Elegance Commercial and Financial Printing Group Limited

精雅商業財經印刷集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8391

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

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

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The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 31 December 2018, together with the comparative unaudited figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

		Three months ended 31 December		Nine months ended 31 December	
		2018	2017	**2018**	2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*3*	**13,564**	17,213	**55,935**	59,958
Cost of services		**(12,896)**	(15,324)	**(40,417)**	(43,294)
Gross profit		**668**	1,889	**15,518**	16,664
Other income	*4*	**318**	10	**875**	154
Selling expenses		**(465)**	(485)	**(1,485)**	(1,547)
Administrative and other operating expenses		**(5,016)**	(3,926)	**(15,258)**	(13,141)
Finance costs	*5*	**(55)**	(69)	**(169)**	(228)
Listing expenses		**—**	(4,468)	**(5,928)**	(10,003)
Loss before taxation	*6*	**(4,550)**	(7,049)	**(6,447)**	(8,101)
Income tax credit (expenses)	*7*	**671**	312	**(139)**	(368)
Loss and total comprehensive loss for the period		**(3,879)**	(6,737)	**(6,586)**	(8,469)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

		Three months ended 31 December		Nine months ended 31 December	
		2018	2017	**2018**	2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss and total comprehensive loss for the period attributable to:					
Owners of the Company		**(3,842)**	(6,713)	**(6,678)**	(8,596)
Non-controlling interests		**(37)**	(24)	**92**	127
		(3,879)	(6,737)	**(6,586)**	(8,469)
		HK cents	*HK cents*	***HK cents***	*HK cents*
Loss per share attributable to owners of the Company					
Basic and diluted	*8*	**(0.87)**	(2.03)	**(1.58)**	(2.60)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2017 (Audited)	—	—	17,802	42,873	60,675	370	61,045
Change in equity for the nine months ended 31 December 2017:							
(Loss) profit and total comprehensive (loss) income for the period	—	—	—	(8,596)	(8,596)	127	(8,469)
Contributions and distributions dividends	—	—	—	(9,700)	(9,700)	(225)	(9,925)
Balance at 31 December 2017 (Unaudited)	—	—	17,802	24,577	42,379	272	42,651
Balance at 31 March 2018 and 1 April 2018 (Audited)	**—**	**—**	**17,802**	**24,384**	**42,186**	**372**	**42,558**
Change in equity for the nine months ended 31 December 2018:							
(Loss) profit and total comprehensive (loss) income for the period	**—**	**—**	**—**	**(6,678)**	**(6,678)**	**92**	**(6,586)**
Contributions and distributions dividends *(Note c)*	**—**	**—**	**—**	**—**	**—**	**(150)**	**(150)**
Issue of shares by way of share offer *(Note d)*	**1,100**	**64,900**	**—**	**—**	**66,000**	**—**	**66,000**
Capitalisation issue *(Note e)*	**3,300**	**(3,300)**	**—**	**—**	**—**	**—**	**—**
Transaction costs attributable to issue of new shares	**—**	**(8,778)**	**—**	**—**	**(8,778)**	**—**	**(8,778)**
Balance at 31 December 2018 (Unaudited)	**4,400**	**52,822**	**17,802**	**17,706**	**92,730**	**314**	**93,044**

Note a: Share premium represents the excess of the net proceeds from issuance of the Company's share over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company remains able to pay our debts as and when they fall due in the ordinary course of business.

Note b: Capital reserve represents the aggregate amount of the issued share capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

Note c: During the nine months ended 31 December 2018, the subsidiary of the Group declared dividends of HK$1,000,000 of which HK$150,000 belonged to the non-controlling interest.

Note d: On 11 May 2018, the shares of the Company were listed on GEM of the Stock Exchange and 110,000,000 new ordinary shares of HK$0.01 each were issued at HK$0.6 per share by way of share offer. The gross proceeds from the share offer amounted to HK$66,000,000.

Note e: Pursuant to the resolutions in writing of the Company's shareholders passed on 19 April 2018, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the Directors were authorised to allot and issue a total of 329,999,999 shares of HK$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$3,299,999.99 standing to the credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 11 May 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company (formerly known as Elegance Group Limited) ("the Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 24 January 2017. The registered office of the Company is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The Company's principal place of business is situated at 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company and together with its subsidiaries are principally engaged in the provision of printing, typesetting and translation services in Hong Kong.

In preparing for the initial listing (the "Listing") of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a group reorganisation (the "Reorganisation") to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 30 April 2017. Details of the Reorganisation are more fully explained in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 30 April 2018 (the "Prospectus").

The shares of the Company were listed on GEM by way of placing and public offer on 11 May 2018 (the "Listing Date").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the nine months ended 31 December 2018 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The Group resulting from the Reorganisation is regarded as a continuing entity under the common control of Mr. So Wing Keung ("Mr. So", or the "Ultimate Controlling Party") prior to and after the Reorganisation, and that control is not transitory. Accordingly, the unaudited condensed consolidated financial report have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under common control combination" issued by the HKICPA.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The unaudited condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity for the nine months ended 31 December 2018 and 2017, respectively have been prepared on the basis as if the current group structure has been in existence throughout the relevant periods, or since the respective dates of incorporation or establishment, where there is a shorter period.

The HKICPA has issued a number of new/revised HKFRSs relevant to the Group which are effective for the current accounting period of the Group. They had no significant effect on the Group's results and financial position for the current or prior periods. The Group has not early applied any new/revised HKFRSs that have been issued but not yet effective for the current accounting period. Except for the impact of HKFRS 16 as set out in the audited financial statements of the Group for the year ended 31 March 2018 (the "2018 Annual Report"), the Directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's financial statements.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 are consistent with those adopted in preparing the 2018 Annual Report, except for the adoption of new/revised HKFRSs that are relevant to the Group and effect from the current period as set out below.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9 "Financial Instruments"

HKFRS 9, which superseded HKAS 39 in its entirety, introduces new requirements on the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets. HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity, loans and receivables and available for sale. Under HKFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under HKAS 39 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics.

The adoption of HKFRS 9 does not have any significant effect on the Group's accounting policies on classification and measurement of financial liabilities and financial assets.

In addition, HKFRS 9 introduces new requirements on impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The new expected credit loss model applies to financial assets measured at amortised cost but not to investments in equity instruments. The Group's financial assets measured at amortised cost consist of trade and other receivables, pledged deposits and cash and bank balances. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The application of HKFRS 9 results in earlier recognition of credit losses which are not yet incurred in respect of the Group's financial assets measured at amortised cost. The expected credit losses are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the differences between the cash flows due to the entity in accordance with the contract and the cash flows that are expected to receive). Expected credit losses are discounted at the effective rate of the financial asset.

Under HKFRS 9, loss allowances are measured on either one of the following bases:

— 12-month expected credit loss: result from possible default events within 12 months; and

— Lifetime expected credit loss: result from all possible default events over the expected life of a financial instrument.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

The Group measures loss allowances at an amount equal to lifetime expected credit loss.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

— The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— The financial asset is more than 90 days past due.

Impact of the new impairment model

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 for classification and measurement (including impairment) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018.

The effect on adoption of HKFRS 9 is not material to the condensed consolidated financial statements of the Group.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It replaced HKAS 18 "*Revenue*", HKAS 11 "*Construction contracts*" and the related interpretations. Under HKFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control whether it is at a point in time or over time requires judgement. An entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, by applying the following five steps:

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract(s);

Step 3: Determine the transaction price, the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;

Step 4: Allocate the transaction price to the performance obligations in the contract(s); and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The adoption of this standard does not have a significant impact on the measurement and recognition of revenue of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Commercial printing services	**10,982**	13,307	**35,046**	40,205
Financial printing services	**1,907**	3,017	**19,857**	17,912
Other services *(Note)*	**675**	889	**1,032**	1,841
	13,564	17,213	**55,935**	59,958

Note: Other services included ad hoc design and artworks, and/or translation services, etc.

Segment information

The Directors have determined that the Group has only one operating and reportable segment throughout the reporting periods, as the Group manages its business as a whole as the provision of integrated printing services in Hong Kong and the executive Directors, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. All of the Group's revenue from external customers during each of the reporting periods is derived from Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

4. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Exchange gain, net	**—**	4	**—**	35
Interest income	**202**	—	**459**	—
Sundry income	**116**	6	**416**	119
	318	10	**875**	154

5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest on bank borrowings	**40**	64	**135**	207
Finance charges on obligations under finance leases	**15**	5	**34**	21
	55	69	**169**	228

6. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Staff costs (including directors' emoluments)				
— Salaries and other benefits	**5,685**	5,873	**20,720**	20,216
— Contributions to defined contribution plans	**310**	381	**1,051**	1,146
Total staff costs	**5,995**	6,254	**21,771**	21,362
Other items				
Auditor's remuneration	**218**	42	**617**	127
Cost of inventories *(Note)*	**12,896**	15,324	**40,417**	43,294
Depreciation	**2,172**	2,195	**6,405**	7,197
Exchange loss (gain), net	**2**	(4)	**16**	(35)
Loss on written off of property, plant and equipment, net	**1**	—	**4**	—
Operating lease charges for premises	**2,850**	2,850	**8,552**	8,552

Note: During the nine months ended 31 December 2018, cost of inventories included approximately HK$26.4 million (nine months ended 31 December 2017: approximately HK$27.5 million) relating to the aggregate amount of certain staff costs, depreciation and operating lease charges, which were included in the respective amounts as disclosed above.

7. INCOME TAX CREDIT/EXPENSES

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax — Hong Kong Profits Tax:				
Provision for the period	**(348)**	10	**998**	1,451
Deferred taxation	**(323)**	(322)	**(859)**	(1,083)
Income tax (credit) expenses	**(671)**	(312)	**139**	368

The Group's entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the nine months ended 31 December 2018 and 2017.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss:				
Loss for the purpose of calculating basic loss per share	**(3,842)**	(6,713)	**(6,678)**	(8,596)
	'000	*'000*	***'000***	*'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**440,000**	330,000	**424,000**	330,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share was on the basis as if the reorganisation and capitalisation issue had been effective on 1 April 2016.

Diluted loss per share are same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the nine months ended 31 December 2018 and 2017.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend to the Company for the nine months ended 31 December 2018.

10. EVENTS AFTER THE REPORTING PERIOD

As from 31 December 2018 to the date of this report, the Board is not aware of any events that have occurred which require disclosure.

11. APPROVAL OF THE THIRD QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The third quarterly condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 January 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Elegance Commercial and Financial Printing Group Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") is an established printing service provider principally engaged in the provision of commercial printing and financial printing services in Hong Kong. We have our own production base in Hong Kong to provide one-stop solutions to our customers from designing, typesetting, translation, printing, binding, lettershopping to direct mailing, etc..

The successful listing (the "Listing") of the Company's shares on GEM on 11 May 2018 was an important milestone for the Group, enhancing our capital strength and reinforcing the Group's resources for future development.

Our printing business is supported by our in-house printing production factory located at No. 8, A Kung Ngam Village Road, Shaukeiwan, Hong Kong, with a usable floor area of approximately 52,860.7 square feet, as well as our in-house translation team in Hong Kong, which enables us to maintain timely and responsive printing and translation services to our commercial and financial printing customers.

Our revenue from commercial printing services decreased by approximately 12.8%, from approximately HK$40.2 million for the nine months ended 31 December 2017 to approximately HK$35.0 million for the nine months ended 31 December 2018. Our revenue from financial printing services increased by approximately 10.9%, from approximately HK$17.9 million for the nine months ended 31 December 2017 to approximately HK$19.9 million for the nine months ended 31 December 2018.

The decrease in revenue from commercial printing services was mainly due to the decrease in sales orders.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Following the Listing and looking forward, we aim to continue to expand our market share and strengthen our market position, by pursuing the following business strategies: (i) to continue organic growth by consolidating existing customer relationship and developing new relationship; (ii) to acquire a permanent office premise for our business expansion of financial printing services; (iii) to upgrade hardware and software for our financial printing services; and (iv) to continue to attract and retain a team of top talents in the industry.

FINANCIAL REVIEW

Revenue

We generate revenue from the provision of printing services in Hong Kong which are classified into (i) commercial printing services; (ii) financial printing services; and (iii) other services. Commercial printing services refer to printing services for our customers' needs of commercial paper printing products. Financial printing services range from designing the cover, layout and artwork of the document, typesetting, translation, uploading, printing, and/or distribution services for listing applicants in respect of listing on the Stock Exchange and companies listed on the Stock Exchange pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or the GEM Listing Rules. Other services primarily comprise of standalone ad hoc design and/or translation work ordered by corporate customers (which is not related to listing matters) on a case-by-case basis. The following table sets forth a breakdown of our revenue by service category for the periods indicated.

MANAGEMENT DISCUSSION AND ANALYSIS

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Commercial printing services	**10,982**	13,307	**35,046**	40,205
Financial printing services	**1,907**	3,017	**19,857**	17,912
Other services	**675**	889	**1,032**	1,841
	13,564	17,213	**55,935**	59,958

Our revenue decreased by approximately 6.7% from approximately HK$60.0 million for the nine months ended 31 December 2017 to approximately HK$55.9 million for the nine months ended 31 December 2018. As illustrated above, the reduction of revenue for the nine months ended 31 December 2018 as compared to corresponding period last year was mainly due to the decrease in commercial printing services of approximately HK$5.1 million and other services of approximately HK$809,000, resulting from the decrease in sales orders.

Cost of services

Our cost of services mainly comprises labour cost, cost of raw materials, production overheads, depreciation, factory rent and electricity and water.

Our cost of services decreased by approximately 6.6%, from approximately HK$43.3 million for the nine months ended 31 December 2017 to approximately HK$40.4 million for the nine months ended 31 December 2018. Such decrease was mainly attributable to the decrease in labour cost, production overheads and depreciation charge.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin for the period indicated:

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	**13,564**	17,213	**55,935**	59,958
Cost of services	**(12,896)**	(15,324)	**(40,417)**	(43,294)
Gross profit	**668**	1,889	**15,518**	16,664
Gross profit margin	**4.9%**	11.0%	**27.7%**	27.8%

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 31 December 2017 and 2018, our gross profit decreased by approximately 6.9%, from approximately HK$16.7 million for the nine months ended 31 December 2017 to approximately HK$15.5 million for the nine months ended 31 December 2018, primarily because of the decrease in sales outweighing the decrease in overall cost of services. Our gross profit margin decreased slightly from approximately 27.8% for the nine months ended 31 December 2017 to approximately 27.7% for the nine months ended 31 December 2018, mainly attributable to the decrease in sales.

Other income

Other income increased by approximately 468.2%, from approximately HK$154,000 for the nine months ended 31 December 2017 to approximately HK$875,000 for the nine months ended 31 December 2018, mainly resulting from the increase in interest income of approximately HK$0.4 million and sundry income of approximately HK$0.3 million.

Selling expenses

Our selling expenses refer to expenses incurred on a regular basis for the selling activities of our Group.

Selling expenses decreased by approximately 4.0%, from approximately HK$1,547,000 for the nine months ended 31 December 2017 to approximately HK$1,485,000 for the nine months ended 31 December 2018, which was attributable to the decrease in sales commission as a result of the decrease in revenue for the nine months ended 31 December 2018.

Administrative and other operating expenses

Our administrative and operating expenses primarily comprise staff costs and benefits for our administrative staff, rental and rates for our office for financial printing services, depreciation, office expenses, directors' remuneration, repair and maintenance of our office premises, IT maintenance for our office premises and others.

Administrative expenses and other operating expenses increased by approximately 16.1%, from approximately HK$13.1 million for the nine months ended 31 December 2017 to approximately HK$15.3 million for the nine months ended 31 December 2018, mainly because of the increase in additional administrative and other operation expenses after the listing.

Finance costs

Our finance costs mainly represent interests on bank borrowings and finance charges on obligations under finance leases. Our finance costs decreased by approximately 25.9% from approximately HK$228,000 for the nine months ended 31 December 2017 to approximately HK$169,000 for the nine months ended 31 December 2018, primarily due to the decrease in bank borrowing interest resulted from repayment of bank borrowings.

Listing expenses

Our listing expenses incurred during the nine months ended 31 December 2017 and 2018 amounted to approximately HK$10.0 million and HK$5.9 million respectively.

Income tax credit/expenses

Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

No provision has been made for income tax in the British Virgin Islands (the "BVI") as our Group had no income subject to tax in the BVI for the nine months ended 31 December 2017 and 2018.

Hong Kong profits tax has been provided at the rate of 16.5% on our Group's estimated assessable profits arising from Hong Kong for the nine months ended 31 December 2017 and 2018.

For the nine months ended 31 December 2017 and 2018, we recorded an income tax expense of approximately HK$0.4 million and HK$0.1 million respectively, the decrease was mainly due to the decrease in assessable profits as a result of the reduction of revenue from commercial printing services during the nine months ended 31 December 2018.

Loss and total comprehensive loss for the period attributable to owners of the Company

We recorded a loss and total comprehensive loss of approximately HK$6.6 million for the nine months ended 31 December 2018 (31 December 2017: loss and total comprehensive loss of approximately HK$8.5 million). If the listing expenses of approximately HK$5.9 million and HK$10.0 million incurred during the nine months ended 31 December 2018 and 2017 respectively were excluded, we would have recorded loss and total comprehensive loss of approximately HK$0.7 million for the nine months ended 31 December 2018 (31 December 2017: profit and total comprehensive income of approximately HK$1.5 million).

Excluding the factor of listing expenses, the loss-making position for the nine months ended 31 December 2018 was mainly attributable to (1) the reduction in the orders from customers for commercial printing services resulting from the increasing concern on environment protection and the popularity of e-statement, by approximately HK$5.2 million, from approximately HK$40.2 million for the nine months ended 31 December 2017 to approximately HK$35.0 million for the nine months ended 31 December 2018; and (2) the additional administrative and other operating expenses including professional fees and audit fees after the listing, by approximately HK$2.2 million, from approximately HK$13.1 million for the nine months ended 31 December 2017 to approximately HK$15.3 million for the nine months ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

With reference to the announcement of the Company dated 10 May 2018, the net proceeds from the issue of new shares of the Company through the placing of 99,000,000 ordinary shares of HK$0.01 each and the public offer of 11,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at the price of HK$0.6 per share, after deduction of the related underwriting fees and commission and estimated expenses paid and payable by the Company in relation thereto, were approximately HK$41.0 million (the "Net Proceeds"). The Net Proceeds will be applied as below, which is consistent with the intended use of proceeds as disclosed in the Prospectus:

— approximately HK$1.5 million, or 3.7%, will be used to continue organic growth by solidifying existing customer relationship and developing new relationship;

— approximately HK$37.0 million, or 90.2%, will be used to acquire a permanent office space for financial printing services for our business expansion; and

— approximately HK$2.5 million, or 6.1%, will be used to upgrade and acquire new equipment, hardware and software for financial printing services.

Up to 31 December 2018, the Group had used the Net Proceeds as follows:

	Original allocation of Net Proceeds		Utilisation up to 31 December 2018	Remaining balance of unused Net Proceeds as at 31 December 2018
	HK$'000	*% of Net of Proceeds*	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)
Continue organic growth by solidifying existing customer relationship and developing new relationship	1,500	3.7%	17	1,483
Acquire a permanent office space	37,000	90.2%	—	37,000
Upgrade and acquire new equipment, hardware and software	2,500	6.1%	105	2,395
	41,000	100%	122	40,878

During the nine months ended 31 December 2018, the Group leased certain machineries under finance lease with a lease term of five years and settled approximately HK$60,000. Further, during the nine months ended 31 December 2018, the Group purchased some office equipment for approximately HK$45,000. As at 31 December 2018, the utilized Net Proceeds were approximately HK$122,000 and the remaining proceeds as at 31 December 2018 were approximately HK$40.9 million. As of the date of this report, there were no changes in the business plans from those disclosed in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the nine months ended 31 December 2018, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

DIVIDENDS

The Board does not recommend the payment of an interim dividend to the Company for the nine months ended 31 December 2018.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

During the period from the date of listing (the "Listing Date") to 31 December 2018, the Company had complied with all the applicable code provisions of the Code, except for code provision A.2.1 as set out below.

OTHER INFORMATION

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The roles of chairman and chief executive officer of our Company are both performed by Mr. So Wing Keung ("Mr. So"). We consider that having Mr. So to act as both our chairman and chief executive officer will provide a strong and consistent leadership to our Group and allow for more effective strategic planning and management of our Group. Further, in view of his experience in the industry, personal profile and role in our Group and historical development of our Group, we consider that it is to the benefit of the business prospects of our Group that Mr. So acts as both our chairman and chief executive officer. We consider that the balance of power and authority of the present arrangement will not be impaired as the Board comprises five other experienced and high-calibre individuals including two other executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of our Group, the Company will consult relevant Board committees and senior management. Considering the present size and the scope of business of the Group, we consider that it is not in the best interest of the Company and its shareholders as a whole to separate the roles of the chairman and the chief executive officer, because the separation would render the decision-making process of the Company less efficient than the current structure. Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and its shareholders as a whole and the deviation from code provision A.2.1 of the Code is acceptable in such circumstance.

OTHER INFORMATION

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "Standard of Dealings"), as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the Standard of Dealings from the date of Listing (i.e. 11 May 2018) and up to 31 December 2018.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme"), the principal terms of which are summarised in the section headed "Appendix IV — Statutory and General Information — D. Share Option Scheme" in the Prospectus.

No share option has been granted or exercised under the Scheme during the nine months ended 31 December 2018. No share option was outstanding as at 31 December 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executives' interest and/or short positions in shares, underlying shares and debentures of the Company or any associated corporation" below and "Share option scheme" above, at no time during the nine months ended 31 December 2018 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 31 December 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(I) Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held: Ordinary shares	Share options	Total	Percentage of issued share capital
Mr. So Wing Keung ("Mr. So")	Deemed interest, interest in controlled company	330,000,000	—	330,000,000	75%

Note:

The shares are registered in the name of Glorytwin Limited ("Glorytwin"), the issued share capital of which is legally and beneficially owned as to 90% by Colorful Bay Limited ("Colorful Bay"). Colorful Bay is legally and beneficially owned as to 100% by Mr. So. Therefore by virtue of the SFO, Mr. So is deemed to have the interest owned by Glorytwin.

(II) Long position in shares or underlying shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Number of share(s) held	Percentage of issued share capital
Mr. So Wing Keung	Colorful Bay	Beneficial owner	1	100%
Mr. So Wing Keung	Glorytwin	Deemed interest, interest in controlled company	100	100%

Note:

Glorytwin is legally and beneficially owned as to 90% by Colorful Bay. Colorful Bay is legally and beneficially owned as to 100% by Mr. So. Therefore by virtue of the SFO, Mr. So is deemed to have the interest owned by Glorytwin.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executives of the Company) in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Name of substantial shareholder	Long/ short position	Capacity	Number of shares held	Percentage of issued share capital
Glorytwin	Long position	Beneficial owner	330,000,000	75%
Colorful Bay	Long position	Deemed interest, interest in controlled company	330,000,000	75%

Note:

Glorytwin is legally and beneficially owned as to 90% by Colorful Bay. Therefore by virtue of the SFO, Colorful Bay is deemed to have the interest owned by Glorytwin. Colorful Bay is legally and beneficially owned as to 100% by Mr. So. Therefore by virtue of the SFO, Mr. So is deemed to have the interest owned by Colorful Bay.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

INTERESTS IN COMPETING BUSINESS

For the nine months ended 31 December 2018, none of the Directors or any of their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor were they aware of any other conflicts of interest which any such persons had or may have with the Group.

DEED OF NON-COMPETITION

Mr. So Wing Keung, Mr. Leung Shu Kin, Colorful Bay, Deep Champion Limited and Glorytwin (the "Covenantors"), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have entered into a deed of non-competition in favour of the Company (the "Deed of Non-competition"). Each of the Covenantors has undertaken under the Deed of Non-competition that he or it shall not engage in competing business and shall provide to the Company all information necessary for the enforcement of the Deed of Non-competition. Details of the Deed of Non-competition have been disclosed in the section headed "Relationship with Controlling Shareholders – Deed of Non-competition" of the Prospectus.

Each of the Covenantors has confirmed his or its compliance with the terms of the Deed of Non-competition and the independent non-executive Directors were not aware of any non-compliance of the Deed of Non-competition given by the Covenantors since the Listing Date and up to 31 December 2018.

INTERESTS OF COMPLIANCE ADVISER

The Company has been informed by VBG Capital Limited ("VBG") that as at 31 December 2018, neither VBG nor its directors or employees or close associates has, or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and VBG dated 11 September 2017.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established the Audit Committee on 19 April 2018 with written terms of reference in compliance with the GEM Listing Rules. The principal duties of the Audit Committee are to review and to supervise the financial reporting process and internal control systems of the Group. As at the date of this report, the Audit Committee comprises of three independent non-executive Directors, namely Mr. Kwong Chi Wing (chairman of the Audit Committee), Ms. Ngan Sze Sze Stephanie and Mr. Tong Ho Kai Eric.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

By order of the Board
Elegance Commercial and Financial Printing Group Limited
Mr. So Wing Keung
Chairman and Chief Executive Officer

Hong Kong, 29 January 2019

As at the date of this report, the executive Directors are Mr. SO Wing Keung, Mr. LEUNG Shu Kin and Ms. LAM Yat Ting, and the independent non-executive Directors are Mr. KWONG Chi Wing, Ms. NGAN Sze Sze Stephanie and Mr. TONG Ho Kai Eric.