received which were yet to be delivered as at the Latest Practicable Date. Based on the comparison of the total revenue of the Group for the nine months ended 30 September 2019 and 2020 and the improvement in the quarterly revenue of the Group since the outbreak of COVID-19 as illustrated above, and taking into account the confirmed sales orders on hand as at the Latest Practicable Date, the Directors believe that there has been no reduction in orders from the Group's customers in any material respects as a result of the outbreak of COVID-19. Furthermore, as confirmed by the Directors, up to the Latest Practicable Date, there has not been any delay in delivery of the products to customers with respect to any of the confirmed orders received in 2020. As such, the Directors consider that the impact of the outbreak of COVID-19 on the financial performance of the Group is temporary.

The Company has conducted a worst case scenario business assessment if the outbreak of COVID-19 prolongs by taking into consideration (i) the bank balances and cash as at 30 September 2020; (ii) the historical settlement pattern of the Group's trade receivables during the Track Record Period; and (iii) the average trade payable turnover days during the Track Record Period. Assuming there is a total disruption of its business operation, the Group is required to maintain minimal operation and live on its bank balances and cash. Given that the burn rate which represents the estimated fixed and necessary costs for the Group to survive under minimal operation going forward is approximately HK$1.1 million per month, the Directors estimate that the bank balances and cash of approximately HK$42.3 million as at 30 September 2020 will allow the Group to stay financially viable for approximately 70.2 months in the worst case scenario of a total disruption of the Group's business operation due to the prolonged outbreak of COVID-19.

The abovementioned worst case scenario is an extreme situation which may or may not occur. The abovementioned analysis is based on the above assumptions which may not be accurate and is for illustrative purpose only. The Directors currently assess that the likelihood of such situation is remote. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development, and therefore there is a possibility that such impact to the Group may be out of the Directors' control and beyond the Company's estimation and assessment. If the outbreak of COVID-19 deteriorates, negative impact may be caused to the business, results of operations, financial performance and future prospects.

With the measures implemented by the PRC government and information currently available to the Directors, the Directors believe that the outbreak of COVID-19 shall not have a permanent impact on the Group and may only affect the Group temporarily. The Board will continue to assess the impact of the COVID-19 on the Group's operation and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the COVID-19 epidemic. The Company will take appropriate measures as necessary and inform the Shareholders and potential investors as and when necessary. Please refer to the section headed "Material risks associated with the Group's business" in this announcement for further details of the risks relating to the continuing spread and prolonged occurrence of COVID-19.

Recent trade war between the U.S. and the PRC

Since 2018, the U.S. government has imposed multiple rounds of additional tariffs on top of the normal tariff rates on certain products imported from the PRC into the U.S. The products which are subject to the additional tariffs imposed by the U.S. are set out in the tariff lists published by the Office of the United States Trade Representative (the "**USTR**"), of which the fourth list of products, which was proposed to be subject to an additional 10% tariff, was initially released on 17 May 2019 and proposed to become effective on 1 September 2019. On 30 August 2019, the U.S. government officially announced that the products under the initial fourth list were reclassified as (i) category A (the "**List 4A**") and products under List 4A will be subject to an additional 15% tariff effective from 1 September 2019; (ii) category B (the "**List 4B**") and products under List 4B will be subject to an additional 15% tariff with an effective date of 15 December 2019; and (iii) certain products that were under the initial fourth list that were ultimately removed. On 15 January 2020, China and the U.S. signed the Phase One Economic and Trade Agreement. The Phase One Economic and Trade Agreement confirmed the USTR's notice in December 2019, which stated that the additional tariffs of 15% on List 4B products scheduled to go into effect on 15 December 2019 are suspended indefinitely. The U.S. government further agreed to reduce tariffs on List 4A products from a rate of 15% to 7.5%, effective on 14 February 2020.

List 4A covers thousands of products and is composed of over 3,000 different Harmonised Tariff Schedule of the United States subheadings with a worth of approximately US$120 billion. List 4A products include, among others, printed books. However, following the Phase One Economic and Trade Agreement, the USTR indefinitely suspended the additional tariff on children's picture, drawing and coloring books. To the best of the Directors' knowledge, the Directors understand that some of the products manufactured by the Heyuan Factory that the Group sells and exports to its customers situated in the U.S. were included in List 4A, being mainly book products (excluding children's picture, drawing and coloring books), which are therefore subject to the aforesaid trade war tariffs. Based on the comparison of the export codes set out in the PRC customs export declarations documents with the tariff lists published by the USTR, assuming the tariffs were imposed at the beginning of September 2019, it was estimated that the products which were subject to the aforesaid trade war tariffs, in terms of the Group's revenue, was approximately HK$1.9 million, representing approximately 4.5% of the Group's revenue for the four months ended 31 December 2019. During the first three quarters of 2020, as estimated by the Directors, approximately HK$6.3 million, representing approximately 6.5% of the Group's revenue for the nine months ended 30 September 2020 was subject to the aforesaid trade war tariffs. The aforesaid estimation only takes into account the products directly sold to the Group's customers located in the U.S. excluding those sold to the Group's book trader customers which sell the Group's printed products to its own U.S. customers. While the Directors consider that intensified tensions between China and the U.S. may have an adverse impact on the bilateral or even global trades, which include the sales of the Group's book trader customers to its own U.S. customers, based on the revenue from the Group's book trader customers by shipping destinations for the purpose of illustrating the impact of the levy of the trade war tariffs since September 2019 on the sales of the Group's book trader customers, the revenue from the Group's book trader customers attributable to the United States remained stable at approximately HK$6.5 million and HK$6.6 million for the six months ended 30 June 2019 and 2020, representing approximately 22.1% and 27.0% of the total revenue of the Group from its book trader customers for the six months ended 30 June 2019 and 2020, respectively. As such, despite the levy of the trade war tariffs since September 2019, to the best knowledge of the Directors after making reasonable enquiries, taking into account those sales orders the shipping destinations of which could not be ascertained on certain occasions where the Group was not provided with the shipping order forms or other relevant shipping documents which accounted for approximately 0.4% and 5.5% of the total revenue of the Group from its book trader customers for the six months ended 30 June 2019 and 2020, the Directors consider that there is no particular impact of the trade war on the book traders' sales to the U.S., and hence on the Group's business operations and financial performance since the outbreak of the trade war and up to the Latest Practicable Date.

The increase in cost resulting from the additional tariffs is payable by the Group's customers as the Group's U.S. sales are on free on board basis. In the event that the Group's sales to its U.S. customers are on cost, insurance and freight basis, the Group shall be responsible for paying the trade war tariffs. Since the outbreak of the trade war and up to the Latest Practicable Date, (i) the Group had not paid any trade war tariffs as the Group's sales to the U.S. were on free on board basis and the Group's customers were responsible for the tariffs; (ii) the Group had not been requested by any of its major customers for price reduction or offer for discount to compensate for the increase in their purchase prices due to the imposition of the U.S. additional tariffs; (iii) the Group was not aware of any of its major customers reducing or ceasing to purchase from the Group; and (iv) the Group had not been notified by any of its major customers of its intention to reduce its purchase volume or to cease to purchase from the Group due to the potential impact of the U.S. additional tariffs on them.

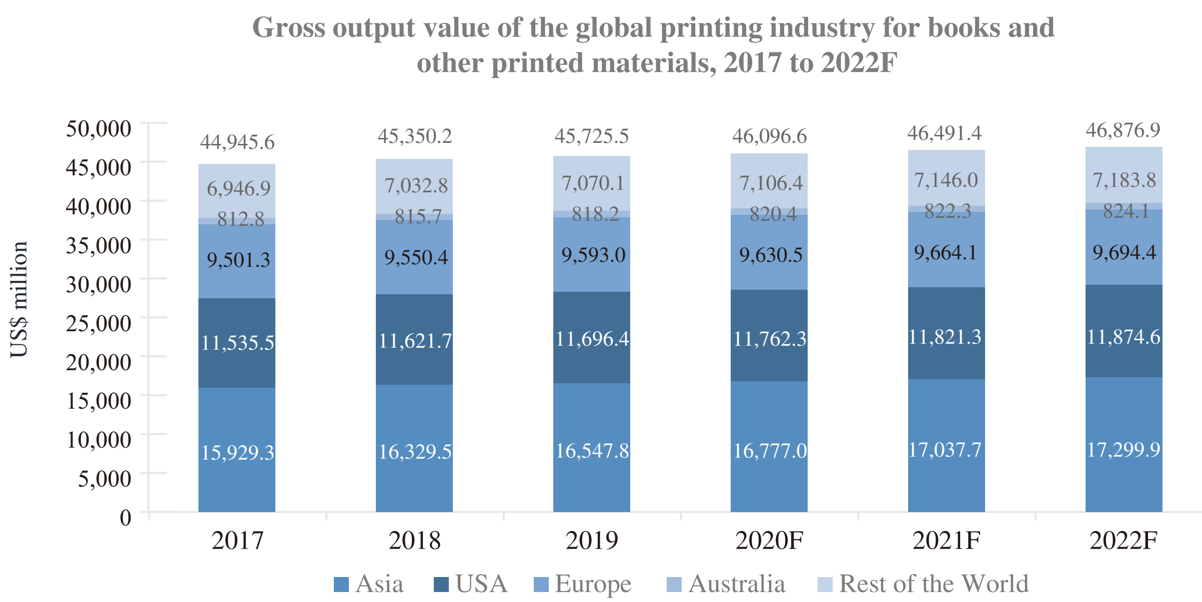
The Board considers that the latest development in the trade war did not and will not have any material adverse effect on both the Group's business operation and financial results as a whole up to the Latest Practicable Date and the year ended 31 December 2019. Nevertheless, if the Group's customers in the U.S. cease to place purchase orders with the Group in the same quantities or at all, and the Group is unable to locate alternative customers to place purchase orders with the Group in the same quantities, or at the same price, or at all, to make up for the reduction in sales, the Group's sales volume, profitability and results of operations could be adversely affected. Please refer to the section headed "Material risks associated with the Group's business" in this announcement for further details of the risks relating to the trade war between the U.S. and the PRC.

INDUSTRY DEVELOPMENT

The Group commissioned Ipsos, an independent market research company to conduct an analysis of, and to produce the Ipsos Report on the printing industry. The Company paid Ipsos a fee of HK$100,000 which the Company believes reflects market rates for reports of this type.

Global printing industry for books and other printed materials

Global market size and breakdown by region



Source: Ipsos research and analysis

The gross output value of the global printing industry for books and other printed materials grew from US$44.9 billion in 2017 to US$45.7 billion in 2019, rising at a CAGR of approximately 0.9%. During the forecast period from 2020 to 2022, the global printing market for books and other printed materials is expected to grow continuously from US$46.1 billion to US$46.9 billion, at a CAGR of approximately 0.8%. Despite the emergence of electronic reading devices and e-books, a stable growth of the gross output value by the global printing industry for books and other printed materials is expected as supported by high demand for specific printed books (e.g. children's books, in view of the increasing health concern and rising literacy rate around the world).

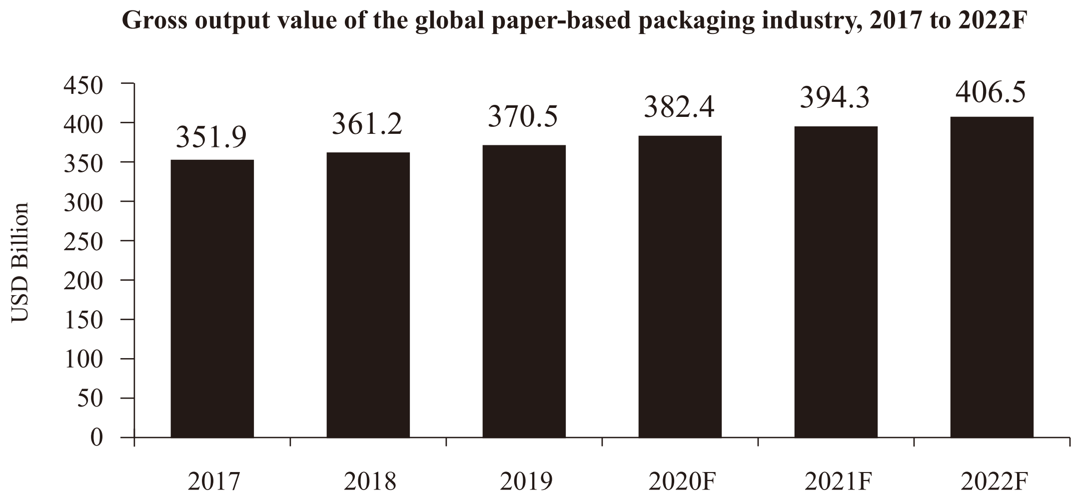
In particular, the below table sets forth the gross output value of children books in the global printing industry for books and other printed materials from 2017 to 2022:

	2017	2018	2019	CAGR from 2017-2019	2020F	2021F	2022F	CAGR from 2020F-2022F
				%				%
Children's books *(US$ million)*	6,546.97	6,625.77	6,678.34	1.0	6,746.1	6,814.51	6,882.91	1.0
Percentage of total gross output value of the global printing industry for books and other printed materials	14.6%	14.6%	14.6%		14.6%	14.7%	14.7%	

Source: Ipsos research and analysis

The Asian market size for the printing market of books and other printed materials in terms of revenue revealed the most rapid growth from approximately US$15,929.3 million in 2017 to approximately US$16,547.8 million in 2019, representing a growth at a CAGR of approximately 1.9%. Asia was also the largest region in global market for the printing of books and other printed materials, accounting for a share of approximately 36.2% in 2019. Driven by the advantages of cost and established printing houses, the growth of Asia market is expected to continue to grow at a CAGR of approximately 1.5% from 2020 to 2022. The printing market of books and other printed materials in the U.S. and Europe grew at a CAGR of approximately 0.7% and 0.5%, respectively, from 2017 to 2019, while the market of Australia and the rest of the world demonstrated a stable growth at a CAGR of approximately 0.3% and 0.9% respectively during the same period. It is estimated that the market of the U.S., Europe and Australia will continue to expand at a CAGR of approximately 0.5%, 0.3% and 0.2%, respectively, from 2020 to 2022, indicating the sustainable demand for book printing and other printed materials in these markets.

Global paper-based packaging industry



Source: Ipsos research and analysis

The gross output value of the global paper-based packaging industry grew from approximately US$351.9 billion in 2017 to approximately US$370.5 billion in 2019, rising at a CAGR of approximately 2.6%. The gross output value of the global paper-based packaging industry is expected to grow from approximately US$382.4 billion in 2020 to approximately USD406.5 billion in 2022, rising at a CAGR of approximately 3.1%. The growth of paper-based packaging industry during the forecast period from 2020 to 2022 is expected to be supported by the growing trends of global online retailing. In recent years, online retailing is gaining popularity around the world due to high penetration of Internet and smartphones around the world. With the continuous growth of online retailing over the coming years, it is expected that the demand for paper-based packaging solution will then rise, and therefore supporting the growth of the global paper-based packaging industry from 2020 to 2022.

Market drivers and opportunities

Irreplaceable experiences and substantial demand of printed books and materials derived from various aspects

Distinct and irreplaceable functions of printed books and materials have been the key driving force to fulfil people's reading needs, which vary by individual demographic, contextual and situational factors. Despite the rising sales and readership of e-books in the recent years driven by the key benefits of convenience and efficiency, e-books are yet to positioned to fully replace printed books. In pursue of (i) the physical sensation and enjoyment of flipping through the printed books; and (ii) the collections of classics or limited editions, readers prefer the printed version over the electronic version. On the other hand, in view of the increasing awareness of the related health concerns arising from (i) the prolonged usage of electronic screens; and (ii) the use of electronic screen for reading among children and young adolescents, parents may prefer printed educational books and reading materials under the consideration of the visual and cognitive developments of the children and young adolescents. The aforementioned incomparable reading experiences have created substantial streams of demand on printed books and other printed materials.

General improvements on the literacy rate and level of education

Worldwide improvements on the literacy rate have been observed under the expansion of education, the demand on printed educational textbooks, children's books and learning materials has been substantially driven by the increasing rates of enrolment in primary and secondary educations. Based on the latest statistics by the Unicef, the youth literacy rate has increased from approximately 81% to approximately 92% globally over the past two decades, and the number of illiterate youths aged from 5 to 24 years decreased from approximately 126 millions in 2008 to approximately 100 millions in 2018 at a CAGR of approximately 2.3%. Throughout the teaching process, printed educational books and learning materials have long served the essential role in facilitating the process of knowledge transfer and learning. Thus, the stable demand for printed educational textbooks, children's books and learning materials remains as one of the key drivers to the global printing market.

Continuous advancement in printing technologies

The advent of printing technologies is a key trend to alter the face of the global printing industry, while adoptions of advanced technologies are encouraged among the printing service providers to seize the future opportunities in the global market. The advent in printing hardware, print management software and production techniques are crucial to accommodate the evolving customers' needs of quality improvements, shorten processing time, customised designs and special printing effects. For instance, increasing degree of automation in production process will speed up the entire production process, saving costs and minimising the scrap rate, especially on large quantity orders. Therefore, consistent investments on the research and development of printing technologies will provide the printing service providers with opportunities to cater the demand of high quality and comprehensive printing services from customers.

Growing trends of global online retailing

The estimated value of the global e-commerce market was approximately USD1,872.0 billion in 2019. It is estimated that the global e-commerce market will further grow, attributed to the outbreak of COVID-19 and the rising penetration of Internet and smart phones worldwide. It is forecasted that the global e-commerce market to further grow from US$2,332.8 billion in 2020 to US$3,176.5 billion in 2024, rising at a CAGR of approximately 8.0%. Paper-based packaging materials, including paper boxes, cartons, paper bags, are essential in global e-commerce industry as these materials are used to package the goods to be delivered to the end-client. Given the growing trend of the global e-commerce market, the demand for paper-based packaging materials is expected to grow, driving the growth of the paper-based packaging industry in the forecast period.

Emerging demand from short-run printing

The growing trends of self-publishing of books and POD services in the publishing industry is expected to facilitate the growth and expansion opportunities for the global printing industry in the near future. Both self-publishing and POD services are short-run printing orders with less quantities per order and short turnaround time. Under the major incentive of being cost effective, self-publications and on-demand printing enables independent authors to get rid of extra administrative cost and agency charges without any involvements of publishers and book agents. Beside cost effectiveness, it is anticipated that there will be a rising popularity in POD services driven by the advantages of (i) shorter production led time; (ii) being environmentally friendly by reducing wastage and (iii) high level of personalisation. The rising demand for shorter run printing jobs fueled by the emergence of self-publishing services and POD orders will create lucrative opportunities for the printing service providers in developing alternative customer bases and expand the revenue stream in the future.

Competitive landscape

The printing market for books and other printed materials in Hong Kong is fragmented. As estimated, there are approximately 4,000 companies principally engaged in printing services for publications, which include newspapers, magazines, books and other printed materials (including brochures, leaflets, catalogues, labels, manuals, etc.). In recent years, the general trend has been for printing to be improved accuracy and shortened turnaround time with the continuous advancement in printing technologies. Besides, customers are moving towards ordering online which allows for higher flexibility and efficiency.

In general, there are large-scale printing service providers and small-scale printing houses with different business focus and target customers. The large-scale printing service providers for books and other printed materials focus on business with sizable publishers in local and international market. Some of them are in direct business with overseas publishers or agents with export services for printed books to the developed countries, such as the United States and the United Kingdom. These printing service providers are usually established with sales capability and target for business from large publishers, mainly through sales representatives in foreign countries or networking with major customers. On the other hand, the majority of remaining market players are relatively small scale printing houses and local boutique printing shops. Those small players generally target local business from independent authors and customers with low printing volume at a competitive price.

In recent years, some market players are relocating production to mainland China with purpose-built plants to reduce operation costs. Such development has changed the workflow and logistics and greatly improved efficiency and output quality. However, they still maintain their offices in Hong Kong to receive overseas orders. The ability to meet high quality requirements has allowed Hong Kong to become a major global printing and publication centre, despite the increasing price competition from mainland printers. With the rising labour costs in mainland China, greater automation and mechanisation have been encouraged, which also reduces human errors with increasing efficiency, productivity and quality.

Factors of competition

Product and services quality

Capabilities in delivering high and consistent printing quality are crucial for printing service providers to differentiate from the others in the industry. Product quality and on-time delivery are the key concerns of the customers. Printing service providers that can deliver high and consistent quality products will be able to benefit from maintaining good relationships with existing customers, as well as establishing a good reputation to attract potential new customers. Therefore, established reputation with high and consistent printing quality is regarded a key factor of competition in the industry.

Provision of value-added services

Given the fast-paced development of technology and digital printing, the traditional printing industry is facing intense competition and changing of market landscape. Printing service providers that are capable in providing value-added services on top of standardised printing and delivery services will establish an edge in competing within the industry. Value-added services may range from specific technical support to customised consultation services for printing, which may include (i) colour management; (ii) customised digital printing; (iii) provision of design solutions; and

(iv) troubleshooting during the stages of pre-press, post-press and inventory management. With the aid of value-added services, printing service providers will gain customer loyalty and thereby potential business opportunities.

Entry barriers

High initial capital requirement

Establishing a printing plant requires high initial capital investment, including (i) construction and procurement of printing facilities; (ii) investment in research and development facilities; and (iii) recruitment of workers. The printing processes involve multiple stages and require procurement of various types of machines and printing management software. Printing service providers will also need capital in continuous upgrade and replacement of the machines and equipment to fulfil customers' changing needs. Moreover, staff recruitment and research and development investment are significant costs for new entrants targeting to provide quality products and services and to support sustained product development. Therefore, high initial capital investment become a barrier for new market entrants.

Industry know-how and experience

Given the technical-driven nature and the complexity of various stages in printing, the operation of printing business requires experienced management staffs, specialists and trained workers in support of the production. Experienced management staffs are required to oversee the entire operation cycle and keep up with the business development, whereas, trained workforces with specific skill sets are required during each of the individual production steps including production planning, pre-press, colour management and post-press. Recruitments of the experienced personnel with industry know-how is one of the key entry barriers of the industry.

The potential impact of COVID-19 outbreak on the global printing industry for books and other printed materials as well as the global paper-based packaging industry

The recent outbreak of COVID-19 in the PRC, Hong Kong and other countries since around December 2019 and the COVID-19 was declared by the World Health Organisation as a "Public Health Emergency of International Concern" on 30 January 2020 and characterised it as a pandemic on 12 March 2020. The COVID-19 continues to spread across Hong Kong, the PRC and globally. It will pose a potential challenge on the global printing industry.

Given the new strain of COVID-19 is highly contagious and poses a threat on public health, the business operations of the printing industry in the PRC and Hong Kong may subject to certain interruptions. For instance, service providers are facing (i) temporary slowdown or suspension of the production facilities, (ii) supply chain disruptions due to the travel restrictions and quarantine measures in the PRC and Hong Kong; and (iii) potential delay of orders from both local and international customers. Given the limited availability of market data, Ipsos is not able to provide quantitative analysis on the COVID-19 outbreak on the industries. However, the global printing industry for books and other printed materials as well as global paper-based packaging industry are recognised as one of the essential industries by various governments, such as the governments of the PRC and the U.S., and some local governments in Canada, as mentioned above in the paragraphs headed "Business updates and recent developments — Outbreak of COVID-19 — Impact on the Group's operations" in this announcement. In addition, according to the Comtrade Database published by the United Nations, the import values of books (including children books, educational text books and learning materials, leisure and lifestyle books, etc.) and cartons, boxes, bags, and other packaging materials that are made of paper in Hong Kong, the U.S. and the U.K. decreased from January 2020 to March 2020 under the impact of the outbreak of COVID-19. As the outbreak of COVID-19 is gradually under controlled in these markets, the import of books and cartons, boxes, bags, and other packaging materials have gradually increased since April 2020. In June 2020, the import values of both books and cartons, boxes and other packaging material in Hong Kong, the U.S. and the U.K. have already surpassed that in February 2020. Ipsos is of the view that the recovery trend will persist in upcoming months, given that the outbreak of COVID-19 is gradually under controlled. Based on the latest trend in the import value of books and cartons, boxes, bags and other packaging materials that are made of papers, Ipsos is of the view that the impact of COVID-19 outbreak on the global printing industry for books and other printed materials as well as global paper-based packaging industry is relatively temporary, comparing with other industries.

In addition, the growth of e-commerce worldwide has offered an additional platform for book retailers, book traders as well as book publishers to distribute and sell their books. Under the outbreak of COVID-19, various lockdown policies have been implemented and physical stores are forced to close in many regions and countries. People around the world are subject to various quarantine measures, such as staying at home and are requested to avoid any unnecessary activities. People around the world have shifted to e-commerce platforms for daily supplies and other goods. With the emergence of the e-commerce platforms for the sales of books and other printed materials, consumers are able to purchase books and other printed materials through online retailers despite the quarantine measures thus limiting their access to physical bookstores during the outbreak of COVID-19. Coupled with the rising demand for in-house leisure activities, such as book-reading, it is expected that book traders, book publishers and book retailers would be benefited from the growth of e-commerce worldwide due to the outbreak of COVID-19.

MAJOR CUSTOMERS

The majority of the Group's customers are international publishers mainly headquartered in the U.S., the U.K. and Europe and book traders mainly located in Hong Kong with customers around the world which, to the best knowledge of the Directors, mainly covers the U.S., the U.K., Europe and Asia. To a lesser extent, the Group also serves consumer goods manufacturers by providing packaging products. Based on the location of the customers, Hong Kong, the U.S. and Europe were the three major geographical markets of the Group during the Track Record Period. Please refer to the paragraph headed "Key financial information — Revenue" below for the breakdown of the Group's revenue by geographical location during the Track Record Period.

In line with industry norms, the Group's sales are made on individual order basis from customers, including both publishers and book traders. Despite the absence of long-term contracts or framework sales agreements, the Group has cultivated stable and mutually beneficial cooperative business relationships with most of its major customers. Over the years, the Directors believe that the Group has fostered trustworthy, reliable strategic partnerships with its customers built upon its proven track record of quality products, industry and product know-hows, market awareness, a dedicated management team, and competitive pricings. The Directors believe that regular communications with the Group's customers and visits to various international exhibitions and trade shows can allow the Group to better understand the customers' needs and requirements, and the market and industry trends, as well as to showcase the Group's products and services to potential customers and establish relationships with new customers. Since the GEM Listing Date and up to the Latest Practicable Date, the Group had supplied its printing products to over 115 publishers and 15 book traders.

Top five customers

For the three years ended 31 December 2019 and the nine months ended 30 September 2020, the percentage of aggregate revenue contributed by the top five customers were approximately 66.7%, 47.0%, 46.3% and 60.2%, respectively. In particular, approximately 42.0%, 17.1%, 12.9% and 20.2% of the Group's total revenue were attributable to the Group's largest customer for the three years ended 31 December 2019 and the nine months ended 30 September 2020, respectively. As at the Latest Practicable Date, the Group had maintained business relationships with its five largest customers for a range of approximately two to seven years. Set out below is a breakdown of the Group's revenue by top five customers in terms of revenue contribution:

For the year ended 31 December 2017:

Rank	Customer	Revenue *(HK$'000)*	Approximate percentage of total revenue
1	Customer C	63,095	42.0
2	Customer A	13,654	9.1
3	Customer F	8,984	6.0
4	Customer B	7,505	5.0
5	Customer G	6,873	4.6
	Five largest customers combined	100,111	66.7
	All other customers	50,256	33.3
	Total revenue	150,367	100.0

For the year ended 31 December 2018:

Rank	Customer	Revenue *(HK$'000)*	Approximate percentage of total revenue
1	Customer A	21,222	17.1
2	Customer B	15,830	12.8
3	Customer C	8,193	6.6
4	Customer E	6,744	5.4
5	Customer F	6,331	5.1
	Five largest customers combined	58,320	47.0
	All other customers	65,492	53.0
	Total revenue	123,812	100.0

For the year ended 31 December 2019:

Rank	Customer	Revenue	Approximate percentage of total revenue
		(HK$'000)	
1	Customer A	17,110	12.9
2	Customer B	12,920	9.8
3	Customer C	12,285	9.3
4	Customer D	10,910	8.3
5	Customer E	7,965	6.0
	Five largest customers combined	61,190	46.3
	All other customers	71,004	53.7
	Total revenue	132,194	100.0

For the nine months ended 30 September 2020:

Rank	Customer	Revenue	Approximate percentage of total revenue
		(HK$'000) *(unaudited)*	
1	Customer C	19,515	20.2
2	Customer A	14,414	14.9
3	Customer B	11,144	11.5
4	Customer I	6,892	7.1
5	Customer E	6,252	6.5
	Five largest customers combined	58,217	60.2
	All other customers	38,560	39.8
	Total revenue	96,777	100.0

To the best knowledge of the Directors, none of the Directors, their close associates or any Shareholder (who or which, to the knowledge of the Directors, owned more than 5% of the issued share capital of the Company) had any interests (direct or indirect) in any of the Group's top five largest customers during the Track Record Period. Set out below is the background information of the Group's top five customers during the Track Record Period:

Customer	**Principal products provided by the Group**	**Background**	**Year(s) of business relationship with the Group**	**Credit term**	**Typical payment method**
Customer A *(Note)*	Novelty and book products	Customer A is incorporated in Hong Kong on 15 December 1978 and principally engaged in book trading business. Customer A is a subsidiary of Lion Rock Group Limited (stock code: 1127) (formerly known as 1010 Printing Group Limited) (together with its subsidiaries, the "**Lion Rock Group**"), whose shares are listed on the Stock Exchange with a market capitalisation of approximately HK$546.7 million as at the Latest Practicable Date and recorded revenue and net profit of approximately HK$1.6 billion and HK$153.8 million for the year ended 31 December 2019, respectively.	5	90 days	Telegraphic transfer
Customer B	Novelty and book products	Customer B is a private company incorporated in Hong Kong on 4 December 2014 and principally engaged in book trading business.	5	90 days	Deposit
Customer C	Book products	Customer C is a private company incorporated in the United States on 13 March 1988 and principally engaged in the publication of educational books.	5	90 days	Telegraphic transfer
Customer D	Novelty and book products	Customer D is incorporated in Hong Kong on 16 June 2014 and principally engaged in children's book and toy trading business. Customer D is a subsidiary of Jiangsu Phoenix Publishing & Media Corporation Limited (stock code: 601928), whose shares are listed on the Shanghai Stock Exchange with a market capitalisation of approximately RMB17.6 billion as at the Latest Practicable Date and recorded revenue and net profit of approximately RMB12.6 billion and RMB1.4 billion for the year ended 31 December 2019, respectively.	2	30 days	Deposit

Customer	Principal products provided by the Group	Background	Year(s) of business relationship with the Group	Credit term	Typical payment method
Customer E	Novelty and book products	Customer E is a private company incorporated in the United Kingdom on 27 August 1980 with offices worldwide, and principally engaged in the provision of print buying services which manages the printing, production and manufacturing of a range of printed products for publishers and brand owners, using its own network of international suppliers.	5	120 days	Telegraphic transfer
Customer F	Novelty and book products	Customer F is a private company incorporated in Hong Kong on 12 April 2007 and principally engaged in book trading business.	5	90 days	Telegraphic transfer
Customer G	Book products	Customer G is a private company registered in the United States with an initial filing date of 29 April 1975 and principally engaged in the publication of art books.	7	120 days	Telegraphic transfer
Customer I	Novelty and book products	Customer I is a private company founded in Australia in 1997 and principally engaged in printing management of book and other printing products with clients throughout Australia and New Zealand.	4	90 days	Telegraphic transfer

Note: The principal business activities of the Lion Rock Group include, among others, print manufacturing and printing service management. To the best knowledge of the Directors after making reasonable enquiries, three of the subsidiaries of the Lion Rock Group which had transactions with the Group during the Track Record Period are book trader customers of the Group, including Customer A (the "**Lion Rock Subsidiaries**"), which in aggregate contributed to approximately 9.7%, 17.9%, 13.6% and 16.0% of the total revenue of the Group during the Track Record Period. Each of these Lion Rock Subsidiaries is separately and independently operated whereby the sales accounts of and sales orders from each of the Lion Rock Subsidiaries are managed and procured by different sales staff of the Group, and the sales orders are placed by each of the Lion Rock Subsidiaries in its own name, and the payments for which are separately settled. Therefore, notwithstanding the fact that the Lion Rock Group provides printing services as one of its principal business activities, the Lion Rock Subsidiaries, including Customer A, continues to engage the Group for its printing services for their respective book trading businesses.

MAJOR SUPPLIERS

The Group's suppliers are mainly paper trading and paper processing companies located in Hong Kong and the PRC. Among the Group's key raw materials, paper (including related processing) is the major component, the cost of which amounted to approximately HK$46.1 million, HK$41.9 million, HK$44.8 million and HK$34.9 million, representing approximately 45.4%, 52.9%, 54.5% and 53.7% of the Group's total cost of sales, respectively, during the Track Record Period. Depending on the requirements of the customers, wood-free paper, matt/glossy art paper, art board and grey board are the common types of paper that the Group purchases for production.

The Group is generally responsible for sourcing raw materials required for its production, except for certain customers, usually book traders located in Hong Kong, which prefer providing the Group with their own paper supply for production of their printing products as part of their cost control arrangement or due to their specific requirements on raw materials and production management. Subject to customers' specific requirements, the Group also endeavours to work with FSC/CoC certified paper suppliers to ensure that the paper purchased and used in production of printing products for such customers are in compliance with all applicable standards of environmental care and social responsibility.

The Group generally purchases paper and other raw materials for production based on the orders it receives from customers, and does not have any framework supply agreement or other long-term supply contracts with any of its suppliers. As at the Latest Practicable Date, the Group has established stable working relationship with its top five suppliers for a period ranging from one to five years.

Top five suppliers

For the three years ended 31 December 2019 and the nine months ended 30 September 2020, the Group's five largest suppliers accounted for approximately 59.7%, 44.5%, 43.4% and 47.6%, and the Group's largest supplier accounted for approximately 25.2%, 19.4%, 18.4% and 16.5%, of the Group's total purchases, respectively. Set out below is a breakdown of the Group's purchases from the top five suppliers of the Group during the Track Record Period:

For the year ended 31 December 2017:

Rank	Supplier	Purchase amount *(HK$'000)*	Approximate percentage of total purchases
1	Supplier D	15,546	25.2
2	Supplier A	7,663	12.4
3	Supplier H	5,428	8.8
4	Supplier I	5,332	8.6
5	Supplier G	2,908	4.7
	Five largest suppliers combined	36,877	59.7
	All other suppliers	24,886	40.3
	Total purchases	61,763	100.0

For the year ended 31 December 2018:

Rank	Supplier	Purchase amount *(HK$'000)*	Approximate percentage of total purchases
1	Supplier A	9,840	19.4
2	Supplier D	4,242	8.4
3	Supplier F	2,959	5.8
4	Supplier G	2,913	5.7
5	Supplier E	2,666	5.2
	Five largest suppliers combined	22,620	44.5
	All other suppliers	28,167	55.5
	Total purchases	50,787	100.0

For the year ended 31 December 2019:

Rank	Supplier	Purchase amount *(HK$'000)*	Approximate percentage of total purchases
1	Supplier A	9,085	18.4
2	Supplier D	4,112	8.3
3	Supplier B	3,091	6.3
4	Supplier C	2,864	5.8
5	Supplier E	2,279	4.6
	Five largest suppliers combined	21,431	43.4
	All other suppliers	27,888	56.6
	Total purchases	49,319	100.0

For the nine months ended 30 September 2020:

Rank	Supplier	Purchase amount *(HK$'000)* *(unaudited)*	Approximate percentage of total purchases
1	Supplier D	7,253	16.5
2	Supplier A	5,614	12.8
3	Supplier K	2,747	6.3
4	Supplier B	2,683	6.1
5	Supplier C	2,571	5.9
	Five largest suppliers combined	20,868	47.6
	All other suppliers	23,000	52.4
	Total purchases	43,868	100.0

All of the Group's top five suppliers during the Track Record Period are Independent Third Parties. None of the Directors, their close associates or any Shareholder (who or which, to the knowledge of the Directors, owned more than 5% of the issued share capital of the Company) had any interest in any of the Group's top five largest suppliers during the Track Record Period.

Supplier	Principal raw materials procured by the Group	Background	Year(s) of business relationship with the Group	Credit term	Typical payment method
Supplier A	Paper	Supplier A collectively represents subsidiaries of a company listed on the Main Board which is principally engaged in paper manufacturing and sales of paper and board, office supplies and consumable.	5	90 days	Cheque
Supplier B	Paper	Supplier B is a paper trading company established in the PRC.	1	60 days	Telegraphic transfer
Supplier C	Paper	Supplier C is a paper trading company established in the PRC.	5	60 days	Telegraphic transfer
Supplier D	Paper	Supplier D collectively represents subsidiaries of a company listed on the Main Board which is principally engaged in book and package printing, consumer product packaging, corrugated box and trading of paper.	5	90 days	Cheque
Supplier E	Paper	Supplier E is a paper trading company incorporated in Hong Kong.	5	90 days	Cheque
Supplier F	Paper	Supplier F is a paper trading company established in the PRC.	4	30 days	Telegraphic transfer
Supplier G	Paper	Supplier G is a paper trading company incorporated in Hong Kong.	4	90 days	Cheque
Supplier H	Paper	Supplier H is a paper trading company incorporated in Hong Kong.	4	30 days	Cheque
Supplier I	Paper	Supplier I collectively represents subsidiaries of a private company operating in Hong Kong and the PRC, both of which are principally engaged in paper processing.	5	30 days	Cheque
Supplier J	Paper	Supplier J is a paper trading company incorporated in the PRC.	4	90 days	Telegraphic transfer
Supplier K	Paper	Supplier K is a paper processing company incorporated in the PRC.	1	30 days	Telegraphic transfer

MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

The Group is dependent on the demand of its customers and generate its sales on an order-by-order basis as it does not enter into any long-term contract, and its sales may fluctuate subject to customers' demands and negotiations on quotations with customers.

In line with industry norms, the Group does not enter into any long-term contract with its customers but generate its sales on an order-by-order basis. As such, the Group's sales may fluctuate subject to customers' demand for its products and services and the Group negotiates and agrees on the quotations with its customers for each order. For instance, the Group's revenue decreased by approximately 17.7%, or HK$26.6 million, from approximately HK$150.4 million for the year ended 31 December 2017 to approximately HK$123.8 million for the year ended 31 December 2018. The decrease in the Group's revenue was mainly attributable to the decrease of approximately HK$54.9 million in revenue from the sales of book products to Customer C in the U.S. for the year ended 31 December 2018, due to the loss of a particular substantial sales order from Customer C as the Group was unable to agree with Customer C on the relevant quotation. For further details of the impact of the fluctuations of customers' demands and negotiations on quotations with customers on the Group's financial position, please refer to the paragraphs headed "Key financial information — Revenue" in this announcement. There is no assurance that the Group will continue to enjoy growth in its revenue and/or profit as it had experienced during the Track Record Period or at all during its future business operations. The future growth of the Group's business depends on its ability to maintain and increase orders from its existing and new customers. The Group cannot guarantee that its growth will continue in the future. If there is any adverse change to market conditions such as an economic slowdown or an increase in competition, the Group's business, financial position and results of operations may be materially and adversely affected.

The Group relies on the international markets particularly the U.S., the U.K. and Europe and subject to any material adverse changes to these markets.

During the Track Record Period, the Group generated most of its revenue from customers who were located in Hong Kong, the U.S., the U.K., and Europe. The Group's customers based in the U.S., the U.K. and Europe in aggregate accounted for approximately 66.3%, 55.8%, 49.2% and 52.3% of its total revenue for the three years ended 31 December 2019 and the nine months ended 30 September 2020, respectively. The Group's Hong Kong customers are mainly book traders located in Hong Kong with customers around the world and its sales to the Hong Kong market accounted for approximately 27.9%, 34.3%, 40.0% and 35.0% of the Group's total revenue for the three years ended 31 December 2019 and the nine months ended 30 September 2020, respectively. The Directors anticipate that the provision of printing services to such international markets will continue to represent most of the Group's revenue in the near future. In the event that there are any adverse changes in the political, economic or social conditions, foreign trade or monetary policies, legal or regulatory requirements, or taxation or tariff regime in any of these markets, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group is subject to seasonal fluctuation in revenue.

Seasonal fluctuation exists in the Group's operations and in the overall industry. The demand is generally higher in the third quarter of the year when the Group's customers generally place orders to it to meet its sales demand for beginning of school terms and for Christmas and New Year holidays. For the three years ended 31 December 2019, the Group's revenue in the third quarter of the year was approximately HK$48.3 million, HK$41.7 million and HK$42.6 million which accounted for approximately 32.1%, 33.7% and 32.2% of its revenue of the corresponding year, respectively. This seasonality fluctuation may affect the Group's production costs and the utilisation rate of the Group's production facility. In addition, prospective investors should note that the results of the Group for the peak months of each calendar year may not be taken as an indication of the performance for the entire calendar year.

Change in reading habits of consumers may cause the Group's revenue to decline and the Group's business and results of operations may be materially and adversely affected.

With the increased popularity and convenience in the consumption of content and media electronically, in particular, through personal electronic devices, such as mobile phones, electronic readers and tablets together with greater awareness of environmental issues and protection, the changing nature in how information is consumed may impact the demand for printed products and in turn the demand for the Group's printing services.

According to Ipsos Report, the level of convenience and efficiency of e-books and digital medias have given rise to the shifting of reading habits, that may pose challenges and hinder the growth of the traditional book publishing and printing business and the paper-based advertising and related printing business. In particular, small and medium sized service providers, who fail to revolutionise their printing technologies and production techniques to keep up with the evolving customer demands, may face the pressure on their margins due to the intensified competitions, price pressures, potential reduction in demand and increasing costs.

With the increasing popularity of e-books and other digital medias, the Group cannot guarantee that it will be able to compete successfully in the future against electronic book providers and other digital media companies. These companies may be able to compete more successfully than the Group does if consumers' preferences and trends shift further towards the use of electronic media and platforms. In such circumstances, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The continuing spread and prolonged occurrence of COVID-19 in the PRC, Hong Kong and other countries may adversely affect the Group's production, particularly, in the Heyuan Factory and may result in significant delay in the delivery of the Group's products and may have adverse impact on its business, operation, financial condition and prospects.

Since around December 2019, there has been an outbreak of COVID-19 in the PRC, Hong Kong and other countries including the United States and the U.K., where certain of the Group's major customers are located which is highly contagious and caused respiratory infection and other symptoms such as fever and shortness of breath. For further details of the impact of the outbreak of COVID-19 on the Group, please refer to the paragraph headed "Business updates and recent developments — Outbreak of COVID-19" in this announcement.

It is not certain for how long COVID-19 will continue to spread and whether its adverse impact will be prolonged. There is also no guarantee that similar pandemics will not occur in the future. If the implementation of travel restrictions prolonged or extended to restrictions on goods as a result of the spread and prolonged occurrence of COVID-19, there may be a decrease in or cancellation of purchase orders or substantial delay in payments from the customers. If the outbreak prolonged or any of the Group's employees is contracted with COVID-19, the operation of the Heyuan Factory may be required to be suspended or the infected employees may be subject to quarantine, which could disrupt the normal operation of the Group's business and lead to the Group's failure to deliver its products in a timely manner, or at all, which may trigger penalty clause, if any, provided in the purchase orders of its customers or termination of orders from its customers. The prolonged occurrence of COVID-19 could, in extreme circumstances, lead to the forced suspension or closure of factories in the PRC, where the Heyuan Factory is or if any of the Group's major suppliers is located, as an attempt to contain COVID-19, which could in turn materially affect the supply and lead to a shortage of raw materials from the Group's suppliers or production from the Heyuan Factory and hence the Group's ability to deliver products to its customers in a timely manner, or at all. The Group's existing inventories may not be sufficient to produce the products under the accepted purchase orders and if the Group is unable to find suitable replacement of raw materials suppliers in the PRC or from Hong Kong in a timely manner with reasonable price or at all, the Group's production cost or ability to produce could be severely affected and the Group may not be able to undertake further purchase orders. The operation of the Heyuan Factory may also be forced to be suspended and the Group may not be able to generate any income due to the suspension of business in the worst case scenario. The continuing spread and prolonged occurrence of COVID-19 could have an adverse effect on the manufacturing industry in the PRC as well as the overall economy in the PRC and worldwide. All these factors may have adverse impact on the Group's business, operation, financial condition and prospects.

The Group relies on its key personnel.

The Group's success relies, to a significant extent, on its streamlined management structure whereby the Group's three executive Directors, namely Mr. Lam, Mr. Chan and Ms. Tse, who have extensive experience and business relationships in the printing industry, directly supervise and participate in the Group's day-to-day operational management from sourcing of raw materials, production operations to sales and marketing. The executive Directors are also responsible for formulating and implementing the overall business strategies and corporate growth of the Group. It is therefore critical for the Group to retain their services for its daily operations as well as the Group's continued growth and development. The loss of service of any of the executive Directors without suitable replacements may lead to the loss or deterioration of the Group's business operations and prospects.

Furthermore, the Group's other key personnel possess in-depth industry knowledge and substantial experience in business management and operations, and have made significant contributions to the development of the Group. To a certain extent, the Group's daily operation is dependent on the performance of its key personnel. In the event that the Group loses the services of any of its key personnel and fails to attract competent replacements, its business operations and prospects may be materially and adversely affected.

The Group relies solely on the Heyuan Factory for production.

Currently, the Group only has one production site, Heyuan Factory, which is responsible for all the Group's production operations. Any significant unscheduled downtime at Heyuan Factory due to equipment breakdowns, power failures, severe weather conditions or epidemic disease could cause disruptions in the Group's operations or cause delays in its production schedules. Moreover, given that the Heyuan Factory is the only production base for the Group's business, if its operation is adversely affected, the Group's production may be materially disrupted or halted as a whole. The Group may also be unable to fulfil the agreed production and delivery schedule due to transport and shipping disruptions, delay in the cargo consolidation process, and/or other factors beyond the Group's control.

If possible delay in delivery schedule is anticipated, the Group may have to take actions such as timely negotiation with its customers for adjusting schedule, making delivery by expedited methods, or arranging for order fulfilment by way of sub-contracting. The Group may incur additional expenses or have to offer additional discounts to its customers as a result of such actions. When such delays occur, the Group may also experience a loss of revenue, and, in the worst case scenario, the Group's customers may claim against us for compensation for late delivery. If such disruptions and/or delays occur frequently, the Group's reputation, business, financial condition and results of operations may be materially and adversely affected.

Certain of the Group's sales to the U.S. are subject to higher tariff rates under the trade war between the U.S. and the PRC. Any intensified tensions between the PRC and the U.S. will have an adverse impact on the sales to the Group's U.S. customers as well as sales to the Group's book trader customers to its own U.S. customers.

There has been continuing trade war between the U.S. and the PRC. Since 2018, the U.S. government has imposed additional tariffs on top of the normal tariff rates on certain products imported from the PRC into the U.S. In response to the U.S. additional tariffs, the PRC government has also imposed tariffs on certain products imported from the U.S. into the PRC. For details, please refer to the paragraphs headed "Business updates and recent developments — Recent trade war between the U.S. and the PRC". For the three years ended 31 December 2019 and the nine months ended 30 September 2020, the Group's sale to the U.S. accounted for approximately HK$81.3 million, HK$13.6 million, HK$31.3 million and HK$26.2 million, respectively, representing approximately 54.1%, 11.0%, 23.7% and 27.1% of the total revenue, respectively, for the corresponding year/period. Based on the comparison of the export codes set out in the PRC customs export declarations documents with the tariff lists published by the USTR, assuming the tariffs were imposed at the beginning of September 2019, it was estimated that the products which were subject to the aforesaid trade war tariffs, in terms of the Group's revenue, was approximately HK$1.9 million, representing approximately 4.5% of the Group's revenue, for the four months ended 31 December 2019. During the first three quarters of 2020, as estimated by the Directors, approximately HK$6.3 million, representing approximately 6.5% of the Group's revenue for the nine months ended 30 September 2020 was subject to the aforesaid trade war tariffs. Such estimation only takes into account the products directly sold to the Group's customers located in the U.S. excluding those sold to the Group's book trader customers which sell the Group's printed products to its own U.S. customers.

The Group also cannot accurately predict whether any anti-dumping duties, additional tariffs or quota fees will be imposed on the Group's other products by the U.S. in the future. If these products, or any other products that the Group manufactures or imports to the U.S. become subject to any additional tariffs, it could make the Group's products less price competitive to the Group's customers in the U.S. This could adversely impact the Group's revenue derived from the U.S. Any trade restrictions imposed by the U.S. on products could significantly increase the Group's customers' purchase costs of the Group's printing products produced by the Group in the PRC. If the Group's customers in the U.S. cease to place purchase orders with the Group in the same quantities or at all, and the Group is unable to locate alternative customers to place purchase orders with it in the same quantities, or at the same price, or at all, to make up for the reduction in sales, the Group's sales volume, profitability and results of operations could be adversely affected. Furthermore, the Group cannot assure that it will be able to respond quickly to any economic, market or regulatory changes in the U.S. market, and any failure to do so may cause an adverse effect on its business performance, financial condition and results of operations. The Group also sells to book trader customers which are mainly located in Hong Kong with customers around the world which, to the best knowledge of the Directors, mainly covers the U.S. and the U.K., Europe and Asia. Any intensified tensions between the PRC and the U.S. will therefore inevitably have an adverse impact on the sales of the Group's book trader customers to its own U.S. customers. In the event, the Group's book trader customers are unable to adjust to the adverse changes due to the Sino-U.S. trade wars or any other additional tariffs or duties arising therefrom, their businesses may be negatively affected which in turn result in decrease in procurement of the Group's products.

The Group is exposed to credit risks of its customers.

The Group generally grants an average credit period ranging from 60 to 120 days to its customers. There is no assurance that the Group's customers will meet their payment obligations on time or in full, or that the Group's average trade receivables turnover days will not increase. As at 31 December 2017, 2018 and 2019 and 30 September 2020, the trade receivables amounted to approximately HK$29.6 million, HK$46.5 million, HK$45.6 million and HK$52.0 million, respectively, which included approximately HK$10.1 million, HK$16.0 million, HK$21.3 million and HK$19.2 million, which were past due as at the same date for which the Group had not provided for allowance for credit losses, respectively. For the three years ended 31 December 2019 and the nine months ended 30 September 2020, the Group recorded allowance for credit losses on its trade receivables amounted to approximately HK$1.6 million, HK$2.1 million, HK$2.0 million and HK$1.9 million, respectively.

The Group could not guarantee that it will be able to successfully collect any or all of the debts due, or the coverage of its export credit insurance is sufficient. Any failure on the part of the Group's customers to settle or settle on time the amounts due, and/or insufficiency of its export credit insurance to compensate all relevant credit losses may adversely affect the Group's financial condition and operating cash flows, which may have a material adverse effect on the Group's business and results of operations.

Fluctuations in raw materials prices may affect the Group's financial performance.

Paper is the principal raw material used in the Group's business. For the three years ended 31 December 2019 and the nine months ended 30 September 2020, the Group's paper (including related processing) costs amounted to approximately HK$46.1 million, HK$41.9 million, HK$44.8 million and HK$34.9 million, respectively, representing approximately 45.4%, 52.9%, 54.5% and 53.7% of the corresponding year/period, respectively, of the Group's total cost of sales. The Group's other raw materials include ink and zinc plates. The price of paper as well as other raw materials include ink and zinc plates may be subject to price volatility and period shortages caused by various originated factors beyond the Group's control, which include, among others, weather conditions, tree harvest conditions, policies of the respective local government as well as market competition. As the Group does not enter into any long-term contract with its suppliers, it is vulnerable to the fluctuations in prices of raw materials. Should there be any significant increases in the prices of raw materials, and the Group is unable to pass on such increased costs to its customers, the Group's business and profitability may be materially and adversely affected.

The Group is exposed to risks of obsolete and slow-moving inventory which may adversely affect its financial position.

The Group had inventory of approximately HK$8.6 million, HK$10.7 million, HK$11.6 million and HK$15.6 million as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively. The Group's average inventory turnover days were approximately 29.4 days, 44.4 days, 49.4 days and 57.5 days for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. No inventory was written off during the Track Record Period.

As mentioned in the section headed "Major customers" above in this announcement, the Group does not enter into any long-term contract with its customers but generates its sales on an order-by-order basis. If the Group fails to secure sufficient purchase orders from its customers in the future, the Group's inventory, in particular, the raw materials, would become obsolete and slow-moving. The Group may need to either sell its inventory at a lower price or write-off its inventory directly. In either event, the Group's financial position and results of operations may be materially and adversely affected.

The Group outsources certain of its production to subcontractors the performance of which it may be unable to monitor.

From time to time, the Group outsources a small amount of pre-press and post-press activities of its production to sub-contractors, and in rare circumstances, a small amount of offset printing procedures if the Group does not have sufficient production capacity to meet the demands of its customers at a particular period of time. The Group's subcontractors are typically engaged to carry out certain processes, such as pre-press proofing, laser die-cutting, flocking and transfer printing, which require specialised equipment or are relatively labour-intensive or involve production process that would lead to pollution. These procedures do not form key parts of the production process. For the three years ended 31 December 2019 and the nine months ended 30 September 2020, the Group had engaged 10, 18, 18 and 15 subcontractors for the aforesaid processing procedures and the subcontracting fees paid to such subcontractors amounted to approximately HK$0.7 million, HK$0.7 million, HK$0.4 million and HK$0.5 million, which represent approximately 0.6%, 0.9%, 0.9% and 0.8% of the Group's cost of sales of the corresponding year/period, respectively. There is no assurance that the Group will be able to monitor the performance of these subcontractors as directly and efficiently as with its own staff. In addition, suitable subcontractors may not always be readily available at reasonable costs when the Group requires subcontractors and reasonable costs or at all. If a subcontractor fails to provide services as required under a contract, the Group may need to source these services on a delayed basis or at a higher replacement cost than anticipated, which may have adverse impact on the Group's profitability. If the performance of a subcontractor does not meet the Group's standards, the quality of the project may be affected, which could harm its reputation and expose us to litigation and damage claims from the Group's customers.

The Group recorded a net cash outflow in operating activities for the year ended 31 December 2018 which may be recurrent in the future.

The Group recorded a net cash outflow in operating activities of approximately HK$18.2 million for the year ended 31 December 2018, which was mainly due to (i) the net increase in the Group's trade receivables by approximately HK$16.9 million from approximately HK$29.6 million as at 31 December 2017 to approximately HK$46.5 million as at 31 December 2018; (ii) the net decrease in the Group's other payables by approximately HK$13.4 million from approximately HK$21.0 million as at 31 December 2017 to approximately HK$7.6 million as at 31 December 2018; and (iii) the increase in the Hong Kong Profits Tax paid by approximately HK$2.5 million during the year ended 31 December 2018 as compared to the preceding year. For further details in relation to the Group's cash flows during the Track Record Period, please refer to the paragraphs headed "Liquidity and financial resources — Consolidated statement of cash flow of the Group" below in this announcement.

The Directors believe that in the long term, the Group's operation will be funded by cash generated from its operations as well as other external equity or debt financing. In the event that the Group is unable to generate positive operating cash flow, the Group may be required to obtain sufficient external financing to meet its financial needs and obligations, and such financing activities may increase its finance costs, and the Group cannot guarantee that it will be able to obtain the financing on terms acceptable to it, or at all. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected. The Group cannot assure that it will not experience another year/period of negative cash flow from its operating activities in the future.

The government grants received by the Group during the Track Record Period were non-recurring in nature.

For the three years ended 31 December 2019 and the nine months ended 30 September 2020, the Group received government grants of approximately HK$1.0 million, HK$0.3 million, HK$1.2 million and HK$0.3 million, respectively, from the PRC government for subsidising the Group's operations. For details of the government grants received by the Group, please refer to the paragraph headed "Key financial information — Other income" in this announcement below. Such government grant is non-recurring in nature and the amounts of which were subject to the discretion of the PRC local government and there was no unfulfilled conditions or contingencies. There is no guarantee that the Group's entitlement to such government grants will not be revoked and there is no assurance that the Group will continue to receive government grant the amount of which is similar to that the Group received during the Track Record Period or any government grants at all. In such events, the Group's financial position and results of operations may be materially and adversely affected.

LEGAL AND COMPLIANCE

During the Track Record Period and up to the date of this announcement, the Directors confirm, to the best of their knowledge, that (i) no litigation or claims of material importance were ongoing, pending or threatened against any member of the Group; (ii) the Group has complied with laws and regulations in all material aspects for its business; and (iii) the Group did not have any material non-compliance with applicable laws and regulations.

Since the GEM Listing Date and up to the date of this announcement, the Directors confirm that the Group has not been subject to any disciplinary action or investigation by regulators in respect of serious or potentially serious breach of any GEM Listing Rules.

KEY FINANCIAL INFORMATION

A summary of the results of the Group during the Track Record Period, as extracted from the published consolidated statements of profit or loss and other comprehensive income, is set out below.

	For the year ended 31 December			For the nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000* *(unaudited)*
Revenue	150,367	123,812	132,194	103,856	96,777
Cost of sales	(101,732)	(79,389)	(82,290)	(68,840)	(64,926)
Gross profit	48,635	44,423	49,904	35,016	31,851
Other income	1,731	329	1,642	1,289	390
(Allowance) reversal of allowance for credit losses on trade receivables, net	(38)	(534)	102	113	188
Other gains and losses	(1,819)	731	246	530	84
Selling and distribution costs	(8,363)	(6,341)	(7,453)	(5,486)	(5,256)
Administrative expenses	(17,051)	(16,402)	(15,753)	(12,331)	(10,206)
Listing expenses	(17,203)	—	—	—	—
Professional fee for Transfer of Listing	—	—	—	—	(3,194)
Finance costs	(1,673)	(494)	(377)	(315)	(56)
Profit before taxation	4,219	21,712	28,311	18,816	13,801
Taxation	(4,396)	(3,874)	(5,169)	(3,379)	(2,941)
(Loss) profit for the year/period	(177)	17,838	23,142	15,437	10,860
Other comprehensive income (expense) for the year/period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of a foreign operation	1,986	(2,933)	(1,086)	(4,095)	746
Total comprehensive income for the year/period	1,809	14,905	22,056	11,342	11,606
(Loss) earnings per share					
Basic (HK cents)	(0.02)	1.78	2.31	1.54	1.09

Non-HKFRS measure

To supplement the consolidated financial statements which are presented in accordance with HKFRS, the adjusted net profits as non-HKFRS measures is also presented. This measure is not required by, or presented in accordance with, HKFRS. The non-HKFRS measures facilitate comparison of operating performance from year to year/period to period by eliminating potential impact of item that is not considered to be indicative of the operating performance. The table below sets out the adjusted net profit in each respective year/period during the Track Record Period:

	For the year ended 31 December			For the nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	*(unaudited)*
(Loss) profit for the year/period	(177)	17,838	23,142	15,437	10,860
Add:					
Listing expenses	17,203	—	—	—	—
Professional fee for Transfer of Listing	—	—	—	—	3,194
Adjusted profit for the year/period (unaudited) *(Note)*	17,026	17,838	23,142	15,437	14,054

Note: The Group's adjusted net profit for the respective year excluded non-recurring listing expenses in relation to the GEM Listing for the three years ended 31 December 2019. For the nine months ended 30 September 2020, the adjusted net profit of the Group excluded non-recurring professional fee incurred in relation to the Transfer of Listing.

Revenue

During the Track Record Period, the Group generated its revenue from the provision of printing products, comprising book products and novelty and packaging products to (i) international publishers which mainly based in the U.S., the U.K., and Europe; and (ii) book traders which mainly based in Hong Kong with customers around the world, amounted to approximately HK$150.4 million, HK$123.8 million, HK$132.2 million and HK$96.8 million, respectively.

The following table sets out the breakdown of the Group's revenue by each product category during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000* *(unaudited)*	*%*
Book products	137,542	91.5	101,743	82.2	109,298	82.7	86,976	83.7	81,686	84.4
Novelty and packaging products	12,825	8.5	22,069	17.8	22,896	17.3	16,880	16.3	15,091	15.6
Total	150,367	100.0	123,812	100.0	132,194	100.0	103,856	100.0	96,777	100.0

The following table sets out the breakdown of the Group's revenue by customer type during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
Type of customers	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000* *(unaudited)*	*%*
Publishers	97,206	64.6	44,784	36.2	63,184	47.8	48,191	46.4	41,487	42.9
Book traders	46,552	31.0	68,818	55.6	64,325	48.7	51,575	49.7	50,951	52.6
Others *(Note)*	6,609	4.4	10,210	8.2	4,685	3.5	4,090	3.9	4,339	4.5
Total	150,367	100.0	123,812	100.0	132,194	100.0	103,856	100.0	96,777	100.0

Note: Others mainly refer to consumer goods (such as toys and food products) manufacturers which are customers of the Group's packaging products.

The Group's revenue decreased by approximately 17.7%, or HK$26.6 million, from approximately HK$150.4 million for the year ended 31 December 2017 to approximately HK$123.8 million for the year ended 31 December 2018. The decrease in the Group's revenue was mainly attributable to the decrease of approximately HK$54.9 million in revenue from the sales of book products to Customer C in the U.S. for the year ended 31 December 2018, due to the loss of a particular substantial sales order from Customer C as the Group was unable to agree with Customer C on the quotes, resulting in the decrease in the revenue derived from sales of book products by approximately HK$35.8 million or approximately 26.0% from approximately HK$137.5 million for the year ended 31 December 2017 to approximately HK$101.7 million for the year ended 31 December 2018. As confirmed by the Directors, the aforesaid disagreement with Customer C on the quotes was not related to the anticipated tariffs of the trade war between the U.S. and the PRC since the products sold to Customer C were mainly children's picture, drawing and colouring books which were not subject to additional tariffs. The Group decided to give up the relevant sales order from Customer C because based on the quote counter-offered by Customer C for the relevant sales order, it would be more profitable for the Group to reallocate its corresponding production capacity for such sales order to satisfy sales orders from its other customers. Despite the decrease in the Group's total revenue, it was partially offset by (i) an increase in revenue derived from sales of novelty and packaging products of approximately HK$9.2 million as the Group had enhanced its production capacity through acquisition of specific machineries to cater the increasing demand for packaging products; and (ii) an increase in sales orders from other existing customers because the Group had re-allocated its sales and marketing efforts and production capacity to its other customers.

The Group's revenue increased by approximately 6.8%, or HK$8.4 million, from approximately HK$123.8 million for the year ended 31 December 2018 to approximately HK$132.2 million for the year ended 31 December 2019. Such slight increase was primarily attributable to the increase in sales of the book products in the U.S. and Hong Kong. In particular, contributed by (i) the Group's continuous sales and marketing effort in maintaining the customer relationship with Customer C, the sales orders from Customer C increased significantly by approximately 50.0% from approximately HK$8.2 million for the year ended 31 December 2018 to approximately HK$12.3 million for the year ended 31 December 2019; and (ii) the significant increase in revenue generated from Customer D, being one of the new customers developed in 2018, from approximately HK$67,000 for the year ended 31 December 2018 to approximately HK$10.9 million for the year ended 31 December 2019, which was partially offset by the decrease in the revenue from the U.K. customers as the Group had allocated its production capacity to customers in Hong Kong and the U.S., given that they are the Group's mainstream customers, and certain of which increased their sales orders during the year, such as the aforesaid increase in sales orders from Customer C and Customer D.

The revenue of the Group decreased by approximately HK$7.1 million or 6.8%, from approximately HK$103.9 million for the nine months ended 30 September 2019 to approximately HK$96.8 million for the nine months ended 30 September 2020.

The decrease in revenue was primarily resulted from the longer period of suspension of the Group's operation in the first quarter of 2020 as well as the delay in communications with and hence placing of orders and postponement of delivery schedule by certain customers due to the outbreak of COVID-19. For details of the impact of the outbreak of COVID-19, please refer to the paragraphs headed "Business updates and recent developments — Outbreak of COVID-19 — Impact on the Group's financial performance" in this announcement.

Irrespective of the customer type, the Group negotiates with customer individually on an order-by-order basis taking into account, among others, costs of materials and labour, ordering quantity, expected delivery schedule, expected profit margin which primarily depends on the product specifications of a particular sales order, as well as its relationship with such customer. As such, the fluctuations in the Group's revenue during the Track Record Period were mainly driven by the amounts of sales orders as individually negotiated and agreed by the Group with its customers on an order-by-order basis rather than the variation of customer type in the composition of its customer base.

Comparison of the Group's revenue by geographical location

The following table sets out the breakdown of the Group's revenue by geographical location during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000* *(unaudited)*	*%*
Hong Kong	41,947	27.9	42,495	34.3	52,876	40.0	37,978	36.6	33,895	35.0
The U.S.	81,279	54.1	13,631	11.0	31,324	23.7	26,951	26.0	26,195	27.1
The U.K.	8,590	5.7	32,788	26.5	15,618	11.8	12,772	12.3	7,332	7.6
The Netherlands	7,994	5.3	16,218	13.1	13,761	10.4	11,845	11.4	11,323	11.7
Australia	642	0.4	4,721	3.8	6,898	5.2	4,246	4.1	6,744	7.0
The PRC	7,153	4.8	10,818	8.7	5,097	3.9	4,436	4.2	4,906	5.1
Others *(Note)*	2,762	1.8	3,141	2.6	6,620	5.0	5,628	5.4	6,382	6.5
Total	150,367	100.0	123,812	100.0	132,194	100.0	103,856	100.0	96,777	100.0

Note: Others mainly refer to Belgium, Canada, Denmark, France, Germany, Italy, Japan, Singapore and New Zealand.

Revenue from Hong Kong slightly increased by approximately 1.4% from approximately HK$41.9 million for the year ended 31 December 2017 to approximately HK$42.5 million for the year ended 31 December 2018, as the Group secured more sales orders from Customer A in the amount of approximately HK$7.6 million during the year of 2018, and increased further by 24.5% from approximately HK$42.5 million for the year ended 31 December 2018 to approximately HK$52.9

million for the year ended 31 December 2019, which was mainly attributable to the abovementioned significant increase in revenue generated from Customer D. Revenue from Hong Kong moderately decreased by approximately 10.8% from approximately HK$38.0 million for the nine months ended 30 September 2019 to approximately HK$33.9 million for the nine months ended 30 September 2020, which was primarily due to the decrease in revenue from Customer F and a book trader customer located in Hong Kong (the "**Hong Kong Book Trader Customer**"). While the decrease in revenue from the Hong Kong Book Trader Customer of approximately HK$1.5 million, to the best knowledge of the Directors after making reasonable enquiries, was mainly due to the drop in demand of its end customers, the decrease in revenue from Customer F of approximately HK$1.0 million was instead compensated by an increase in revenue from a book trader customer of the Group located in France (the "**French Book Trader Customer**") of approximately HK$1.3 million during the first three quarters of 2020, as certain portion of the sales orders placed by Customer F, to the best knowledge of the Directors after making reasonable enquiries, had been transferred to the French Book Trader Customer owing to the departure of the then responsible salesperson from Customer F who subsequently joined the French Book Trader Customer.

Revenue from the U.S. decreased significantly by approximately 83.3% from approximately HK$81.3 million for the year ended 31 December 2017 to approximately HK$13.6 million for the year ended 31 December 2018, which was mainly attributable to the significant decrease in sales to Customer C as mentioned above. Revenue from the U.S. increased substantially by approximately 130.1% from approximately HK$13.6 million to HK$31.3 million, which was mainly due to the increase in sales to Customer C owing to the continuous sales and marketing effort in maintaining the customer relationship with Customer C as discussed above. Revenue from the U.S. overall remained stable at approximately HK$27.0 million and HK$26.2 million for the nine months ended 30 September 2019 and 2020, respectively.

Revenue from the U.K. increased significantly by approximately 281.4% from approximately HK$8.6 million for the year ended 31 December 2017 to approximately HK$32.8 million for the year ended 31 December 2018. As the revenue from the U.S. customers decreased significantly due to the abovementioned reason, the Group had managed to procure sales orders from its other existing and new customers in the U.K., among which Customer E had contributed an increase of approximately HK$6.5 million to the Group's sales, resulting in the significant increase in the revenue from the U.K. customers. Revenue from the U.K. decreased by approximately 52.4% from approximately HK$32.8 million for the year ended 31 December 2018 to approximately HK$15.6 million for the year ended 31 December 2019, mainly due to the abovementioned reallocation of the Group's production capacity to customers in Hong Kong and the U.S., given that they are the Group's mainstream customers. Revenue from the U.K. decreased by approximately 43.0% from approximately HK$12.8 million for the nine months ended 30 September 2019 to approximately HK$7.3 million for the nine months ended 30 September 2020 mainly due to the reallocation of the Group's production capacity to prioritise in meeting the sales orders from Customer C and, to the best knowledge of the Directors, the adjustments in business strategies by certain U.K. publishers on their own.

During the Track Record Period, the fluctuations in the revenue from the Netherlands were principally subject to the sales orders placed by Customer B with the Group. Revenue from the Netherlands increased by approximately 102.5% from approximately HK$8.0 million for the year ended 31 December 2017 to approximately HK$16.2 million for the year ended 31 December 2018, such significant increase was mainly due to more sales orders placed by one of the Group's customers, Customer B, a book trader in the Netherlands, owing to, to the best knowledge of the Directors, the increase in market share of Customer B in the European markets. Revenue from the Netherlands remained to occupy a certain portion of the Group's revenue with a moderate decrease by approximately 14.8% from approximately HK$16.2 million for the year ended 31 December 2018 to HK$13.8 million for the year ended 31 December 2019. Such decrease was principally due to the decrease in revenue from Customer B as affected by, to the best knowledge of the Directors after making reasonable enquiries, the demand of its end customers during the relevant period. Revenue from the Netherlands remained stable at approximately HK$11.8 million and HK$11.3 million for the nine months ended 30 September 2019 and 2020, respectively.

Revenue from Australia increased by approximately 683.3% from approximately HK$0.6 million for the year ended 31 December 2017 to approximately HK$4.7 million for the year ended 31 December 2018, such significant increase was mainly due to the Group managed to procure more sales orders from one of the Group's customers which is a book trader based in Australia. Revenue from Australia continued to increase by approximately 46.8% from approximately HK$4.7 million for the year ended 31 December 2018 to HK$6.9 million for the year ended 31 December 2019, which was mainly due to the increase in the sales orders placed by the aforesaid customer during the year. Revenue from Australia increased significantly by approximately 59.5% from approximately HK$4.2 million for the nine months ended 30 September 2019 to approximately HK$6.7 million for the nine months ended 30 September 2020, such increase was primarily attributable to the increase in sales orders for the Group's novelty products from Customer I of approximately HK$2.7 million.

Revenue from the PRC was substantially derived from the sales of novelty and packaging products to the Group's customers who based in the PRC during the Track Record Period, the fluctuation of revenue from the PRC throughout the Track Record Period was mainly due to the fluctuation in the demand of the PRC customers for the Group's novelty and packaging products at the time during each year/period of the Track Record Period. Revenue from the PRC remained relatively stable for the nine months ended 30 September 2020 as compared to the corresponding period in 2019.

Cost of sales

The Group's cost of sales primarily consists of raw materials, labour, depreciation of production facilities and others. The following table sets out the breakdown of the cost of sales during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* *(unaudited)*	%	*HK$'000* *(unaudited)*	%
Raw materials										
— paper (including related processing)	46,124	45.4	41,930	52.9	44,821	54.5	40,561	58.9	34,859	53.7
— ink	2,862	2.8	2,653	3.3	2,698	3.3	2,573	3.7	1,958	3.0
— others	8,964	8.8	2,922	3.7	5,381	6.5	4,271	6.2	5,219	8.0
Total raw materials	57,950	57.0	47,505	59.9	52,900	64.3	47,405	68.8	42,036	64.7
Labour	31,936	31.4	25,907	32.6	21,171	25.7	13,774	20.0	13,658	21.0
Depreciation of production facilities	4,314	4.2	3,120	3.9	4,488	5.5	3,357	4.9	3,512	5.4
Others	7,532	7.4	2,857	3.6	3,731	4.5	4,304	6.3	5,720	8.9
Total	101,732	100.0	79,389	100.0	82,290	100.0	68,840	100.0	64,926	100.0

The Group's cost of sales decreased to approximately HK$79.4 million for the year ended 31 December 2018 from approximately HK$101.7 million for the year ended 31 December 2017, representing a decrease of approximately 22.0%. Such decrease was mainly due to the decrease in cost of raw materials of approximately HK$10.5 million, or 18.0%, which was in line with the decrease in the Group's revenue of approximately 17.7% for the year ended 31 December 2018, coupled with the decrease in number of workers, thus resulted in the decrease in labour cost of approximately HK$6.0 million, or 18.9%, owing to the gradual enhancement of level of automation of the Group's production through the acquisition of additional machineries for upgrading the existing production equipment. The average number of the Group's workers decreased from 320 for the year ended 31 December 2017 to 271 for the year ended 31 December 2018.

The Group's cost of sales increased to approximately HK$82.3 million for the year ended 31 December 2019 from approximately HK$79.4 million for the year ended 31 December 2018, representing an increase of approximately 3.7%. Such increase was mainly due to the increase in cost of raw materials of approximately HK$5.4 million, or 11.4%, which was in line with the increase in the Group's revenue of approximately 6.8% for the year ended 31 December 2019. On the other hand, due to the continuous enhancement in level of automation of the Group, the average number of workers of the Group decreased from 271 for the year ended 31 December 2018 to 263 for the year ended 31 December 2019, and the Group's labour cost recorded a decrease of approximately HK$4.7 million, or 18.3%.

The Group's cost of sales decreased to approximately HK$64.9 million for the nine months ended 30 September 2020 from approximately HK$68.8 million for the nine months ended 30 September 2019, representing a slight decrease of approximately 5.7%, which was in line with the decrease in the Group's revenue of approximately 6.8% during the period.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately HK$48.6 million for the year ended 31 December 2017 to approximately HK$44.4 million for the year ended 31 December 2018, representing a decrease of approximately 8.6%, which was mainly attributable to the decrease in revenue for the year ended 31 December 2018 as mentioned above, whilst the Group's gross profit margin increased from approximately 32.3% for the year ended 31 December 2017 to approximately 35.9% for the year ended 31 December 2018 mainly as a result of reduction in volume rebates offered to certain customers including Customer C, details of which are set out in the section headed "Principal activities and business model of the Group", coupled with better streamlined production management of the Group by flattening the management structure through reducing mid-level management personnel cost and eliminating redundant administration positions for the year ended 31 December 2018.

Since 2018, the Group has commenced to streamline its production management by way of flattening the management structure in the Heyuan Factory through reducing the number of mid-level management personnel, namely factory supervisors, factory assistant and team leader in the Heyuan Factory, who are mainly responsible for overseeing the overall operations of the Group's production lines, assisting the factory supervisors in managing the overall operations of the Group's production lines, and daily supervision of the production processes of their own assigned jobs, respectively. In determining the reduction of the number of mid-level management personnel, the Directors constantly review the existing production capacity and its orders on hand at the relevant point of time, taking into account the performance and capabilities of the existing mid-level management personnel and the macro-economic environment, to determine its need for mid-level management positions for the relevant period of time. The average number of mid-level management personnel of the Group decreased from 36 for the year ended 31 December 2017 to 29 for the year ended 31 December 2018.

The Group's gross profit increased to approximately HK$49.9 million for the year ended 31 December 2019 from approximately HK$44.4 million for the year ended 31 December 2018, representing an increase of approximately 12.4%. The Group's gross profit margin increased to approximately 37.8% for the year ended 31 December 2019 from approximately 35.9% for the year ended 31 December 2018. Being in line with the increase in the Group's revenue for the year ended 31 December 2019, such increase in both the Group's gross profit and the gross profit margin was mainly due to the better sales performance of the Group, coupled with effective cost management with an aim to reduce labour cost by enhancing the level of automation of the Group's production through the acquisition of additional accessory machines and equipment.

The gross profit of the Group decreased from approximately HK$35.0 million for the nine months ended 30 September 2019 to approximately HK$31.9 million for the nine months ended 30 September 2020, representing a slight decrease of approximately 8.9%. The Group's gross profit margin decreased from approximately 33.7% for the nine months ended 30 September 2019 to approximately 32.9% for the nine months ended 30 September 2020. While the decrease in the Group's gross profit was in line with the decrease in the Group's revenue, the decrease in the overall gross profit margin of the Group was mainly attributable to (i) the increase in overtime labour costs during the second quarter of 2020 in meeting the production schedules as requested by the Group's customers, in particular, those of Customer C; and (ii) the significant increase in the sales to Customer C from approximately 10.9% of the Group's total sales for the nine months ended 30 September 2019 to approximately 20.2% of the Group's total sales for the nine months ended 30 September 2020, which had a relatively lower profit margin as compared to other customers of the Group as a result of the competitive pricing for sales to Customer C offered by the Group as part of its sales and marketing effort with a view to further strengthen the long-standing business relationship with Customer C to further boost sales from Customer C during the outbreak of COVID-19.

Other income

The Group's other income primarily consisted of inspection income and government grant. Inspection income was the income generated through the provision of inspection services to one of the Group's customers who required the Group to carry out additional specialised quality speculation process in the engagement to ascertain its quality in printing productions of their orders, while government grant was the subsidy granted by the PRC government subsidising the acquisitions of production facilities for technology enhancement of PRC enterprises. The following table sets out the breakdown of the other income by nature of the Group during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*
Inspection income	421	24.3	—	—	—	—	—	—	—	—
Sundry income	276	15.9	22	6.7	309	18.8	352	27.3	9	2.3
Bank and other interest income	24	1.4	36	10.9	154	9.4	109	8.5	102	26.2
Government grant	1,010	58.4	271	82.4	1,179	71.8	828	64.2	279	71.5
Total	1,731	100.0	329	100.0	1,642	100.0	1,289	100.0	390	100.0

Other gains and losses

The Group's other gains and losses mainly consist of net exchange differences and gain or loss on disposal of property, plant and equipment. The following table sets out the breakdown of the Group's other gains and losses by nature during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*
Net exchange (loss) gain	(1,923)	105.7	432	59.1	277	112.6	528	99.6	90	107.1
Gain (loss) on disposal of property, plant and equipment	104	(5.7)	299	40.9	(31)	(12.6)	2	0.4	(6)	(7.1)
Total	(1,819)	100.0	731	100.0	246	100.0	530	100.0	84	100.0

Changes in the Group's other gains and losses during the Track Record Period were mainly attributable to the changes in exchange gain and loss recognised as a result of the fluctuation in Renminbi against U.S. dollars during the Track Record Period. The significant decrease in net exchange gain from approximately HK$528,000 for the nine months ended 30 September 2019 to approximately HK$90,000 for the nine months ended 30 September 2020 was mainly attributable to the depreciation in the U.S. dollars against Renminbi between the dates of invoices and settlements for the exported goods during the period.

Selling and distribution costs

Selling and distribution costs mainly comprise freight and transportation charges, staff costs and travelling expenses. The following table sets forth the components of the Group's selling and distribution costs during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000* (*unaudited*)	*%*
Freight and transportation	5,775	69.1	4,741	74.8	5,839	78.3	3,986	72.7	3,898	74.2
Staff costs	1,349	16.1	931	14.7	1,122	15.1	866	15.8	876	16.7
Travelling expenses	350	4.2	345	5.4	379	5.1	252	4.6	111	2.1
Others	889	10.6	324	5.1	113	1.5	382	6.9	371	7.0
Total	8,363	100.0	6,341	100.0	7,453	100.0	5,486	100.0	5,256	100.0

Changes in the Group's selling and distribution costs during the Track Record Period was mainly due to the changes in freight and transportation expenses and relevant staff costs which in turn was in line with the changes in the Group's revenue during the Track Record Period.

Administrative expenses

The Group's administrative expenses primarily consist of staff costs and benefits, office expenses, and repairs and maintenance. The following table sets forth the components of the Group's administrative expenses during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*
Staff costs and benefits	6,112	35.8	4,400	26.9	3,883	24.6	3,134	25.4	2,661	26.1
Office expenses	2,513	14.8	4,321	26.3	3,224	20.5	2,770	22.5	2,202	21.6
Repair and maintenance	1,478	8.7	1,429	8.7	1,244	7.9	1,003	8.1	543	5.3
Directors' emoluments	3,554	20.8	1,602	9.8	1,216	7.7	890	7.2	910	8.9
Courier	632	3.7	827	5.0	804	5.1	605	4.9	426	4.2
Others	938	5.5	1,006	6.1	1,769	11.2	1,246	10.2	567	5.5
IT support services expenses	310	1.8	234	1.4	136	0.9	176	1.4	103	1.0
Legal and professional fees	340	2.0	1,403	8.6	1,327	8.4	879	7.1	1,168	11.4
Auditor's remuneration	1,106	6.5	1,117	6.8	1,132	7.2	862	7.0	853	8.4
Depreciation	68	0.4	63	0.4	1,018	6.5	766	6.2	773	7.6
Total	17,051	100.0	16,402	100.0	15,753	100.0	12,331	100.0	10,206	100.0

The Group's administrative expenses decreased slightly from approximately HK17.1 million for the year ended 31 December 2017 to approximately HK$16.4 million for the year ended 31 December 2018, representing a decrease of approximately 3.8%, principally due to the decrease in directors' emoluments by approximately HK$2.0 million, which was attributable to the absence of equity-settled share-based payment to Ms. Tse of approximately HK$2.3 million during 2018. For the years ended 31 December 2018 and 2019, despite the increase in the Group's legal and professional fees of approximately HK$1.1 million from approximately HK$0.3 million for the year ended 31 December 2017 to approximately HK$1.4 million and HK$1.3 million for each of the two years ended 31 December 2019 respectively primarily for the fees incurred for general legal and compliance advisory, as well as annual reporting and consultancy services of the Company since the GEM Listing in December 2017, the decrease in administrative expenses was mainly attributable to the decrease in staff costs and benefits and office expenses, being the major components of the administrative expenses, which in aggregate accounted for approximately 53.2% and 45.1%, respectively, which was mainly due to the normal staff turnover and better costs control implemented by the Group during 2019, and other items in the Group's administrative expenses remained relatively stable for the two years ended 31 December 2019.

The administrative expenses of the Group decreased by approximately 17.1% from approximately HK$12.3 million for the nine months ended 30 September 2019 to approximately HK$10.2 million for the nine months ended 30 September 2020 primarily attributable to (i) the decrease in staff costs and benefits due to the decrease in the number of administration staff in the PRC and one-off allowances or exemptions of approximately HK$0.5 million in aggregate received from or implemented by the Hong Kong and PRC governments as part of their concessionary measures in light of the outbreak of COVID-19; (ii) the decrease in office expenses mainly due to the decrease in travelling expenses and the reduction in the procurement of office supplies during the period; (iii) the decrease in repair and maintenance expenses due to the decrease in the needs of maintenance for the Group's property, plant and equipment during the period as compared to the preceding period; and (iv) the decrease in others due to the decrease in other taxes in the PRC. The other taxes incurred by the Group during the Track Record Period refer to the urban construction and maintenance tax, educational surtax and local educational surtax. According the PRC tax rules, the urban construction and maintenance tax, educational surtax and local educational surtax are imposed at a percentage of 7%, 3% and 2%, respectively, on top of the total value-added tax ("**VAT**") payable and/or VAT credit. Therefore, the more the VAT payable/VAT credit, the more these local recharges, *vice versa*.

"VAT payable" refers to the actual value-added tax liability borne by the Group's PRC subsidiary. It generally equates to the difference between output VAT and input VAT, whereby output VAT is associated with domestic sales and input VAT is associated with domestic and import purchases. VAT is refundable (the "**Refundable VAT**") when the amount of the input VAT exceeds the amount of output VAT.

"VAT Credit" refers to the balancing amount of the Maximum Refundable VAT (as defined in below) after deducting the Refundable VAT. The Group is eligible to enjoy the refund of VAT against its export sales to the certain extent as calculated under the "Exempt, Credit and Refund Method" implemented by the PRC government. The maximum refundable VAT against export sales (the "**Maximum Refundable VAT**") is calculated by using the prescribed formula according to the Exempt, Credit and Refund Method and the amount to be refunded is limited to the Refundable VAT when the Maximum Refundable VAT exceeds the Refundable VAT. In addition, the relevant PRC tax bureau will reconcile the transaction data for the previous year (i.e.: data of the export sales/import purchases) in its VAT refund system with those in the custom's system annually and will make proper adjustment in case of any discrepancy found which may result in the adjustments to be made on the amounts of Maximum Refundable VAT and VAT Credit.

The decrease in the Group's other taxes during the nine months ended 30 September 2020 as compared to the preceding period was primarily attributable to lower VAT Credits were calculated during the period as compared to the preceding period due to the fact that, according to the data provided by the PRC tax bureau, the amount of VAT Credit has been adjusted upward significantly by the PRC tax bureau after the annual reconciliation conducted during the nine months ended 30 September 2019 whereas the impact of the adjustment made by the PRC tax bureau was relatively insignificant during the nine months ended 30 September 2020.

Finance costs

The Group's finance costs primarily represent the interest on the Group's bank and other borrowings and leases liabilities and obligations under finance leases. Set forth below is the breakdown of the Group's finance costs during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2017		2018		2019		2019		2020	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*
Interest on:										
Bank and other borrowings	1,159	69.3	172	34.8	101	26.8	82	26.0	—	0.0
Obligations under finance leases/lease liabilities	514	30.7	322	65.2	276	73.2	233	74.0	56	100.0
Total	1,673	100.0	494	100.0	377	100.0	315	100.0	56	100.0

The Group's finance costs decreased from approximately HK$1.7 million for the year ended 31 December 2017 to approximately HK$0.5 million for the year ended 31 December 2018, which was primarily due to the settlement of other borrowings and certain bank borrowings during 2018. The Group's finance costs further decreased to approximately HK$0.4 million for the year ended 31 December 2019 as fewer invoice financing loans were drawn from the existing banking facilities during 2019. The Group's finance costs significantly decreased by approximately 82.2% from approximately HK$315,000 for the nine months ended 30 September 2019 to approximately HK$56,000 for the nine months ended 30 September 2020 as the Group had fully repaid its invoice financing loans and a finance lease in December 2019 and April 2020, respectively.

Net profit for the year/period

As a result of the foregoing reasons coupled with the non-recurring GEM Listing related expenses incurred during 2017, the Group's recorded a net loss of approximately HK$0.2 million for the year ended 31 December 2017, and increased to a net profit of approximately HK$17.8 million and HK$23.1 million for the two years ended 31 December 2019, respectively, and approximately HK$10.9 million for the nine months ended 30 September 2020, representing a decrease of 29.2% from approximately HK$15.4 million for the nine months ended 30 September 2019.

Adjusted net profit for the year/period (as non-HKFRS measures)

Excluding the non-recurring GEM Listing related expenses of approximately HK$17.2 million for the year ended 31 December 2017, the Group's adjusted net profit for the year ended 31 December 2017 was approximately HK$17.0 million.

On the other hand, no such non-recurring GEM Listing related expenses was incurred for the two years ended 31 December 2019. For the nine months ended 30 September 2020, the Group recorded a net profit of approximately HK$10.9 million, and an adjusted net profit of approximately HK$14.1 million excluding the non-recurring professional fees incurred in relation to the Transfer of Listing. For the reconciliation of the adjusted net profit of the Group from the net profit of the Group during the Track Record Period, please refer to the paragraph headed "Key financial information — Non-HKFRS measure" in the above. The Directors expect that the Transfer of Listing related expenses to be incurred during 2020 will have an adverse impact on the Group's performance for the year ending 31 December 2020.

Consolidated statement of financial position of the Group

A summary of the consolidated statement of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 September 2020 is set out below:

	As at 31 December			**As at 30 September**
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Non-current assets				
Property, plant and equipment	35,884	35,206	36,824	38,377
Current assets				
Inventories	8,624	10,690	11,590	15,640
Trade receivables, prepayments and deposits	88,500	51,782	48,619	54,300
Certificates of deposit	3,003	2,983	2,989	—
Tax recoverable	—	288	—	—
Bank balances and cash	22,398	29,429	42,735	42,300
	122,525	95,172	105,933	112,240
Current liabilities				
Trade and other payables	35,819	19,309	16,071	18,768
Contract liabilities	—	528	177	146
Taxation payable	1,473	259	4,657	3,916
Obligations under finance leases/lease liabilities — due within one year	5,355	4,352	2,530	624
Bank borrowings	6,743	7,372	—	—
Other borrowings	5,044	—	—	—

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
	54,434	31,820	23,435	23,454
Net current assets	68,091	63,352	82,498	88,786
Total assets less current liabilities	103,975	98,558	119,322	127,163
Non-current liabilities				
Obligations under finance leases/ lease liabilities — due after one year	5,642	1,292	—	235
Other borrowings	15,972	—	—	—
	21,614	1,292	—	235
Net assets	82,361	97,266	119,322	126,928
Capital and reserves				
Share capital	10,000	10,000	10,000	10,000
Reserves	72,361	87,266	109,322	116,928
Total equity	82,361	97,266	119,322	126,928

Property, plant and equipment

The Group's property, plant and equipment mainly comprises owned machineries and leased properties and machineries. The Group's plant and equipment decreased slightly by approximately 1.9% from approximately HK$35.9 million as at 31 December 2017 to approximately HK$35.2 million as at 31 December 2018, increased to approximately HK$36.8 million as at 31 December 2019 by approximately 4.6%, and slightly increased to approximately HK$38.4 million as at 30 September 2020 which was primarily due to the net effect of (i) depreciation of property, plant and equipment; (ii) the recognition of the Group's leased properties and machineries upon the application of HKFRS 16 "Leases" as at 1 January 2019; and (iii) the addition of machinery and equipment during the Track Record Period. For further details of the major acquisitions of production equipment made by the Group since the GEM Listing and up to the Latest Practicable Date, please refer to the paragraphs headed "Business updates and recent developments — Business updates" in this announcement above.

Inventories

The Group's inventories consist of raw materials, work-in-progress and finished goods. The following table sets out the closing inventory balances as at the end of each reporting period:

	As at 31 December						As at 30 September	
	2017		**2018**		**2019**		**2020**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*
Raw materials	5,971	69.3	5,050	47.2	7,273	62.8	10,819	69.2
Work-in-progress	1,374	15.9	2,297	21.5	1,719	14.8	3,045	19.5
Finished goods	1,279	14.8	3,343	31.3	2,598	22.4	1,776	11.3
Total	8,624	100.0	10,690	100.0	11,590	100.0	15,640	100.0

Under the Group's inventory management policy, the Group closely monitors and controls its inventory levels of raw materials to ensure smooth supply for production and it generally purchases paper and other raw materials from time to time for its production based on the orders received from its customers.

The Group's inventory balance increased by approximately 24.0%, or HK$2.1 million, from approximately HK$8.6 million as at 31 December 2017 to approximately HK$10.7 million as at 31 December 2018. Such increase was mainly attributable to the increase in work-in-progress and finished goods, both of which were produced and to be delivered to the Group's customers subsequent to the year-end date based on the predetermined delivery schedule of the respective sales orders as agreed with the Group's customers.

The Group's inventory balance further increased by approximately 8.4%, or HK$0.9 million, to approximately HK$11.6 million as at 31 December 2019. Such increase was mainly due to the increase in the inventory of paper, being the principal raw materials of the Group of approximately HK$0.8 million, as the price of paper, to the best estimates of the Directors, would rise steadily in 2020, and hence the Group had decided to purchase more paper in advance to keep more inventory of the same in order to meet the upcoming demand from its customers to ensure proper cost control.

The Group's inventory balance further increased by approximately 34.5%, or HK$4.0 million, to approximately HK$15.6 million as at 30 September 2020, which was mainly due to the significant increase in raw materials procured, a majority of which was procured by the Group in July 2020, and work-in-progress manufactured in order to put into production for the finished goods to be delivered to the Group's customers subsequent to the period-end date as scheduled in the sales orders received by the Group in the third quarter of 2020.

The table below sets forth the Group's inventories turnover days during the Track Record Period:

	For the year ended 31 December			For the nine months ended 30 September
	2017	**2018**	**2019**	**2020**
				(unaudited)
Inventories turnover days *(Note)*	29.4	44.4	49.4	57.5

Note: Inventories turnover days is calculated by dividing the average opening and closing balances of the inventories for the relevant year by cost of sales and then multiplied by the number of days in the relevant year/period.

The Group's inventories turnover days were approximately 29.4 days, 44.4 days, 49.4 days and 57.5 days for the three years ended 31 December 2019 and the nine months ended 30 September 2020, respectively. The increase in the Group's inventories turnover days for the year ended 31 December 2018 was primarily attributable to the increase in the work-in-progress and finished goods manufactured close to the year end which were planned to be delivered to the Group's customers subsequently based on the predetermined delivery schedule as mentioned above. While the Group's inventories turnover days remained relatively stable for the two years ended 31 December 2019, the significant increase in the Group's inventories turnover days for the nine months ended 30 September 2020 was primarily attributable to the increase in raw materials procured and work-in-progress manufactured by the Group close to the year end in order to meet the production schedule for the finished goods to be delivered to the Group's customers subsequent to the period-end date as scheduled in sales orders received by the Group in the third quarter of 2020 as mentioned above.

As at the Latest Practicable Date, approximately HK$8.9 million, representing approximately 57.1%, of the Group's inventory as at 30 September 2020 were subsequently utilised or sold.

Trade receivables

The Group's trade receivables mainly represented account receivables from the Group's customers for the products sold. The Group periodically monitors and reviews the credit conditions of its major customers as well as the ageing of its trade receivables and all overdue trade receivables are being followed up. In the event of evidence of impairment on trade receivables arises, such as a customer is experiencing significant financial difficulty or will likely enter into bankruptcy, the Group may provide allowance for the amounts that are considered not recoverable.

The following table sets out the breakdown of the Group's trade receivables as at the end of each reporting period:

	As at 31 December			**As at 30 September**
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Trade receivables	31,230	48,593	47,666	53,816
Less: allowance for doubtful debts/credit losses	(1,607)	(2,141)	(2,039)	(1,850)
Total	29,623	46,452	45,627	51,966

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Group's trade receivables balance amounted to approximately HK$29.6 million, HK$46.5 million, HK$45.7 million and HK$52.0 million, respectively. The relatively low trade receivables balance as at 31 December 2017 was primarily attributable to the full settlement of payment by Customer C for its sales orders during 2017, which accounted for approximately 42.0% of the Group's total revenue for the year ended 31 December 2017. The trade receivables balance remained stable as at 31 December 2018 and 2019. The relatively high trade receivables balance as at 30 September 2020 was mainly attributable to the significant increase in sales in the third quarter of 2020, being the typical peak season of the Group, which were yet to be settled by its customers as at the period-end date.

The Group normally grants an average credit period ranging from 60 to 120 days to its customers. The ageing analysis of the trade receivables of the Group presented based on the invoice dates, net of allowance for doubtful debts/credit losses, at the end of the reporting period is as follows:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Within 30 days	9,167	16,983	10,507	41,225
31–60 days	6,855	6,297	10,498	3,560
61–90 days	4,360	7,330	5,720	4,871
91–120 days	3,734	10,139	10,561	1,083
Over 120 days	5,507	5,703	8,341	1,227
Total	29,623	46,452	45,627	51,966

The following table sets forth an ageing analysis of trade receivables presented based on overdue days, net of allowance for doubtful debts/credit losses, at the end of each reporting period and the settlements subsequent to the Track Record Period and up to the Latest Practicable Date:

	As at 31 December			As at 30 September	Subsequent settlement up to the Latest Practicable Date	
	2017	**2018**	**2019**	**2020**		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*	*%*
Not past due	19,520	30,462	24,366	32,762	12,060	36.8
Past due:						
0–30 days	8,632	12,498	13,642	8,463	6,403	75.7
31 to 60 days	1,168	3,228	4,274	3,560	3,030	85.1
61 to 90 days	68	39	618	4,871	3,892	79.9
91–120 days	195	9	938	1,083	1,083	100.0
Over 120 days	40	216	1,789	1,227	317	25.8
	29,623	46,452	45,627	51,966	26,785	51.5

As at the Latest Practicable Date, approximately HK$26.8 million, representing approximately 51.5%, of the Company's trade receivables as at 30 September 2020 were subsequently settled.

The table below sets forth the Group's trade receivables turnover days during the Track Record Period:

	For the year ended 31 December			For the nine months ended 30 September
	2017	2018	2019	2020
				(unaudited)
Trade receivables turnover days *(Note)*	78.9	112.1	127.1	138.2

Note: Trade receivables turnover days is calculated by dividing the average opening and closing balances of the trade receivables for the relevant year by revenue and then multiplied by the number of days in the relevant year/period.

The Group's trade receivables turnover days was 78.9 days, 112.1 days, 127.1 days and 138.2 days for the three years ended 31 December 2019 and the nine months ended 30 September 2020, respectively. The relatively low trade receivables turnover days recorded in 2017 was primarily due to the full settlement of the payment by Customer C for its sales orders in the same year as mentioned above. The trade receivables turnover days increased from 127.1 days for the year ended 31 December 2019 to 138.2 days for the nine months ended 30 September 2020 as the Group allowed a flexible repayment period for certain customers, typically ranged from additional two to seven months after the respective relevant past due date, with relatively long-term customer relationships and no history of default on repayments in the past in practice in order to maintain the business relationship with these customers in the long run. As confirmed by the Directors, it is also the Group's measure to allow a flexible repayment period for these customers which are mainly based in the U.K., the U.S. and France during the outbreak of COVID-19 in light of the delay in response and other communication issues experienced by these customers as a result of the work-from-home and other relevant measures adopted by these customers in response to the outbreak of COVID-19.

Prepayments and deposits

The table below sets forth the breakdown of the prepayments and deposits as at the end of each reporting period:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Proceeds receivable from the Share Offer (Note)	56,250	—	—	—
Rental deposits	159	171	171	171
Other prepayments and deposits	2,468	5,159	2,821	2,163
Total	58,877	5,330	2,992	2,334

Note: The amount represented the proceeds from the issue of shares upon the public offer and placing from the GEM Listing (the "**Share Offer**") collected by the bookrunners of the GEM Listing on behalf of the Company.

The Group's prepayment and deposits decreased significant by approximately 90.9% or HK$53.6 million from approximately HK$58.9 million as at 31 December 2017 to approximately HK$5.3 million as at 31 December 2018. Such decrease was primarily due to the proceeds from the Share Offer collected by the bookrunners of the GEM Listing on behalf of the Company upon the GEM Listing, which was fully settled on 10 January 2018. Other prepayments and deposits mainly refer to the payments and/or deposits made in advance in relation to the Group's operation, which remained stable during the three years ended 31 December 2019, save for the increase in other prepayments and deposits to approximately HK$5.2 million as at 31 December 2018, primarily attributable to the prepayments for the acquisition of additional machineries as production facilities during 2018. The prepayment and deposits of the Group remained stable as at 31 December 2019 and 30 September 2020.

Trade payables

The Group's trade payables mainly represent amounts payable to the Group's suppliers. As at 31 December 2017, 2018 and 2019 and 30 September 2020, the trade payables of the Group were approximately HK$14.9 million, HK$11.7 million, HK$9.5 million and HK$11.5 million, respectively. The decrease in the trade payables as at 31 December 2018 as compared to 31 December 2017 was mainly due to the prompt settlement of payment for purchase orders by the Group in view of its healthy cashflow, and the further decrease in trade payables as at 31 December 2019 as compared to 31 December 2018 which was in line with the decrease in the Group's revenue in the fourth quarter by approximately 19.1%, which was mainly due to the decrease in revenue from Customer C of approximately HK$4.6 million as affected by, to the best knowledge of the Directors after making reasonable enquiries, the demand of the end customers of Customer C during the relevant period. As compared to 31 December 2019, the increase in the trade payables of the Group to approximately HK$11.5 million as at 30 September 2020 was generally in line with the abovementioned increase in the raw materials procured by the Group during the third quarter of 2020, and a portion of which was not yet due as at 30 September 2020.

The credit period on purchase of raw materials ranges from 30 to 90 days. The following table sets forth the ageing analysis of the trade payables of the Group based on the invoice dates at the end of the respective reporting period:

	As at 31 December			**As at 30 September**
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Within 30 days	9,266	9,282	8,628	10,865
31–60 days	328	1,922	726	395
61–90 days	34	190	94	164
Over 90 days	5,227	274	87	105
Total	14,855	11,668	9,535	11,529

As at the Latest Practicable Date, approximately HK$7.3 million, representing approximately 63.5%, of the Company's trade payables as at 30 September 2020 were subsequently settled.

The table below sets forth the Group's trade payables turnover days during the Track Record Period:

	For the year ended 31 December 2017	2018	2019	For the nine months ended 30 September 2020 *(unaudited)*
Trade payables turnover days *(Note)*	66.4	61.0	47.0	44.4

Note: Trade payables turnover days is calculated by dividing the average opening and closing balances of the trade payables for the relevant year by cost of sales and then multiplied by the number of days in the relevant year/period.

The Group's trade payables turnover days was 66.4 days, 61.0 days, 47.0 days and 44.4 days for the three years ended 31 December 2019 and the nine months ended 30 September 2020, respectively. While the decrease in trade payables turnover days for the three years ended 31 December 2019 was in line with the continuous decrease in trade payables of the Group, the increase in the trade payable turnover days of the Group for the nine months ended 30 September 2020 was mainly due to the abovementioned increase in the Group's trade payables as at 30 September 2020.

Other payables

The following table sets out the Group's other payables classified by function as at the end of each reporting period:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Accrued listing expenses	9,947	—	—	—
Accrued expenses	5,878	6,092	5,279	3,687
Other payables	5,139	1,549	1,257	3,552
Total	20,964	7,641	6,536	7,239

The following table further sets forth the breakdown of the Group's accrued expenses and other payables by nature at the end of each reporting period:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Accrued expenses and other payables for:				
Staff and labour related costs	4,353	4,626	3,677	3,423
Auditor's remuneration and other professional fees	1,000	1,046	966	925
Production and selling and distribution costs	807	777	654	1,409
Volume rebates	3,394	72	72	—
Interest on other borrowings	298	—	—	—
Deposits received from customers	404	96	—	—
Other operating expenses	761	1,024	1,167	1,482
Total	11,017	7,641	6,536	7,239

The Group's other payables decreased significantly by approximately 63.6% to approximately HK$7.6 million as at 31 December 2018 from approximately HK$21.0 million as at 31 December 2017, which was primarily attributable to the settlement of the accrued listing expenses in relation to the GEM Listing in 2018. The Group's accrued expenses and other payables decreased by approximately HK$3.4 million or 30.9% from approximately HK$11.0 million as at 31 December 2017 to approximately HK$7.6 million as at 31 December 2018 principally due to the reduction in volume rebates offered to certain customers, including Customer C, of approximately HK$3.4 million. The other payables of the Group increased from approximately HK$6.5 million as at 31 December 2019 to approximately HK$7.2 million as at 30 September 2020, representing an increase of approximately 10.8%. Such increase was principally attributable to the increase in the production and selling and distribution costs during the third quarter of 2020, being the typical peak season of the Group.

Taxation recoverable/payable

The Group's taxation recoverable/payable comprises (i) Hong Kong Profits Tax and (ii) the PRC enterprise income tax recoverable/payable. The table below sets forth the reconciliation of the Group's tax payable/recoverable as at the end of each reporting period:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Net tax (payable)/recoverable at beginning of the year/period	(711)	(1,473)	29	(4,657)
PRC Enterprise Income Tax paid	898	79	475	472
Hong Kong Profits Tax paid	2,740	5,285	—	3,211
Provision of income tax expenses for the year/period in respect of:				
PRC Enterprise Income Tax	(707)	(368)	(650)	(244)
Hong Kong Profits Tax	(3,689)	(3,506)	(4,519)	(2,697)
Exchange adjustments	(4)	12	8	(1)
Net tax (payable)/recoverable at end of the year/period	(1,473)	29	(4,657)	(3,916)
Analysis of tax (payable)/recoverable at end of the year/period:				
Tax recoverable	—	288	—	—
Tax payable	(1,473)	(259)	(4,657)	(3,916)
	(1,473)	29	(4,657)	(3,916)

The Group's taxation payable decreased by approximately 82.4%, or HK$1.2 million, from approximately HK$1.5 million as at 31 December 2017 to approximately HK$259,000 as at 31 December 2018. Such decrease was mainly due to the combined effect of (i) the decrease of approximately 11.9% in the income tax expenses incurred by the Group for the year ended 31 December 2018 as compared to that for the preceding year; and (ii) the increase of approximately 92.9% in the Hong Kong Profits Tax paid for the year ended 31 December 2018 due to the fact that the assessed amount of provisional tax for the year of assessment 2018/19 was greater than that for the year of assessment 2017/18. As a result of the foregoing, the Group recorded tax recoverable for Hong Kong Profits Tax of approximately HK$288,000 as at 31 December 2018.

The Group's taxation payable significantly increased by approximately 1,698.1%, or HK$4.4 million, from approximately HK$0.3 million as at 31 December 2018 to approximately HK$4.7 million as at 31 December 2019, which was mainly attributable to the combined effect of (i) the increase of approximately 33.3% in the income tax expenses incurred by the Group for the year ended 31 December 2019 as compared to that for the preceding year; and (ii) no Hong Kong Profits Tax was paid during the year as the final tax for the year of assessment 2018/19 was settled later than usual by the Group due to the fact that the relevant final tax assessment was issued by the Hong Kong Inland Revenue Department (the "**IRD**") and received by the Group in December 2019 while it was typically issued by the IRD in around late August in the past. The final tax for the year of assessment 2018/19 was subsequently settled by the Group on 20 January 2020 prior to the prescribed payment due date (i.e. 24 January 2020) as stipulated in the relevant final tax assessment received by the Group in December 2019.

The Group's taxation payable decreased moderately by approximately 17.0% or HK$0.8 million, from approximately HK$4.7 million as at 31 December 2019 to approximately HK$3.9 million as at 30 September 2020, mainly owing to the settlement of final tax for the year of assessment 2018/19 was settled in January 2020 as mentioned above.

Bank and other borrowings

As at 31 December 2017 and 2018, the Group's bank borrowings were approximately HK$6.7 million and HK$7.4 million, respectively, which was fully repaid subsequently and there was nil balance as at 31 December 2019 and 30 September 2020.

As at 31 December 2017, the Group's other borrowings was approximately HK$21.0 million, which was fully repaid subsequently and there was nil balance as at 31 December 2018 and 2019 and 30 September 2020.

DIVIDENDS

No dividends were declared in respect of the years ended 31 December 2017 and 2018. A final dividend of HK0.4 cent per share, amounting to an aggregate of HK$4.0 million, in respect of the year ended 31 December 2019 has been fully settled by the Company in June 2020. The Board did not recommend the payment of any interim dividend for the nine months ended 30 September 2020.

LIQUIDITY AND FINANCIAL RESOURCES

During the Track Record Period, the Group financed its operations with shareholders' equity, and through cash generated from operations and bank and other borrowings.

Consolidated statement of cash flows of the Group

The following table sets forth a summary of the Group's consolidated statement of cash flows during the Track Record Period:

	For the year ended 31 December			For the nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000* *(unaudited)*
Operating activities					
Profit before taxation	4,219	21,712	28,311	18,816	13,801
Adjustments for:					
Interest expenses	1,673	494	377	315	56
Interest income	(24)	(36)	(154)	(109)	(102)
Allowance (reversal of allowance) for credit losses on trade receivables, net	38	534	(102)	(113)	(188)
Depreciation of plant and equipment	4,382	3,183	5,506	4,130	4,378
Equity-settled share based payment	2,290	—	—	—	—
(Gain) loss on disposal of plant and equipment	(104)	(299)	31	(2)	6

	For the year ended 31 December			For the nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	*(unaudited)*
Operating cash flows before movements in working capital	12,474	25,588	33,969	23,037	17,951
Increase in inventories	(306)	(2,610)	(1,116)	2,988	(4,535)
Decrease (increase) in trade receivables, prepayments and deposits	9,289	(20,401)	3,206	(8,038)	(5,610)
Increase (decrease) in trade and other payables	3,621	(15,967)	(3,045)	489	3,038
Increase (decrease) in contract liabilities	—	528	(351)	(189)	(31)
Cash generated from (used in) operations	25,078	(12,862)	32,663	18,287	10,813
PRC Enterprise Income Tax paid	(898)	(79)	(475)	(313)	(472)
Hong Kong Profits Tax paid	(2,740)	(5,285)	—	—	(3,211)
Net cash from (used in) operating activities	21,440	(18,226)	32,188	17,974	7,130
Investing activities					
Proceeds received on maturity of certificates of deposit	—	3,003	2,983	2,983	2,989
Proceeds from disposal of property, plant and equipment	3,132	520	154	10	29
Interest received	24	36	10	109	102
Purchase of property, plant and equipment	(1,396)	(4,629)	(4,742)	(4,108)	(4,110)
Deposit paid for acquisition of property, plant and equipment	—	—	—	—	—
Purchase of certificates of deposit	(1,003)	(2,983)	(2,989)	(2,989)	—
Net cash from (used in) investing activities	757	(4,053)	(4,584)	(3,995)	(990)

	For the year ended 31 December			For the nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	*(unaudited)*
Financing activities					
Proceeds from the Share Offer	6,250	56,250	—	—	—
New bank borrowings raised	7,821	7,372	10,359	4,004	—
Repayment of other borrowing	(404)	(21,037)	—	—	—
Repayments of bank borrowings	(9,538)	(6,743)	(17,731)	(7,372)	—
Repayments of lease liabilities/obligations under finance leases	(5,265)	(5,353)	(6,203)	(4,681)	(2,733)
Interests paid	(1,673)	(494)	(377)	(315)	(56)
Proceeds from issue of shares of CP Printing	10,000	—	—	—	—
Share issued costs paid	(8,855)	—	—	—	—
Repayment to directors	(4,947)	—	—	—	—
Dividend paid	(2,000)	—	—	—	(4,000)
Net cash (used in) from financing activities	(8,611)	29,995	(13,952)	(8,364)	(6,789)
Net increase (decrease) in cash and cash equivalents	13,586	7,716	13,652	5,615	(649)
Cash and cash equivalents at beginning of the year	8,194	22,398	29,429	29,429	42,735
Effect of foreign exchange rate changes	618	(685)	(346)	(2,852)	214
Cash and cash equivalents at end of the year, representing bank balances and cash	22,398	29,429	42,735	32,192	42,300

For the year ended 31 December 2017, the Group recorded a net increase in cash and cash equivalents of approximately HK$ 13.6 million which was mainly attributable to (i) the net cash generated from the operating activities of approximately HK$21.4 million mainly due to the decrease in trade receivables, prepayments and deposits of approximately HK$9.3 million and the increase in trade and other payables of approximately HK$3.6 million; and partially offset by (ii) the net cash used in the financing activities of approximately HK$8.6 million mainly due to the repayments of the Group's indebtedness, including the amounts due to directors, finance leases and bank and other borrowings, in a total amount of approximately HK$20.2 million, which outweighed the net proceeds from certain financing activities, including the Share Offer (net of the share issued cost paid), the issue of shares of CP Printing and the new bank borrowings raised, in a total amount of approximately HK$15.2 million. The Group's bank balances and cash increased from approximately HK$22.4 million as at 31 December 2017 to approximately HK$29.4 million as at 31 December 2018, which was mainly attributable to (i) the net cash generated from financing activities of approximately HK$30.0 million mainly due to the remaining proceeds of approximately HK$56.3 million received from the issue of Shares upon the GEM Listing which had withheld by the bookrunners of the GEM Listing and recognised as the Group's other receivables as at 31 December 2017, and subsequently released to the Group on 10 January 2018 upon the settlement of professional fee and underwriting fee in relation to the GEM Listing; and partially offset by (ii) the net cash used in operating activities of approximately HK$18.2 million; and (iii) the net cash used in investing activities of approximately HK$4.1 million mainly due to the purchase of property, plant and equipment. The net cash used in operating activities of approximately HK$18.2 million during the year ended 31 December 2018 was mainly attributable to (i) the net increase in the Group's trade receivables by approximately HK$16.9 million from approximately HK$29.6 million as at 31 December 2017 to approximately HK$46.5 million as at 31 December 2018 due to the fact that there was a significant increase in the Group's sales in the fourth quarter of 2018 as compared to the corresponding period, resulting in the increase in the not-yet-due trade receivables which were yet to be settled as at 31 December 2018; (ii) the net decrease in the Group's other payables by approximately HK$13.4 million from approximately HK$21.0 million as at 31 December 2017 to approximately HK$7.6 million as at 31 December 2018 due to the fact the Group had settled the accrued listing expenses in relation to the GEM Listing during the year ended 31 December 2018; and (iii) the increase in the Hong Kong Profits Tax paid by approximately HK$2.5 million during the year ended 31 December 2018 as compared to the preceding year.

The Group's bank balances and cash had significantly increased to approximately HK$42.7 million as at 31 December 2019, which was mainly attributable to (i) the net cash generated from operating activities of approximately HK$32.2 million; and partially offset by (ii) the net cash used in investing activities of approximately HK$4.6 million mainly due to the purchase of property, plant and equipment; and (iii) the net cash used in financing activities of approximately HK$14.0 million mainly due to the repayments of bank borrowings and lease liabilities. The Group's bank balances and cash remained stable at approximately HK$42.3 million as at 30 September 2020.

The functional currency of the Group is Hong Kong dollar. As at 31 December 2017, 2018 and 2019 and 30 September 2020, 42.5%, 90.5%, 74.1% and 69.4% of the Group's bank balances and cash was denominated in Hong Kong dollar and the remaining 57.5%, 9.5%, 25.9% and 30.6% in other currencies, mainly the U.S. Dollar and Renminbi, respectively.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Group's net current assets amounted to approximately HK$68.1 million, HK$63.4 million, HK$82.5 million and HK$88.8 million, respectively.

The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) increased slightly from approximately 2.3 as at 31 December 2017 to approximately 3.0 as at 31 December 2018, which was mainly due to the full repayment of other borrowings and increase in bank balances and cash upon GEM Listing in 2018. The Group's current ratio further improved significantly to approximately 4.5 as at 31 December 2019 which was mainly due to the increase in bank balances and cash and full repayment of bank borrowings in 2019. The Group's current ratio improved slightly to approximately 4.8 as at 30 September 2020 was mainly due to net increase in the balances of inventories and trade receivables as at 30 September 2020 as mentioned above.

The Group's gearing ratio, being the total interest-bearing liabilities divided by total equity, decreased from approximately 47.1% as at 31 December 2017 to approximately 13.4% as at 31 December 2018, and further to approximately 2.1% as at 31 December 2019 and approximately 0.7% as at 30 September 2020, which was mainly due to the decrease in debt level of the Group during the Track Record Period.

As at 30 September 2020, the Group's indebtedness represented lease liabilities of approximately HK$859,000. As at 30 September 2020, the Group had nil bank and other borrowings and the amount of total unutilised banking facilities was approximately HK$16.1 million.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internal resources, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this announcement.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that subsequent to 31 December 2019 and up to the date of this announcement, there has been no material adverse change in the financial or trading position of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

USE OF PROCEEDS

The Net Proceeds, after deduction of the underwriting fees and other related expenses, was approximately HK$36.4 million, which was based on the final price of HK$0.25 per Share and the actual expenses in relation to the GEM Listing. On 21 September 2018, the Company published an announcement in relation to the change in use of the Net Proceeds (the "**Change of UOP Announcement**") to adjust its allocation of the Net Proceeds by allocating most of the remaining Net Proceeds to the acquisition of machinery for upgrading the Group's production facilities to enhance its level of automation and production efficiency with an aim to expand the packaging production capacity of the Group in view of the high market demand for packaging products and the great potential of the packaging products segment to generate stable revenue to the Group as anticipated by the Group in light of the then market condition. The Directors believe that there is a significant room for growth in the packaging products segment in the long run in view of the emergence of global online retailing, and particularly in the PRC as a result of the continuous expansion of the PRC consumer market. Such adjustment in the use of Net Proceeds has enabled to the Group to benefit from automation to further enhance the profit margin of its products and has equipped the Group the capacity and capability to capture business opportunities from the aforesaid expected growth as well as to attract potential customers in the long run. The analyses of the actual utilisation of the Net Proceeds up to 30 June 2020 were set out in the published interim report of the Company for the year ended 30 June 2020. Set forth below is the analysis of the utilisation of the Net Proceeds as at the Latest Practicable Date:

	Original allocation of Net Proceeds as per the Prospectus	**Revised allocation of Net Proceeds as per the Change of UOP Announcement**	**Utilised Net Proceeds as at the Latest Practicable Date**	**Remaining balance of Net Proceeds as at the Latest Practicable Date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Purchasing machinery for upgrading production equipment to enhance level of automation and production efficiency	12,755	20,399	14,343	6,056
Repayment of part of bank and other borrowings	10,933	10,933	10,933	—
Strengthening sales and marketing efforts and expanding customer base	5,466	1,466	834	632
Additional working capital and other general corporate purposes	3,644	3,644	3,644	—
Potential investment and acquisition	3,644	—	—	—
	36,442	**36,442**	**29,754**	**6,688**

The actual utilisation of Net Proceeds fell short of the intended implementation plan as disclosed in the Prospectus as at the Latest Practicable Date was primarily due to the Group's decision to prioritise the acquisition of various accessory equipment, such as mounting machines, collating machines and die-cutting machines, for post-press operations, being labour-intensive in nature, over the purchase of 5-colour printing presses, in order to further enhance the Group's level of automation to achieve higher production efficiency as the Directors expected that the labour costs in the PRC would continue to rise considering the macro-economic environment in the PRC. The original plan of the Group was to use part of the Net Proceeds for acquiring two sets of new 5-colour printing presses for replacement of its two oldest existing 5-colour printing presses, which were manufactured in 2003 and 2004 and belong to a relatively older models of similar types of printing presses. These two existing printing presses were second-hand machinery acquired by the Group which the Group expected to require frequent check-up and repair at the time of the GEM Listing. Nonetheless, after the GEM Listing, the decrease in demand for the Group's products back in 2018 had resulted in the increase in idle or unutilised production capacity of these two sets of printing presses. In addition, to better maintain the conditions of these two printing presses, the Group has revised the arrangement of its printing presses to allow more downtime for these two sets of printing presses by prioritising the printing presses belonging to newer models for the production of incoming orders, and only allocating these two sets of printing presses for production of orders with less complicated product specifications and supporting the Group's production during peak seasons of the Group, and the production capacity of the Group's printing presses sufficed for meeting the production needs of the Group as required from time to time to cater the demand for the Group's products. Hence, the Directors considered that there was no imminent need for the Group to replace its existing printing presses. Given that there had been no imminent need to replace the Group's existing printing presses as originally planned at the time of the GEM Listing within two years' time during 2018 and 2019 as required from time to time to cater the demand for the Group's products, the Company therefore decided to change the proposed use of the Net Proceeds as mentioned in the Change of UOP Announcement. The remaining Net Proceeds of approximately HK$6.7 million as at the Latest Practicable Date which had not yet been utilised is expected to be applied in accordance with the Change of UOP Announcement onwards. In particular, the Group intended to further expand efficiency of production by acquiring more machineries with approximately HK$6.1 million of the remaining Net Proceeds in the fourth quarter of 2020.

The expected time frame for utilising the remaining Net Proceeds is set out below:

	Expected timeline for utilising the remaining Net Proceeds^(Note)			
	2020			
	November	December	2021	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Purchasing machinery for upgrading production equipment to enhance level of automation and production efficiency	1,776	3,180	—	6,056
Strengthening sales and marketing efforts and expanding customer base	—	180	452	632

Note:

The expected timeline for utilising the remaining Net Proceeds is based on the best estimation of the present and future market condition made by the Board.

As at the Latest Practicable Date, the Group does not intend to have any material changes on its future plans and the use of Net Proceeds.

FUND RAISING ACTIVITIES OF THE COMPANY SINCE GEM LISTING

There has been no fund raising activities since the GEM Listing.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The Company discloses below the biographical information of each of the current Directors and member of senior management:

Executive Directors

Mr. Lam Tak Ling Derek (林德淩), aged 49, is the chairman of the Board and has been appointed as an executive Director since 5 May 2017. Mr. Lam is primarily responsible for overall strategic planning and overseeing the general management of the Group. Mr. Lam has more than 25 years of experience in the printing industry. He graduated from Kwun Tong Maryknoll College in June 1988. During the period from July 1994 to July 2012, he worked in HK Scanner Arts International Limited, a company principally engaged in the printing of books, as a sales director. He joined the Group as a sales and marketing manager in August 2012 and has been a director of CP Printing since August 2014.

Mr. Chan Yee Yeung (陳義揚), aged 46, is the chief operations officer of the Group and has been appointed as an executive Director since 5 May 2017. Mr. Chan is primarily responsible for overseeing the manufacturing activities of the Group. Mr. Chan has more than 23 years of experience in the printing industry. He obtained a diploma in print from the Kwun Tong Technical Institute (now known as the Hong

Kong Institute of Vocational Education (Kwun Tong)) in August 1996. Thereafter, he worked in Prosperous Printing Company Limited, a company principally engaged in the manufacturing and exporting of paper products, as a production controller from August 1996 to August 2000. He then worked in Rackel Industries Limited, a company principally engaged in the manufacturing and sales of personalized products, as a coordinator from September 2000 to May 2001, and in Power Printing Products Limited, a printing service provider, as a project management consultant manager from June 2001 to September 2014. He joined the Group as a production manager and a director of CP Printing in August 2014.

Ms. Tse Yuen Shan Ivy (謝婉珊), aged 48, is the general manager of the Group and has been appointed as an executive Director since 5 May 2017. Ms. Tse is primarily responsible for overseeing the procurement activities as well as administrative, human resources and logistics matters of the Group. Ms. Tse has more than 21 years of experience in the printing industry. She obtained a bachelor of science from the University of Waterloo in Canada in May 1997. Thereafter, she worked in Hong Kong Exhibition Services Limited, a company principally engaged in the provision of exhibition services, as a project secretary from May 1997 to July 1998. She then worked in Prosperous Printing Company Limited, a company principally engaged in the manufacturing and exporting of paper products, as a production controller from November 1998 to March 2001, and in Power Printing Products Limited, a printing service provider, as a general manager from May 2001 to March 2012. She established the Group in 2012 and served as a director of CP Printing from March 2012 to August 2014 and as the Group's general manager from March 2012 to September 2014. She then served as a director of Power Printing Products Limited from September 2014 to November 2015. She re-joined the Group as a general manager in November 2015 and has been a director of CP Printing since April 2017.

Independent non-executive Directors

Mr. Li Chun Hung (李振鴻), aged 59, has been appointed as an independent non-executive Director since 4 December 2017. He is a certified public accountant in Hong Kong and has over 20 years of experience in professional accounting. Mr. Li obtained a diploma in accountancy from the Kwai Chung Technical Institute (now known as the Hong Kong Institute of Vocational Education (Kwai Chung)) in July 1985 and a master degree in business administration from Clayton University in the United States in May 1997. He operated a sole-proprietorship accounting practice under Santos C.H. Li & Company from September 2005 to December 2012, and has been the managing director of Santos C.H. Li CPA Limited since December 2011. Mr. Li is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of International Accountants, a member of the Institute of Certified Management Accountants, a fellow member of the Taxation Institute of Hong Kong, a member of the Society of Chinese Accountants and Auditors as well as a member of the Chartered Institute of Arbitrators.

Mr. Li was a director or supervisor of the following companies, and was not involved in any wrongful act in his capacity as such, prior to their respective dissolution, all of which were solvent and/or dormant at the time of dissolution:

Name of company	Place of incorporation/ establishment	Principal business activities	Date of dissolution	Means of dissolution	Reason of dissolution
Bestop Industrial Limited (上泰實業有限公司)	Hong Kong	Investment holding	12 April 2002	Striking off	Cessation of business operations
Century Prosion Technology Limited (世紀先河科技有限公司)	Hong Kong	Development of information technology education	11 October 2002	Deregistration	Cessation of business operations
Earth Village Information Technology Limited (地球村資訊科技有限公司)	Hong Kong	Development of translation software	19 August 2005	Deregistration	Cessation of business operations
Ease City Development Limited (依城發展有限公司)	Hong Kong	Investment holding	10 March 2006	Deregistration	Cessation of business operations
New Harbour Investment Limited (港景投資有限公司)	Hong Kong	Investment property	22 June 2001	Deregistration	Cessation of business operations
Quinbor Company Limited (慶孚有限公司)	Hong Kong	Investment property	19 January 2007	Deregistration	Cessation of business operations
Samlight Development Limited (玉山發展有限公司)	Hong Kong	General trading	15 December 2000	Deregistration	Cessation of business operations
Samlight Software Limited (玉山軟件有限公司)	Hong Kong	Development of software	26 April 2002	Striking off	Cessation of business operations
Strong Profit International Limited (利勇國際有公司)	Hong Kong	Investment holding	15 February 2002	Striking off	Cessation of business operations

Name of company	Place of incorporation/ establishment	Principal business activities	Date of dissolution	Means of dissolution	Reason of dissolution
Wellstar (H.K.) Limited (威星(香港)有限公司)	Hong Kong	Trading and investment holding	18 February 2000	Creditors' voluntary winding up	Cessation of business operations
Key Wang Investment Limited (基宏投資有限公司)	Hong Kong	Investment property	11 May 2001	Deregistration	Cessation of business operations
Polygon Trading Limited (寶廣貿易有限公司)	Hong Kong	General trading	21 March 2003	Striking off	Cessation of business operations
榮發長信能源科技(北京)有限公司 (Rongfa Changxin Energy Technology (Beijing) Co Ltd*)	PRC	Research and development on the exploration of coalbed methane resources	Information not available	Revocation of business licence	Cessation of business operations

To the best knowledge of Mr. Li after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against him in his capacity as a director or supervisor of the abovementioned companies prior to their respective dissolution.

Mr. Ong Chor Wei (王祖偉), aged 51, has been appointed as an independent non-executive Director since 4 December 2017. Mr. Ong obtained a bachelor of laws from The London School of Economics and Political Science in the United Kingdom in August 1990. He also received a distance learning degree in master of business administration, which was jointly awarded by the University of Wales and the University of Manchester in the United Kingdom, in March 2000. He is a certified public accountant in Hong Kong and has extensive experience in finance and accounting. Mr. Ong has been an associate of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Institute of Certified Public Accountants since December 1993 and October 1995, respectively.

Mr. Ong was, or had been, a director of the following listed companies in the last three years preceding the Latest Practicable Date:

Period of service	Name of company	Principal business activities	Position(s)	Position at the board committee (for companies in which Mr. Ong has directorships as at the Latest Practicable Date)	Financial year-end (for companies in which Mr. Ong has directorships as at the Latest Practicable Date)
June 2017 to February 2019	Vico International Holdings Limited, the shares of which are listed on Main Board (stock code: 1621)	Sale of diesel and lubricant oil and provision of fuel cards services	Non-executive director	N/A	N/A
September 2016 to October 2020	Prosperous Printing Company Limited, the shares of which are listed on GEM (stock code: 8385)	Provision of printing products	Non-executive director	N/A	N/A
January 2016 to present	Nameson Holdings Limited, the shares of which are listed on Main Board (stock code: 1982)	Knitwear manufacturing	Independent nonexecutive director	Chairman of audit committee; members of remuneration and nomination committees	31 March

Period of service	Name of company	Principal business activities	Position(s)	Position at the board committee (for companies in which Mr. Ong has directorships as at the Latest Practicable Date)	Financial year-end (for companies in which Mr. Ong has directorships as at the Latest Practicable Date)
October 2015 to present	Denox Environmental & Technology Holdings Limited, the shares of which are listed on Main Board (stock code: 1452)	Manufacturing of plate-type DeNox catalysts	Independent non-executive director	Member of audit, remuneration and nomination committees	31 December
March 2014 to September 2019	Phimedix Plc (formerly known as Zibao Metals Recycling Holdings Plc) the shares of which are listed on Alternative Investment Market of the London Exchange (stock code: PHM)	Trading of recyclable metals	Director	N/A	N/A
June 2010 to present	Net Pacific Financial Holdings Limited (formerly known as K Plas Holdings Limited), the shares of which are listed on the Singapore Exchange (stock code: 5QY)	Provision of financing services	Executive director and chief executive officer	Nil	31 December

Period of service	Name of company	Principal business activities	Position(s)	Position at the board committee (for companies in which Mr. Ong has directorships as at the Latest Practicable Date)	Financial year-end (for companies in which Mr. Ong has directorships as at the Latest Practicable Date)
April 2010 to October 2020	O-Net Technologies (Group) Limited (formerly known as O-Net Communications (Group) Limited), the shares of which are listed on Main Board (stock code: 877)	Design, manufacturing and sale of optical networking subcomponents, modules and subsystems used in high-speed telecommunications and data communications	Independent non-executive director	N/A	N/A
March 2010 to present	Man Wah Holdings Limited, the shares of which are listed on Main Board (stock code: 1999)	Manufacturing and sale of sofas	Non-executive director and subsequently re-designated as independent non-executive director	Member of audit committee	31 March
December 2007 to present	Joyas International Holdings Limited, the shares of which are listed on the Singapore Exchange (stock code: E9L)	Design, manufacturing and sale of metal gift products and jewellery products	Non-executive director	Member of audit, remuneration and nomination committees	31 December

The Directors are of the view, and the Sole Sponsor concurs, that Mr. Ong will be able to allocate sufficient time to perform his duty as an independent non-executive Director, on the following basis:

(i) Mr. Ong has demonstrated that he is capable of devoting sufficient time to discharge his duty owed to the Company. Mr. Ong has attended substantially all the board meetings since his appointment in December 2017. Mr. Ong's attendance record at the Board and Board committee meetings for the last three financial years is set out as follows:

For the year ended 31 December	Board meeting	Audit committee meeting	Nomination committee meeting	Remuneration committee meeting	Annual general meeting
2017	1/1	1/1	N/A	N/A	N/A
2018	9/10	4/4	1/1	1/1	1/1
2019	6/6	4/4	1/1	1/1	1/1

(ii) the other Directors are of the view that Mr. Ong has added value to the Board by providing independent advice and helping to scrutinise some of the Board's major decisions. The Directors confirmed that Mr. Ong has actively participated in discussing important matters of the Company in the Board and the Board committee meetings and they have no difficulty in contacting and seeking advice from Mr. Ong throughout the year;

(iii) his involvement in other listed companies as an independent non-executive director or non-executive director does not require him to devote substantial time and attention in the day-to-day operations of those listed companies;

(iv) notwithstanding his current engagements, he has an attendance rate of 100% of board meetings, meetings of the board committees and general meetings of other listed companies in Hong Kong during the financial period reported in the latest available annual reports;

(v) among the six listed companies (including the Company) where Mr. Ong currently serves as a director, he has held directorships in four of them for over 10 years and the rest for approximately three years. Mr. Ong has confirmed that he has not found any difficulty in devoting and managing his time to the numerous listed companies that he is involved in and none of the listed companies that he holds directorship in has any issue or complaint with his performance or his time devoted to them. In particular, among the four listed companies (including the Company) having the same financial year-end, Mr. Ong has confirmed that since the timing of preparing the year-end financial information and having the relevant board meetings is generally different, the timing of Mr. Ong receiving the financial information is also different and therefore he was given sufficient time to review the relevant information and discharge his duty as a director of these companies;

(vi) the Directors and the Sole Sponsor have also reviewed the announcements published by the listed companies on whose board he sits, there is no evidence suggesting Mr. Ong of any unsatisfactory performance, breach of fiduciary duties or failure to devote sufficient time to discharging his duties as a director of these companies;

(vii) he has extensive management experience and his years of experience as independent non-executive directors of listed companies in Hong Kong would facilitate his understanding of corporate governance and his proper discharge of responsibilities as a director; and

(viii) he has confirmed that he will devote sufficient time to performing his duties as an independent non-executive Director.

In addition, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board (and the nomination committee) will (i) regularly review whether each of the Directors is devoting sufficient time and attention to the affairs of the Group including but not limited to the review of the attendance record of the Board meetings or Board committee meetings. Should there be any concerns with the time commitments by the relevant Director(s) to the Group, the Board (and the nomination committee) may request the relevant Director(s) to provide an update to the Board in relation to any changes to his significant commitments. In particular, the Board will continue to closely monitor the time allocation of Mr. Ong, such as the attendance of Board and Board committee meetings and participation in discussions of important matters of the Company to make sure that he will have sufficient time to focus on the matters of the Group. Where necessary, the Board will (i) individually discuss with Mr. Ong on the possibility to reduce the number of external commitments and job duties; and (ii) review the composition of the Board by way of replacement of independent non-executive Directors to ensure that the independent non-executive Directors are able to devote sufficient time to discharging their duties.

Mr. Ong was a director of the following companies, and was not involved in any wrongful acts in his capacity as such, prior to their respective dissolution, all of which were solvent and/or dormant at the time of dissolution:

Name of Company	Place of incorporation/ establishment	Principal business activities	Date of dissolution	Means of dissolution	Reason of dissolution
FX International Limited	Hong Kong	Trading of bags	23 July 2010	Deregistration	Cessation of business operations
Harvest Corporate Finance Limited (豐盛融資有限公司)	Hong Kong	Advisory	9 June 2000	Deregistration	Cessation of business operations
Henry Net Capital Partners Limited (亨利通達資本管理有限公司)	Hong Kong	Advisory	17 June 2011	Deregistration	Cessation of business operations
Jets Technics International Holdings Limited	Cayman Islands	Investment holding	1 October 2004	Ceased place of business	Cessation of business operations
Kent Corporation Group Limited (捷榮工業地產有限公司)	Hong Kong	Investment holding	29 April 2016	Deregistration	Cessation of business operations
Maxton Limited (民迅有限公司)	Hong Kong	Investment holding	30 October 2015	Deregistration	Cessation of business operations
Venus Enterprises Pte. Ltd	Singapore	Building construction and retail sale of hardware and building materials	31 January 2019	Creditors' voluntary winding up	Cessation of business operations
Y2 International Resources Limited (元力國際資源有限公司)	Hong Kong	Investment holding	17 June 2011	Deregistration	Cessation of business operations

To the best knowledge of Mr. Ong after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against him in his capacity as a director of the abovementioned companies prior to their respective dissolution.

Mr. Yam Kam Kwong (任錦光), *JP*, aged 68, has been appointed as an independent non-executive Director since 4 December 2017. He is a qualified solicitor in Hong Kong and has more than 30 years of experience in legal services. Mr. Yam received his education in the U.K. and was qualified as a solicitor in Hong Kong in January 1983. He founded Yam & Company in 1985 and was the senior partner until 2015 when Yam & Company combined with Zhong Lun Law Firm in March 2015. Mr. Yam is one of the comanaging partners of Zhong Lun Law Firm. Mr. Yam was also qualified as a solicitor in England & Wales in October 1986, a solicitor and barrister in Australia in February 1989, a solicitor and barrister in the Republic of Singapore in March 1995, as well as a solicitor in New South Wales in November 1995.

Mr. Yam was a director of the following companies, and was not involved in any wrongful act in his capacity as such, prior to their respective dissolution, all of which were solvent and/or dormant at the time of dissolution:

Name of company	Place of incorporation/ establishment	Principal business activities	Date of dissolution	Means of dissolution	Reason of dissolution
Art Smart (China) Limited (藝駿(中國)有限公司)	Hong Kong	Dormant	5 August 2011	Deregistration	No further instructions from client
Caprica Pure Water System (HK) Limited (加加樂淨水有限公司)	Hong Kong	Dormant	5 September 2003	Striking off	No further instructions from client
China (International) Preaching Company Limited (中華(國際)弘道有限公司)	Hong Kong	Dormant	6 March 2015	Deregistration	No further instructions from client
Denz Limited (天時有限公司)	Hong Kong	Property investment	1 February 2008	Deregistration	Property having been sold
Dragon Luck Development Limited (龍年發展有限公司)	Hong Kong	Dormant	8 November 2002	Deregistration	No further instructions from client
Fame Speed Limited (譽迅有限公司)	Hong Kong	Dormant	28 August 2015	Deregistration	No further instructions from client
Fundcheer Limited (豐彩有限公司)	Hong Kong	Dormant	29 November 2019	Deregistration	Property having been sold
Funway Limited (旺惠有限公司)	Hong Kong	Dormant	26 April 2002	Deregistration	No further instructions from client

Name of company	Place of incorporation/ establishment	Principal business activities	Date of dissolution	Means of dissolution	Reason of dissolution
Kenseido Company Limited (妍生堂有限公司)	Hong Kong	Dormant	18 October 2007	Deregistration	No further instructions from client
Sun Peak Enterprise Limited (豐日企業有限公司)	Hong Kong	Dormant	10 December 2004	Deregistration	No further instructions from client
Sunda Enterprises Limited (昇大企業有限公司)	Hong Kong	Property investment	25 September 2009	Deregistration	Property having been sold
Supreme Honest Development Limited (尚品發展有限公司)	Hong Kong	Dormant	8 December 2017	Deregistration	No further instructions from client
Union Shine Investment Limited (順光投資有限公司)	Hong Kong	Dormant	13 April 2018	Deregistration	No further instructions from client
Welhope Investment Limited	Hong Kong	Dormant	6 November 2009	Deregistration	As per client's instructions
Winplan Limited (華登有限公司)	Hong Kong	Dormant	19 March 2004	Deregistration	No further instructions from client

To the best knowledge of Mr. Yam after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against him in his capacity as a director of the abovementioned companies prior to their respective dissolution.

Disclosure required under Rule 13.51(2) of the Main Board Listing Rules

Save as disclosed above, each of the Directors confirms with respect to him/her that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other positions in the Company or any of its subsidiaries; (iii) save as disclosed in this announcement, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 13.51(2) of the Main Board Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

Board Diversity Policy

The Board conditionally adopted a board diversity policy (the "**Board Diversity Policy**") on 4 December 2017 and took effect on the GEM Listing Date. The Board Diversity Policy aimed to set out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management.

In particular, the Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, including at the Board. In recognising the importance of gender diversity, the Company is also committed to providing career development opportunities for female staff. It is the intention of the Company to maintain female representation at the Board. It is also the intention of the Company to achieve a balanced mix of industry background, in addition to the printing industry, to ensure a balance of skills and experience.

The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board. The Board believes that such merit-based appointments will best enable the Company to service the Shareholders and other stakeholders going forward.

The Directors have a balanced mix of gender and knowledge and skills. The Board comprises six members, including three executive Directors and three independent non-executive Directors. In terms of age, the age range of the Board ranges from 46 years old to 68 years old. In terms of a balance of skills and experience, the Board has a balanced mix of experiences and industry background, including experiences in catering, manufacturing, accounting and auditing and financial markets. All of the executive Directors have at least 20 years in the printing industry. As to the independent non-executive Directors, they have diverse education backgrounds and professional qualifications including a fellow member of the Hong Kong Institute of Certified Public Accountants and qualified solicitor in Hong Kong, as well as different industry backgrounds. In terms of gender diversity, the executive Directors include a female, namely Ms. Tse Yuen Shan Ivy who has more than 21 years of experience in the printing industry and experience in working in other paper manufacturing company and printing company. Taking into account the Company's existing business model and specific needs and the backgrounds and abilities of the Directors, the composition of the Board satisfies the board diversity policy.

The nomination committee of the Company (the "**Nomination Committee**") will disclose annually, in the corporate governance report, on the Board's composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, expertise, or professional experience), and monitor the implementation of this policy.

Going forward, the Nomination Committee will use its best efforts to maintain board diversity and will identify and recommend suitable candidates for the Board's consideration from time to time, taking into account any changes in the business model and specific needs, and the Company will use its best efforts to achieve a balanced mix of gender, age, cultural and educational background, expertise, or professional experience of the Board, subject to the Directors (i) being satisfied with the qualification and experience of the relevant candidates after a reasonable review process based on the relevant criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and the Shareholders as a whole when making the relevant appointments. The Company will also ensure that there is a balanced mix of gender, age, cultural and educational background, expertise, or professional experience when recruiting staff from mid to senior levels so that the Company will have a pipeline of senior management with diversified backgrounds in future.

The Nomination Committee will also review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revision that may be required and recommend any such revision(s) to the Board for consideration and approval.

Senior management

Mr. Cheung Sum Chin (張深錢), aged 34, is the financial controller and company secretary of the Group. He is primarily responsible for overseeing the accounting and finance department as well as company secretarial matters of the Company. Mr. Cheung worked in Faith Joy CPA Limited, an accounting firm, from September 2011 to December 2013, where his last position was audit semi-senior, and as an accountant in RSM Nelson Wheeler, an accounting firm, from January 2014 to January 2015. During the period from January 2015 to July 2017, he worked in BDO Limited, an accounting firm, where his last position was assistant manager. He joined the Group as a financial controller and company secretary in July 2017. Mr. Cheung obtained a bachelor of commerce in accounting from the Hong Kong Shue Yan College in July 2011. He has been a member of the Hong Kong Institute of Certified Public Accountants since July 2017.

Directors' and chief executives' interests in Shares

As at the Latest Practicable Date, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Nature of interest/capacity	Number of ordinary shares held[2]	Percentage of issued share capital of the Company[1]
Mr. Lam	Interest of a controlled corporation[3]	675,000,000 (L)	67.5%
Mr. Chan	Interest of a controlled corporation[3]	675,000,000 (L)	67.5%
Ms. Tse	Interest of a controlled corporation[4]	75,000,000 (L)	7.5%

Notes:

1. As at Latest Practicable Date, the Company's issued ordinary share capital was HK$10 million divided into 1,000,000,000 Shares of HK$0.01 each.

2. The letter "L" denotes the person's long position in the Shares.

3. Master Sage, a company incorporated in the British Virgin Islands on 16 March 2017 and an investment holding company, is beneficially owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively. On 27 May 2017, the Acting in Concert Confirmation was entered into between Mr. Lam and Mr. Chan whereby they confirmed the existence of their acting in concert arrangements to consolidate their control over the Group. By virtue of SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the 675,000,000 Shares held by Master Sage.

4. Fortune Corner, a company incorporated in the British Virgin Islands on 13 February 2017 and an investment holding company, is wholly and beneficially owned by Ms. Tse. By virtue of SFO, Ms. Tse is deemed to be interested in the 75,000,000 Shares held by Fortune Corner.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at ***http://www.smartglobehk.com*** and of the Stock Exchange at ***http://www.hkexnews.hk***:

(i) the Memorandum and the Articles;

(ii) the annual report (including the Directors' report) of the Company for the year ended 31 December 2019;

(iii) the quarterly report of the Company for the three months ended 31 March 2020;

(iv) the interim report of the Company for the six months ended 30 June 2020;

(v) the third quarterly report of the Company for the nine months ended 30 September 2020;

(vi) the circular of the Company dated 29 March 2020 in relation to the proposed renewal of general mandates to repurchase Shares and issue new Shares of the Company, proposed re-election of Directors and notice of annual general meeting; and

(vii) the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Articles"	the articles of association of the Company, conditionally adopted on 4 December 2017 and effective upon GEM Listing, and as amended from time to time
"Acting in Concert Confirmation"	a deed of confirmation dated 27 May 2017 and executed by Mr. Lam and Mr. Chan whereby they confirmed the existence of their acting in concert arrangements to consolidate their control over the Group
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Board"	the board of Directors
"BVI"	British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedure and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"Company" or "the Company"	Smart Globe Holdings Limited (竣球控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 5 May 2017 and listed on GEM on 28 December 2017
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules or the Main Board Listing Rules, as applicable
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules or Main Board Listing Rules, as applicable, unless the context requires otherwise, refers to a group of Shareholders consisting of Mr. Lam, Mr. Chan and Master Sage, pursuant to the Acting in Concert Confirmation
"COVID-19"	novel coronavirus (COVID-19), a coronavirus disease which has its outbreak in the PRC, Hong Kong and worldwide since around December 2019
"CP Printing"	CP Printing Limited (同利印刷有限公司), a company incorporated under the laws of Hong Kong with limited liability on 4 January 2012 and an indirect wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company or any one of them
"Fortune Corner"	Fortune Corner Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 13 February 2017 and directly wholly owned by Ms. Tse

"FSC/CoC"	Forest Stewardship Council Certificate/Chain of Custody Standards
"GEM"	the GEM operated by the Stock Exchange
"GEM Listing"	listing of Share on GEM on 28 December 2017
"GEM Listing Date"	28 December 2017, on which dealings in the Shares were first commenced on GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Group"	the Company and its subsidiaries
"Heyuan Factory"	the production site of the Group located at Heyuan Hi-Tech Development Zone, Heyuan, Guangdong Province, the PRC
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	party(ies) which is/are independent of the Group and the connected persons of the Company
"Ipsos"	Ipsos Business Consulting, a market research company and an Independent Third Party
"Ipsos Report"	a market research report commissioned by the Company and prepared by Ipsos on the overview of the industries in which the Group operates

"Latest Practicable Date"	24 November 2020, being the latest practicable date prior to the publication of this announcement for the purpose of ascertaining certain information contained in this announcement
"Main Board"	the stock market operated by the Stock Exchange, prior to the establishment of GEM (excluding the options market), which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Master Sage"	Master Sage Limited (精智有限公司), a company incorporated under the laws of the BVI with limited liability on 16 March 2017 and directly owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively, one of the Controlling Shareholders
"Memorandum"	the memorandum of association of the Company as adopted on 4 December 2017 with immediate effect and as amended from time to time
"Mr. Chan"	Chan Yee Yeung (陳義揚), the executive Director and one of the Controlling Shareholders
"Mr. Lam"	Lam Tak Ling Derek (林德淩), the executive Director and one of the Controlling Shareholders
"Ms. Tse"	Tse Yuen Shan Ivy (謝婉珊), the executive Director
"Net Proceeds"	the net proceeds from the GEM Listing
"POD"	print-on-demand
"PMC"	production and management control
"PRC" or "China"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, reference in this announcement to "China" and the "PRC" do not include, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Prospectus"	the prospectus of the Company dated 13 December 2017 in connection with the GEM Listing
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme adopted by the Company on 4 December 2017
"Sole Sponsor"	Messis Capital Limited, the sole sponsor of the Company for the Transfer of Listing, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Track Record Period"	the three years ended 31 December 2019 and the nine months ended 30 September 2020
"Transfer of Listing"	the transfer of the listing of the Shares from GEM to the Main Board pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules
"United States" or "U.S."	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
"United Kingdom" or "U.K."	the United Kingdom of Britain and Northern Ireland
"US$" or "U.S. Dollars"	United States dollars, the lawful currency of the United States of America
"%"	per cent

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables may not be in an arithmetic aggregate of the figures preceding them.

By order of the Board
Smart Globe Holdings Limited
Lam Tak Ling Derek
Chairman and executive Director

Hong Kong, 3 December 2020

As at the date of this announcement, the executive Directors are Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung and Ms. Tse Yuen Shan Ivy; and the independent non-executive Directors are Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules and the Main Board 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 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 "Latest Listed Company Information" page of the website of the Stock Exchange at http://www.hkgem.com for a minimum period of seven days from the date of publication and on the website of the Company at http://www.smartglobehk.com.

The English text of this announcement shall prevail over the Chinese text in case of any inconsistencies.