



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

Third Quarterly Report
2019/2020



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 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2019

	Note	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	16,813	13,564	53,379	55,935
Cost of services		(14,780)	(12,896)	(43,047)	(40,417)
Gross profit		2,033	668	10,332	15,518
Other income	4	548	318	1,086	875
Selling expenses		(707)	(465)	(2,984)	(1,485)
Administrative and other operating expenses		(5,712)	(5,016)	(16,493)	(15,258)
Finance costs	5	(148)	(55)	(445)	(169)
Listing expenses		—	—	—	(5,928)
Loss before taxation	6	(3,986)	(4,550)	(8,504)	(6,447)
Income tax credit (expenses)	7	506	671	872	(139)
Loss and total comprehensive loss for the period		(3,480)	(3,879)	(7,632)	(6,586)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2019

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Note				
Loss and total comprehensive loss for the period attributable to:				
Owners of the Company	(3,373)	(3,842)	(7,596)	(6,678)
Non-controlling interests	(107)	(37)	(36)	92
	(3,480)	(3,879)	(7,632)	(6,586)
	HK cents	HK cents	HK cents	HK cents
Loss per share attributable to owners of the Company				
Basic and diluted	8 (0.77)	(0.87)	(1.73)	(1.58)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Acc- umulated profits HK\$'000			
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
Balance at 31 March 2019 (Audited)	4,400	52,821	17,802	16,648	91,671	389	92,060
Change in accounting policies (Note 2)	—	—	—	(178)	(178)	—	(178)
At 1 April 2019	4,400	52,821	17,802	16,470	91,493	389	91,882
Change in equity for the nine months ended 31 December 2019:							
Loss and total comprehensive loss for the period	—	—	—	(7,596)	(7,596)	(36)	(7,632)
Balance at 31 December 2019 (Unaudited)	4,400	52,821	17,802	8,874	83,897	353	84,250

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 2019 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 (“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 statements 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 2019 and 2018, 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.

In the current period, the Group has applied all new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2019.

The accounting policy adopted in preparing the unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 March 2019 (the "2019 Annual Report"), except for the application of HKFRS 16 "Leases" which is effective for the Group's annual periods beginning on or after 1 January 2019. The Group transitioned to HKFRS 16 in accordance with the modified retrospective approach and comparative figures were not restated. On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Hong Kong Accounting Standards ("HKAS") 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 December 2018. In addition, the Group chooses to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the consolidated statement of financial position immediately before the date of initial application. The Group also decided not to apply HKFRS 16 to leases whose term will end within twelve months of the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with the leases are recognised as an expense from short-term lease.

The preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 required the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company (the "Audit Committee").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION

Revenue

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Commercial printing services	8,164	10,982	30,078	35,046
Financial printing services	7,742	1,907	21,550	19,857
Other services (Note)	907	675	1,751	1,032
	16,813	13,564	53,379	55,935

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income	196	202	532	459
Sundry income	352	116	554	416
	548	318	1,086	875

5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank borrowings	15	40	65	135
Finance charges on obligations under finance leases	12	15	39	34
Interest expense on lease liabilities	121	—	341	—
	148	55	445	169

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Staff costs (including directors' emoluments)				
— Salaries and other benefits	8,012	5,685	26,036	20,720
— Contributions to defined contribution plans	373	310	1,137	1,051
Total staff costs	8,385	5,995	27,173	21,771
Other items				
Auditor's remuneration	228	218	680	617
Cost of inventories (Note)	14,780	12,896	43,047	40,417
Depreciation of property, plant and equipment	1,834	2,172	5,536	6,405
Depreciation of right-of-use assets	3,079	—	9,114	—
Exchange loss (gain), net	2	2	6	16
(Gain)/Loss on written off of property, plant and equipment, net	—	1	(165)	4
Operating lease charges for premises	—	2,850	—	8,552

Note: During the nine months ended 31 December 2019, cost of inventories included approximately HK\$30.0 million (nine months ended 31 December 2018: approximately HK\$26.4 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX CREDIT/EXPENSES

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax — Hong Kong Profits Tax:				
Provision for the period	(148)	(348)	154	998
Deferred taxation	(358)	(323)	(1,026)	(859)
Income tax (credit) expenses	(506)	(671)	(872)	139

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 2019 and 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<i>Loss:</i>				
Loss for the purpose of calculating basic loss per share	(3,373)	(3,842)	(7,596)	(6,678)
	'000 (Unaudited)	'000 (Unaudited)	'000 (Unaudited)	'000 (Unaudited)
<i>Number of shares:</i>				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	440,000	440,000	440,000	424,000

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 2017.

Diluted loss per share is same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the nine months ended 31 December 2019 and 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend to the Company for the nine months ended 31 December 2019.

10. EVENTS AFTER THE REPORTING PERIOD

On 13 November 2019 (after trading hours), the Company and Global Fortune Global Limited (“Offeror”, which was owned as to 51% by Mr. Wu Jianwei and 49% by Mr. Liang Zihao) jointly announced, among other things, that Glorytwin Limited (“Vendor”, the Offeror (as purchaser) and Mr. So entered into a sale and purchase agreement dated 5 November 2019 (“SPA”), pursuant to which the Vendor conditionally agreed to sell, and the Offeror conditionally agreed to acquire, the 223,800,000 Shares at the total consideration of HK\$59,978,400. Completion of the SPA (“Completion”) took place on 19 November 2019.

Upon Completion, the Vendor owned or controlled a total of 106,200,000 Shares, representing 24.14% of the issued share capital of the Company, whilst the Offeror owned or controlled a total of 223,800,000 Shares, representing 50.86% of the issued share capital of the Company. As a result, the Offeror was required to make a mandatory unconditional cash offer (“Offer”) for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the The Codes on Takeovers and Mergers and Share Buy-backs. VBG was making the Offer for and on behalf of the Offeror.

Pursuant to the terms of the Offer, the offer price of each Share subject to the Offer (“Offer Share”, collectively “Offer Shares”) was HK\$0.325.

The Offer made by VBG on behalf of the Offeror was closed on 13 January 2020 and was not revised or extended by the Offeror. As at 4:00 p.m. on 13 January 2020, the Offeror had received valid acceptances of the Offer in respect of 478,000 Offer Shares, representing approximately 0.11% of the entire issued share capital of the Company as at 13 January 2020. As a result, the Offeror and parties acting in concert with it would hold an aggregate of 224,278,000 Shares, representing approximately 50.97% of the entire issued share capital of the Company as at 13 January 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

On 13 January 2020, immediately upon the close of the Offer, 109,522,000 Shares, representing approximately 24.89% of the total number of issued Shares as at 13 January 2020, were held by the public (as defined in the GEM Listing Rules), subject to the completion of the transfer of the Offer Shares acquired under the Offer to the Offeror. Accordingly, as at 13 January 2020, the minimum public float requirement of 25% as set out under Rule 11.23(7) of the GEM Listing Rules was not satisfied. An application was made to the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules for a period of three calendar months commencing from the close of the Offer.

On 23 January 2020, following the disposal of 500,000 Shares by the Offeror to the public, the minimum public float of the Company has been restored and the Company was in compliance with Rule 11.23(7) of the GEM Listing Rules.

For details of the Offer, the deviation from compliance of Rule 11.23(7) of the GEM Listing Rules and the subsequent restoration of public float, please refer to announcements of the Company dated 23 January 2020, 13 January 2020, 23 December 2019, 18 December 2019, 29 November 2019, 20 November 2019, 14 November 2019 and the composite document of the Company dated 23 December 2019.

Other than the above, as from 31 December 2019 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 14 February 2020.

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 14.2%, from approximately HK\$35.0 million for the nine months ended 31 December 2018 to approximately HK\$30.1 million for the nine months ended 31 December 2019. Our revenue from financial printing services increased by approximately 8.5%, from approximately HK\$19.9 million for the nine months ended 31 December 2018 to approximately HK\$21.6 million for the nine months ended 31 December 2019.

The decrease in revenue from commercial printing services was mainly due to the decrease in printing 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		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Commercial printing services	8,164	10,982	30,078	35,046
Financial printing services	7,742	1,907	21,550	19,857
Other services	907	675	1,751	1,032
	16,813	13,564	53,379	55,935

Our revenue decreased by approximately 4.5% from approximately HK\$55.9 million for the nine months ended 31 December 2018 to approximately HK\$53.4million for the nine months ended 31 December 2019. As illustrated above, the reduction of revenue for the nine months ended 31 December 2019 as compared to corresponding period last year was mainly due to the decrease in commercial printing services of approximately HK\$5.0 million resulting from the decrease in sales orders.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

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

Our cost of services increased by approximately 6.4%, from approximately HK\$40.4 million for the nine months ended 31 December 2018 to approximately HK\$43.0 million for the nine months ended 31 December 2019. Such increase was mainly attributable to the increase in direct 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		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	16,813	13,564	53,379	55,935
Cost of services	(14,780)	(12,896)	(43,047)	(40,417)
Gross profit	2,033	668	10,332	15,518
Gross profit margin	12.1%	4.9%	19.4%	27.7%

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 31 December 2018 and 2019, our gross profit decreased by approximately 33.4%, from approximately HK\$15.5 million for the nine months ended 31 December 2018 to approximately HK\$10.3 million for the nine months ended 31 December 2019, primarily because of the decrease in sales outweighing the decrease in overall cost of services. Our gross profit margin decreased from approximately 27.7% for the nine months ended 31 December 2018 to approximately 19.4% for the nine months ended 31 December 2019, mainly attributable to the decrease in sales.

Other income

Other income increased by approximately 24.1%, from approximately HK\$875,000 for the nine months ended 31 December 2018 to approximately HK\$1.1 million for the nine months ended 31 December 2019, mainly resulting from the increase in interest income and sundry income.

Selling expenses

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

Selling expenses increased by approximately 100.9%, from approximately HK\$1.5 million for the nine months ended 31 December 2018 to approximately HK\$3.0 million for the nine months ended 31 December 2019, which was attributable to the increase in sales commission and salary as a result of the hiring of new staff in the sales team during the nine months ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 8.1%, from approximately HK\$15.3 million for the nine months ended 31 December 2018 to approximately HK\$16.5 million for the nine months ended 31 December 2019, 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 increased by approximately 163.3% from approximately HK\$169,000 for the nine months ended 31 December 2018 to approximately HK\$445,000 for the nine months ended 31 December 2019, primarily due to the additional finance costs arising from the new adoption of HKFRS16 "Leases".

Listing expenses

Our listing expenses amounted to approximately HK\$5.9 million for the nine months ended 31 December 2018. No listing expenses was incurred during the nine months ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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, it 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 2018 and 2019.

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 2018 and 2019.

For the nine months ended 31 December 2018 and 2019, we recorded an income tax expense of approximately HK\$0.1 million and income tax credit of approximately HK\$0.9 million respectively, the decrease was mainly due to the decrease to assessable profits as a result of the reduction of revenue from commercial printing services during the nine months ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$7.6 million for the nine months ended 31 December 2019 (31 December 2018: loss and total comprehensive loss of approximately HK\$6.6 million). If the listing expenses of approximately HK\$5.9 million incurred during the nine months ended 31 December 2018 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.

Excluding the factor of listing expenses, the loss-making position for the nine months ended 31 December 2019 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 digitalization of information, etc., by approximately HK\$5.0 million, from approximately HK\$35.0 million for the nine months ended 31 December 2018 to approximately HK\$30.1 million for the nine months ended 31 December 2019; and (2) the additional administrative and other operating expenses including staff costs, rental expenses, professional fees and audit fees after the listing, by approximately HK\$1.2 million, from approximately HK\$15.3 million for the nine months ended 31 December 2018 to approximately HK\$16.5 million for the nine months ended 31 December 2019.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Up to 31 December 2019, the Group had used the Net Proceeds as follows:

	Original allocation of Net Proceeds		Utilisation up to 31 December 2019	Remaining balance of unused Net Proceeds as at 31 December 2019
	<i>HK\$'000</i>	<i>% of Net Proceeds</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Continue organic growth by solidifying existing customer relationship and developing new relationship	1,500	3.7%	1,500	—
Acquire a permanent office space	37,000	90.2%	—	37,000
Upgrade and acquire new equipment, hardware and software	2,500	6.1%	735	1,765
	41,000	100%	2,235	38,765

During the nine months ended 31 December 2019, the Group leased certain machineries under finance lease with a lease term of five years and settled approximately HK\$256,000. Further, during the nine months ended 31 December 2019, the Group purchased some office equipment for approximately HK\$344,000. As at 31 December 2019, the utilized Net Proceeds were approximately HK\$2.2 million and the remaining proceeds as at 31 December 2019 were approximately HK\$38.8 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 2019, 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 2019.

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 2019, 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 were both performed by Mr. So Wing Keung ("Mr. So") (until Mr. So resigned from the position of executive Director and chairman of the board on 22 January 2020). We consider that having Mr. So to act as both our chairman and chief executive officer would provide a strong and consistent leadership to our Group and would 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 was to the benefit of the business prospects of our Group that Mr. So acted as both our chairman and chief executive officer. We consider that the balance of power and authority of the arrangement would not be impaired as the Board comprised 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 size and the scope of business of the Group, we consider that it was 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. Therefore, our Directors consider that the said arrangement was 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 was acceptable in such circumstance.

OTHER INFORMATION

After the reporting period, following the resignation of Mr. So as an executive Director, the chief executive officer and the chairman of the Board on 22 January 2020, the role of the chief executive officer of the Company is performed by Mr. Liang Zihao who is an executive Director, while the role of the chairman is performed by Mr. Wu Jianwei, who is a non-executive Director. As such, code provision A.2.1 has been complied with.

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 with 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) up to 31 December 2019.

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 2019. No share option was outstanding as at 31 December 2019.

OTHER INFORMATION

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 2019 was the Company, its holding company, or any of the Company's subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 2019.

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 2019, 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:

OTHER INFORMATION

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

Name of Director	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary shares	Share options	Total	
Mr. So Wing Keung ("Mr. So")	Deemed interest, interest in controlled company	106,200,000	—	106,200,000	24.14%

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.

OTHER INFORMATION

(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	Colorful Bay	Beneficial owner	1	100%
Mr. So	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 2019, 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 2019, 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 therein, were as follows:

Name of substantial shareholder	Long/short position	Capacity	Number of shares held	Percentage of issued share capital
Global Fortune Global Limited (“Global Fortune”)	Long position	Beneficial owner	223,800,000	50.86%
Glorytwin	Long position	Beneficial owner	106,200,000	24.14%
Colorful Bay	Long position	Deemed interest, interest in controlled company	106,200,000	24.14%

Note:

- (1) Global Fortune is legally and beneficially owned as to 51% by Mr. Wu Jianwei and 49% by Mr. Liang Zihao, each of whom became a Director since 22 January 2020.
- (2) 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.

OTHER INFORMATION

Save as disclosed above, as at 31 December 2019, 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.

INTERESTS IN COMPETING BUSINESS

For the nine months ended 31 December 2019, 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

Each of Mr. So, Mr. Leung Shu Kin, Colorful Bay Limited, Deep Champion Limited and Glorytwin Limited (the "Covenantors"), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company up to 5 November 2019, 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.

OTHER INFORMATION

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 5 November 2019.

INTERESTS OF COMPLIANCE ADVISER

During the period from 1 April 2019 to 31 July 2019, VBG acted as the compliance adviser of the Company. The Company has been informed by VBG that as at 31 July 2019, 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, apart from the compliance adviser agreement entered into between the Company and VBG dated 11 September 2017.

VBG resigned as the compliance adviser of the Company and Dakin Capital Limited (“Dakin”) acted as the compliance officer of the Company respectively with effect from 31 July 2019.

The Company has been informed by Dakin that as at 31 December 2019, neither Dakin 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 Dakin dated 31 July 2019.

OTHER INFORMATION

CHANGE IN DIRECTOR'S INFORMATION

The change in director's information as required to be disclosed pursuant to Rule 17.50(2) and Rule 17.50A of the GEM Listing Rules, since the publication of the 2018-2019 Annual Report of the Company, is set out below:

Executive Directors

Mr. Liang Zihao (梁子豪) ("Mr. Liang") was appointed as an executive Director and the chief executive officer of the Company on 22 January 2020 and he is primarily responsible for providing leadership to the Group, and formulate corporate strategy, planning, business development as well as operations to the Group. He is a member of the remuneration committee and the nomination committee of the Company.

Mr. Liang obtained his bachelor of business administration, marketing from the University of Regina, Canada in 2007. Mr. Liang has been the chairman of 廣州市番禺區邦騰化工有限公司 (transliterated in English as Guangzhou Panyu District Bangteng Chemical Industry Limited*), a company that is principally engaged in the production of industrial unsaturated resin, paints and powder coating since 2007. Mr. Liang has also been the chairman of 廣州番禺區宏豪投資有限公司 (transliterated in English as Guangzhou Panyu District Honghao Investment Limited*), a company that is principally engaged in the provision of investment consultancy service and property management since 2018.

Mr. SAM Weng Wa Michael ("Mr. Sam") was appointed as an executive Director of the Company on 22 January 2020 and he is primarily responsible for overseeing the business corporate strategy and long term planning all-round development.

Mr. Sam obtained his bachelor of science in business and management studies from University of Bradford in 2016. Mr. Sam has been the assistant manager of Champion Management Pte Ltd, a company that is principally engaged in hotel management from March 2017 to April 2018. Mr. Sam has also been the assistant director of Chang He Holdings Pte Ltd, a company that is principally engaged in property management in Singapore, where he is mainly responsible for sourcing new investment opportunities and managing properties since April 2018.

OTHER INFORMATION

Non-Executive Director

Mr. WU Jianwei (吳健威) (“Mr. Wu”) was appointed as the non-executive Director and the Chairman of the Company on 22 January 2020 and he is primarily responsible for assisting in strategic planning of the Group.

Mr. Wu obtained a diploma in information technology from the Temasek Polytechnic (Singapore). Mr. Wu has extensive experience in investing and managing companies. He is currently the chief executive officer of Chang Yuan Investments Pte Ltd, Chang He Holdings Pte Ltd and Champion Management Pte Ltd in Singapore. His business encompasses property investment, asset management, business restructuring, hotel management and electric vehicles. He is mainly responsible for overseeing his business’s performance and management and directing the formulation of business development strategies. From 2012 to 2015, under his management and leadership, his business has acquired the property investment portfolio aggregately valued over approximately SG\$150.0 million at the respective purchase dates including (i) commercial offices located at Marine Parade and Paya Lebar; (ii) hotels located at Joo Chiat and North Canal; and (iii) retail, food and beverage units at Katong in Singapore.

OTHER INFORMATION

Independent Non-Executive Directors

Mr. YUEN Chun Fai (阮駿暉) (“Mr. Yuen”) was appointed as an independent non-executive Director on 22 January 2020 and he is primarily responsible for supervising and providing independent judgement to the Board. He is the chairman of the audit committee and a member of the nomination committee of the Company.

Mr. Yuen obtained his bachelor of science in accounting and finance from The London School of Economics and Political Science in 2002. Mr. Yuen is a fellow of the Association of Chartered Certified Accountants and also a certified public accountant of the HKICPA. He has over 16 years’ experiences in the field of financial reporting, financial management and audit in Hong Kong, China, Malaysia and Singapore. Mr. Yuen is currently an executive director, the company secretary and the compliance officer of WLS Holdings Limited (Stock Code: 8021), a company whose shares are listed on the GEM of the Stock Exchange where he is responsible for overseeing and monitoring the corporate exercises and accounting and finance functions of the company. Mr. Yuen was an independent non-executive director of China Biotech Services Holdings Limited (formerly known as Rui Kang Pharmaceutical Group Investments Limited) (Stock Code: 8037), a company whose shares are listed on the GEM of the Stock Exchange, from June 2014 to August 2017.

Ms. ZHU Xiaohui (朱曉蕙) (“Ms. Zhu”) was appointed as an independent non-executive Director on 22 January 2020 and she is primarily responsible for supervising and providing independent judgement to the Board. She is the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Company.

Ms. Zhu obtained a bachelor in chemistry and business studies from the University of Warwick in 2016. She worked in a raw material planning and supply chain management role at SABIC Innovative Plastics (China) Co., Ltd from 2017 to 2018. Since 2018, Ms. Zhu works in a product supply management position in Infinitus (China) Company Limited.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established the Audit Committee on 19 April 2018 with written terms of reference renewed on 18 February 2019 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 three independent non-executive Directors, namely Mr. Yuen (chairman of the Audit Committee), Mr. Tam Ka Hei Raymond and Ms. Zhu.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 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**
LIANG Zihao
Executive Director and Chief Executive Officer

Hong Kong, 14 February 2020

As at the date of this report, the executive Directors are Mr. LIANG Zihao and Mr. SAM Weng Wa Michael, the non-executive Director is Mr. WU Jianwei and the independent non-executive Directors are Mr. TAM Ka Hei Raymond, Mr. YUEN Chun Fai and Ms. ZHU Xiaohui.



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