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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

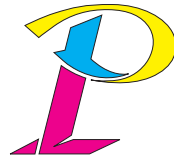
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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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## Prosperous Printing Company Limited

萬里印刷有限公司

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8385)**

### VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EGM

**Financial Adviser to the Company**

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
泓博資本有限公司

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A notice convening the EGM to be held at 3/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong on Thursday, 19 September 2024 at 10:00 a.m., at which the above proposal will be considered, is set out in this circular. Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude shareholders from attending and voting in person at the EGM if they so wish, in such event, the form of proxy shall be deemed to be revoked.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

This circular will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkexnews.hk> for at least 7 days from the date of its publication and on the website of the Company at <http://www.prosperous-printing-group.com.hk>.

3 September 2024

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## CHARACTERISTICS OF GEM

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

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

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## DEFINITIONS

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

“Agreement”	Machinery Disposal and Fund Supervision Agreement (設備買賣及資金支付監管合同)
“Announcement”	the announcement of the Company dated 19 June 2024 in relation to the disposal of the Asset pursuant to the Agreement
“Applicants”	the employees of Prosperous (SZ) who applied for arbitration award against Prosperous (SZ)
“Asset”	please refer to the definition under “Summary of principal terms of the Agreement – Asset” in this circular
“Board”	the board of Directors of the Company
“Company”	Prosperous Printing Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on GEM with stock code 8385
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	please refer to “Summary of principal terms of the Agreement – Consideration” in this circular
“Directors”	directors of the Company
“Disposal”	the sale of the Asset by Prosperous (SZ) to the Purchaser pursuant to the terms of the Agreement
“EGM”	the extraordinary general meeting of the Company to be held on Thursday, 19 September 2024 at 10:00 a.m. to approve the Disposal
“Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Company as to working capital sufficiency
“First Tech”	First Tech Inc., a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Lam Sam Ming, the executive Director of Company

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## DEFINITIONS

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“GEM”	the GEM of the Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Factory”	the Company’s factory site in Yip Cheung Centre, No.10 Fung Yip Street, Chai Wan, Hong Kong
“Huizhou Factory”	The printing factory to be owned and operated by the JV Company
“JV Company”	has the meaning ascribed to it under the section in “Letter from the Board – 6. The Remaining Group’s Future Plan”
“JV Party”	has the meaning ascribed to it under the section in “Letter from the Board – 6. The Remaining Group’s Future Plan”
“Labour Arbitration Award”	please refer to “Summary of principal terms of the Agreement – Labour Arbitration Award” in this circular
“Latest Practicable Date”	2 September 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Machinery”	please refer to “Summary of principal terms of the Agreement – Asset” in this circular
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchaser”	深圳市迅利達舊機電貿易有限公司(unofficial English translation being Shenzhen Xunlida Second-hand Machinery Electronics Trading Co., Ltd.), a company established in the PRC with limited liability
“Prosperous (SZ)”	中萬印刷(深圳)有限公司(Prosperous Printing (Shenzhen) Co., Ltd), a wholly-owned subsidiary of the Company
“Prosperous (SZ) Employees”	325 of Prosperous (SZ)’s employees who are owed outstanding salary payment, housing provident fund and social security fund

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## DEFINITIONS

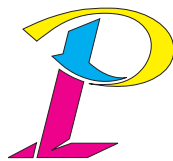
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“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of the shares of the Company
“Shenzhen Factory”	a factory operated by Prosperous (SZ) in Shenzhen, Guangdong, PRC which has discontinued operation as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent.

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**LETTER FROM THE BOARD**

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**Prosperous Printing Company Limited**

**萬里印刷有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8385)**

**Board of Directors**

*Executive Directors:*

Mr. Lam Sam Ming

Ms. Chan Sau Po

Ms. Yao Yuan

*Registered office and principal place of  
business in Hong Kong:*

3/F, Yip Cheung Centre

10 Fung Yip Street

Chai Wan, Hong Kong

*Independent non-executive Directors:*

Ms. Cheung Yin

Mr. Wong Hei Chiu

Mr. Leung Vincent Gar-Gene

3 September 2024

*To the Shareholders:*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 19 June 2024 in relation to, among other matters, the Agreement and the Disposal contemplated thereunder.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further information regarding (i) details of the Agreement, the Disposal and the transactions contemplated thereunder; (ii) the financial information of the Group; and (iii) the notice of the EGM to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

### VERY SUBSTANTIAL DISPOSAL

#### 1. Summary of principal terms of the Agreement

On 9 June 2024, Prosperous (SZ), a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser and Prosperous (SZ) Employees in respect of Prosperous (SZ)'s sale of the Asset at the Consideration of RMB20,680,000 which may increase up to RMB20,780,000 to settle outstanding payment of Shenzhen Factory staff's salary, social security fund, housing provident fund and other employment-related payment.

Set out below are the principal terms of the Agreement.

Date : 9 June 2024 (Sunday)

Parties : Prosperous (SZ), as seller

the Purchaser, as purchaser

Prosperous (SZ) Employees (represented by five selected employee representatives) (As the sale proceeds of Disposal are all intended to be used for settlement of employment-related payment, Prosperous (SZ) Employees have been joined as party to agreement so as to supervise the fulfilment of the contractual obligations under the Agreement.)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Prosperous (SZ) Employees, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.



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## LETTER FROM THE BOARD

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Asset : The Asset to be disposed consists of the Shenzhen Factory's machinery, fixtures and materials which are: (1) 52 machineries which are used for printing, such as four-color printing machine (四色印刷機), binding machine (膠裝機), saddle-wire stitching machine (騎釘機), stringing machine (串線機), paper cutter machine (切紙機), folding machine (折書機), typesetting machine (排書機), glue laminator (過膠機), plastic injection molding machine (自動啤機), shrink packaging machine (收縮包裝機), automatic paper sticking machine (自動版紙書粘貼機), trademark machine (商標機), hole puncher (打孔機), paper separator (分紙機), computer-to-plate machine (製版機); (2) 7 vehicles which are used for production inside the factory, such as battery car (電瓶車), hug-delivery car (抱車), forklift (叉車); (3) miscellaneous waste (雜物廢料), raw materials (原材料) and supplementary materials (輔料).

Consideration : The total consideration for the sale and purchase of the Asset is RMB20,680,000, plus additional tax to be paid by Prosperous (SZ) (as seller) of any amount exceeding RMB1,000,000 subject to the cap of RMB100,000. As such, the total consideration may increase up to RMB20,780,000.

Prosperous (SZ) is expected to pay value-added tax of approximately RMB718,008.

Payment schedule is as follows. As at the Latest Practicable Date, the payment (1), (2) and (3) have been fully settled.

- (1) Upon signing of Agreement, a deposit of RMB1,300,000 to be paid to the account ("**Designated Account**") of Guangdong Shenzhen Pingshan Notary Public Office (廣東省深圳市坪山公證處).
- (2) On 9 June 2024, the Purchaser shall pay RMB3,700,000 (subject to verification of salary amount) to settle the outstanding salary to Shenzhen Factory staff.

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## LETTER FROM THE BOARD

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- (3) During 10 June 2024 to 17 June 2024 (or postponed to the date on which the Company's shareholders approval or all approvals under applicable laws and regulations are obtained), the Purchaser shall settle RMB8,000,000 on the first date of removal of Asset, RMB5,000,000 on the second date of removal of Asset, and RMB2,680,000 on the third date of removal of Asset. It is expected that the Asset will be removed during a three day period due to large quantity of Asset required for transportation, and the respective payment will be made on the respective removal date. All of the above payments shall be made to the Designated Account to settle outstanding payment of Shenzhen Factory staff's salary, social security fund and housing provident fund. All the outstanding payment shall be settled by Purchaser within 3 days after removal of Asset. The Purchaser will examine the Asset in due course and will confirm the removal date.

As certain employees have obtained Labour Arbitration Award against Prosperous (SZ) for the outstanding employment-related payment, Prosperous (SZ) is obliged to settle the Labour Arbitration Award as soon as possible. Further, as Prosperous (SZ) Employees demanded salary payment out of the Disposal proceeds (i.e. payment (2)) as soon as practicable and did not agree to condition precedent clause, therefore the Agreement does not have condition precedent clause so that the Purchaser would make partial payment for the Disposal to settle the employee salary etc. However, the Agreement has stated that the final completion of removal will be postponed to a date on which the Company's shareholders approval or all approvals under the applicable laws and regulations are obtained, and the aforesaid clause is drafted to comply with the shareholders approval requirement under GEM Rule 19.49 to the extent practicable under the current circumstances. Further, the Company has sought and obtained First Tech's undertaking to vote for approving the Disposal at EGM. First Tech holds 55.17% in nominal value of the issued share capital of the Company. As such, it is the removal of Asset will be completed soon after shareholders approval is obtained in the EGM.

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## LETTER FROM THE BOARD

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The Consideration of the Asset was determined between Prosperous (SZ) and the Purchaser on arm's length basis with reference to the price of second-hand machinery, vehicles and materials of similar functions and age in the market which was obtained by sourcing quotes from a total of seven second-hand traders or company engaged in the printing industry. Prosperous (SZ) Employees have also participated in considering the credentials of the Purchaser to ensure its capability of payment.

### 2. Information of the Asset

The Asset consists of 52 machineries, 7 vehicles, miscellaneous waste, raw materials and supplementary materials which are used for printing, the details of which are set out in the section headed "Summary of principal terms of the Agreement – Asset" above. The unaudited carrying value of the Asset was RMB19,427,848 as at 31 May 2024. The Asset does not have identifiable income stream and therefore there is no profits or loss attributable to the Asset.

### 3. Financial Effect of the Disposal on the Group

Based on, inter alia, the Consideration of RMB20,680,000 and the unaudited carrying value of the Asset of RMB19,427,848 as at 31 May 2024, the Group currently expects to record a gain on disposal of approximately RMB1.25 million.

### 4. Use of Proceeds

The proceeds arising from the Disposal are expected to be used to settle outstanding payment of Shenzhen Factory staff's salary, social security fund and housing provident fund and other employment-related payment.

The intended use of proceeds is as follows:

Use	Amount (RMB)
Salary	3,705,669
Social security provident fund	2,557,853
Housing provident fund	4,443,015
Employment injury one-off handicap employment assistance fund (工傷一次性傷殘就業補助金) (Note)	984,964
Economic compensation such as long severance payment (35% of total amount)	8,030,387
Tax	718,008
Other miscellaneous expenses in relation to the Disposal such as additional tax	240,104
Total:	<u><u>20,680,000</u></u>

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## LETTER FROM THE BOARD

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*Note:* Prosperous (SZ) Employees are entitled to pursue legal action against Prosperous (SZ) for the remaining 65% of economic compensation. However, it is expected that Prosperous (SZ) does not have sufficient funds or assets to settle and will eventually enter into liquidation. As advised by the PRC legal advisor, as Prosperous (SZ)'s asset is not sufficient to settle all the liabilities, and according to the PRC laws and regulations of liquidation, the proceeds of Disposal shall first be used to settle the employees' salary, housing provident fund and social security provident fund, and therefore, even if Prosperous (SZ) is unable to settle all the outstanding amount of employment-related compensation, Prosperous (SZ)'s potential liquidation will still be in compliance with the PRC laws and regulations because the use of proceeds of Disposal has been used to settle the employees' salary, housing provident fund and social security provident fund.

Sale proceeds of Disposal is not yet sufficient to settle the full amount of employment-related compensation. Prosperous (SZ) also has other amount due such as outstanding fees to suppliers.

After discontinuance of Shenzhen Factory's operation, Prosperous (SZ) does not hold any substantive asset as at the Latest Practicable Date.

As disclosed in the announcement dated 31 May 2024, the Company has arranged for Hong Kong Factory and/or external sub-contractors to process orders which are being handled by the Shenzhen Factory. As at the Latest Practicable Date, while the Shenzhen Factory's discontinuance of production may have adverse impact on the Company's operation, the Company plans to continue its business operation. The Remaining Group will continue to be principally engaged in the business of provision of printing services, while the Remaining Group will switch part of its business model from self-production through its own factory in PRC to outsourcing printing orders to the Huizhou Factory or external sub-contractors in PRC, and continues to produce in the factory in Hong Kong.

As at 30 June 2024, 31 customer orders in the amount of approximately HK\$1.3 million which were initially processed by Shenzhen Factory are outsourced to external sub-contractors, while 8 customer orders in the amount of approximately HK\$800,000 are now processed by Hong Kong Factory, and 12 customer orders in the amount of approximately HK\$500,000 have been cancelled by customers.

	<b>Shenzhen Factory</b>	<b>Hong Kong Factory</b>
Staff No.	325 ( <i>note</i> )	23
Printing Machine No.	59	10
Venue size	19,353m <sup>2</sup>	17,617ft <sup>2</sup>
Business nature	Printing product which are allowed under laws and regulations in Mainland China	Print order of religious, politics, adult magazine, map, ethnic clan etc. which cannot be taken up by Shenzhen Factory due to legal restrictions in Mainland China

*Note:* the staff number has become less than 10 after discontinuation of operation of Shenzhen Factory.

The Company's plan is to gradually focus more on sourcing customer orders to work with external sub-contractors, and to minimize headcounts and reduce fixed costs.

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## LETTER FROM THE BOARD

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### 5. Reasons for and Benefits of the Disposal

As disclosed in the announcement dated 31 May 2024, the Shenzhen Factory has discontinued production due to challenging business environment. In recent years, the Company faced challenging business environment such as weak customer demand for paper-form product as a result of digitalisation and also US-China trade war which leads to fewer overseas customer orders. In particular, Prosperous (SZ) has experienced difficulties in paying employee salaries, factory rental and fees payable to suppliers since January 2024, and employees have commenced arbitration proceeding on 31 May 2024 and obtained the Labour Arbitration Award on 12 June 2024, so the Company intends to dispose of machinery to settle outstanding payment of Shenzhen Factory's staff salary, social security fund and housing provident fund. Further, Prosperous (SZ) is legally obliged to settle the Labour Arbitration Award. In light of the Labour Arbitration Award being delivered on 12 June 2024, the Company needs to complete the Disposal contemplated under the Agreement so as to obtain funds to fulfil the payment obligation under the Labour Arbitration Award as soon as possible. As such, the Directors consider the timing of entering into the Agreement is in the interest of the Group. The Directors believe that the Agreement and transactions contemplated thereunder represent a good opportunity for the Company to dispose of the Asset so as to settle the outstanding payment of Shenzhen Factory. To the Directors' knowledge, Prosperous (SZ)'s outstanding payment liabilities to third parties amount to approximately RMB36.4 million, of which the employment-related outstanding payment amount to approximately RMB14.7 million. The Directors consider the terms of the Agreement and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### 6. The Remaining Group's future plan

After discontinuance of Shenzhen Factory, the Remaining Group will be principally engaged in (1) processing customer orders through its Hong Kong Factory and (2) outsourcing customer orders to the Huizhou Factory or external sub-contractors in Mainland China. Hypothetically, the Remaining Group's revenue is HKD28.3 million in 2023 and is expected to be in the range between HKD40.0 million and HKD50.0 million in 2024 assuming the Huizhou Factory will commence operation in October 2024. The Remaining Group's business model is expected to be as follows: the Company directly accepts the customer orders and the corresponding payment, then passes the printing orders to the Huizhou Factory or other sub-contractor in Mainland China at a markup price. As such, the revenue of customer orders will be accounted as the Remaining Group's revenue while the price difference will be accounted as the Remaining Group's profits. Since discontinuation of operation of Shenzhen Factory, the Company has secured new customer orders of approximately HK\$2.8 million in June 2024 and HK\$3.5 million in July 2024. The customer order volume is expected to increase as the customers will have more confidence in the Remaining Group after the Huizhou Factory commences operation.

Under PRC laws and regulations, a variety of printed products are prohibited, such as those print orders of religious, politics, adult magazine, map, and ethnic clan topics, and hence the Group's Hong Kong Factory will focus on sourcing orders which cannot be undertaken by factories in mainland of PRC. The Group was established in Hong Kong in 1992 and had a long established presence in the printing industry, and will strive to take advantage of its competitiveness such as adherence to international standards, strong and stable project management skills so as to source orders from overseas customers which can be undertaken by factory in mainland of PRC and outsourcing to sub-contractors in mainland of PRC for a profit margin, which the Company believes will significantly reduce the Company's fixed overhead costs in order to improve its cashflow.

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## LETTER FROM THE BOARD

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The Company and 深圳市彩鑫金域印刷有限公司(Shenzhen Caixin Jinyu Printing Co., Ltd. (“**JV Party**”)) have entered into a memorandum of understanding as at the Latest Practicable Date (“**MOU**”) to establish a joint venture (“**JV Company**”) to set up a factory in Huizhou, Guangdong, PRC (“**Huizhou Factory**”), the principal terms of which are: (1) the JV Company will be set up and owned as to 28% by Company and as to 72% by JV Party. As the business of “publication printing (出版物印刷)” falls within the category of “restricted industry” in the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄), therefore 51% or above of the equity interests in a foreign invested enterprise engaged in such business shall be held by PRC investors, and as such the Company did not negotiate to own majority of shareholding in the JV Company; (2) the JV Company will operate Huizhou Factory; (3) the Huizhou Factory will possess one 8-color printing machine, two 4-color printing machines, two dual-color printing machines, one hard cover machine, one plastic binding machine, four book-folding machines, two stringing machines, (4) the Company will be responsible for sourcing overseas customer orders with target of approximately RMB30 million to RMB40 million per year while JV Party will be responsible for operating the Huizhou Factory, (5) the Huizhou Factory will be mainly funded by JV Party and will also make bank borrowings as and when appropriate. The JV Party is an independent third party and has operated a printing factory in Longhua, Shenzhen (“**Longhua Factory**”) since 2003 with 60 to 70 employees. The Longhua Factory recorded sub-contracting fee income of RMB10,000,000 in 2023. The JV Party intends to close the Longhua Factory and switch its employees and equipment to the Huizhou Factory in around October 2024. The Huizhou Factory is expected to record sub-contracting fee income of between RMB40,000,000 and RMB50,000,000 in 2025. As at the Latest Practicable Date, the MOU is not legally-binding and is subject to formal agreement being entered into between Company and JV Party.

Despite the recent decline of performance, the Company is cautiously optimistic that the customer orders will rebound with the commencement of the Huizhou Factory because the Group’s long-term customers are expected to regain confidence in the Group’s capability to deliver high-quality printing services with the benefits of the Huizhou Factory which the Group will supervise.

The Remaining Group’s strengths and prospects contributing to the Company’s optimism of its business performance are as follows:

- (a) the Group was established in Hong Kong in 1992 and had a long established presence in the printing industry. Throughout the past years, it has printed and sold books and other paper related products to Hong Kong-based print brokers with customers in overseas markets and to international publishers located in the U.S., U.K., Australia and Europe (excluding U.K.). The Group enjoys a strong reputation in its ability and reliability in its adherence to international standards, and strong and stable project management skills.
- (b) the Group expects to achieve synergy with the JV Party for the Huizhou Factory to grow its business, as the Group is able to contribute its experience with overseas customers, the JV Party had long-standing experience with handling sub-contracting orders and managing factory production at low-cost structure. Therefore, the Group will be able to source customer orders and pass to the Huizhou Factory at markup price.

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## LETTER FROM THE BOARD

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- (c) under the new business model after Shenzhen Factory (which was wholly owned by Company) discontinues operation and Huizhou Factory (which is owned as to 28% by the Company and its operation is mainly financed by JV Party) comes into operation, the Group will face less cashflow pressure of maintaining its own production factory, and devote more resources to marketing and sales. The Company has an established in-house sales and marketing team with principal focus on Hong Kong-based print brokers, and it also commissions independent third-party sales representatives who principally focus on sourcing orders from international publishers. The Company's sales and marketing team is experienced in serving customers of different countries and regions, such as U.S., U.K., Australia and Europe (excluding U.K.). It will continuously seek to recruit and retain talent who possess in-depth knowledge and experience in the printing industry, as well as sales force who have good connections and knowledge in business development for expanding its customer base and sourcing suppliers. The Company strategizes for the sales and marketing team to explore and target new customers, in particular top-tier publishers in the U.K. and other European countries, for opportunities of further cooperation with sales representatives in the U.K. and other European countries, to grow their sales team so that they are able to enhance the sales network, and thus to better help on sourcing clients for the Company, and to achieve the Company's market expansion in a more efficient and cost-effective way. In this regard, the Company plans to pay annual visits to various international book fairs and exhibitions in the coming year in order to (i) stay up to date with the market and industry trends; and (ii) identify and reach out to new customers to establish new income sources. These book fairs and exhibitions include The London Book Fair in the U.K., The Frankfurt Book Fair in Germany, The BookExpo America in the U.S., Bologna Children's Book Fair in Italy and the Beijing International Book Fair in China. With the Company's proactive sales and marketing team, the Company is likely to reinforce its long-standing position in the market and gain more income. Further, the Company also plans to enhance its website to include more information to showcase the Group, its products and service capabilities for marketing purpose.
- (d) the Company intends to share its technical know-how to the Huizhou Factory so that it can offer large and diverse range of products which are under good demand from an international and diversified customer base. With the benefits of flexibility in choosing, the Company will continue to print (i) leisure and lifestyle books (such as photography books, cookbooks and art books); (ii) educational textbooks and learning materials; (iii) children's books (such as movie and video game series); and (iv) other paper-related products (such as national maps, leaflets, greeting cards, journals and calendars), which are all products that are highly sought after by long-standing customers and future potential customers alike. The Company will use its existing resources in Hong Kong and the Huizhou Factory's resources to make products to accommodate its large customer base. Further, the Company excels in its provision of a wide range of different printing styles, including case bound, soft bound, saddle stitched, wire-O, spiral, and handcraft products. The Company's distinct service will continue to give the Company its edge in the printing industry and is likely to bring more revenue to the Company in the future.

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## LETTER FROM THE BOARD

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- (e) under the new business model after Shenzhen Factory (which was wholly owned by Company) discontinues operation and Huizhou Factory (which is owned as to 28% by the Company and its operation is mainly financed by JV Party) comes into operation, the Group will face less cashflow pressure of maintaining its own production factory, and the Company will devote more resources to further enhance its customer service to strengthen customer loyalty such as deploying more staff to respond to overseas customers enquiries in different time zones.

### 7. Information of the Parties

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the principal business of the Purchaser is the provision of services related to trading of second-hand machinery. The ultimate beneficial owners of the Purchaser are ZHOU Xiuming (周修明) and WANG Xiaofeng (王晓丰).

Prosperous (SZ) Employees consist of 325 employees who are owed outstanding salary payment, housing provident fund and social security fund.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, other than staff's salary, social security fund and housing provident fund owed by Prosperous (SZ) to Prosperous (SZ) Employees, there is, and in the past twelve months, there has been, no material loan arrangement among (a) the Purchaser, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the Purchaser who can exert influence on the Disposal; (b) the Prosperous (SZ) Employees; and (c) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the Disposal).

### 8. Implications of Listing Rules

Since one or more of the applicable percentage ratios in respect of the Disposal are more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 19 of GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.



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## LETTER FROM THE BOARD

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### GENERAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, none of the Directors have a material interest in the transactions contemplated under the Agreement and accordingly, no Director has abstained from voting on the Board resolution to approve the Disposal.

As at the Latest Practicable Date, none of the Directors, the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed pursuant to the GEM Listing Rules.

### EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the Disposal contemplated thereunder. A notice convening the EGM to be held at 3/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong on 19 September 2024 at 10:00 a.m. is enclosed with this circular.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders has a material interest in the Agreement and the Disposal contemplated thereunder and accordingly, no Shareholder will have to abstain from voting in respect of any resolution at the EGM.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at the EGM must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter (as defined in the Note to Rule 17.47(4) of the GEM Listing Rules) to be voted on by a show of hands. Therefore the chairman of the meeting will demand a poll on the resolution regarding the Disposal at the EGM. An announcement will be made by the Company on the poll results of the EGM.

A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy (as applicable) in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meeting or any adjournment thereof to the share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 16 September 2024 to Thursday, 19 September 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 September 2024.

### RECOMMENDATIONS

The Board considers that the Agreement and the Disposal contemplated thereunder is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

Yours faithfully  
For and on behalf of the Board  
**Prosperous Printing Company Limited**  
**Lam Sam Ming**  
*Chairman and Executive Director*

## 1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial information of the Group for six months ended 30 June 2024, and each of the three years ended 31 December 2023, 2022 and 2021 (which is extracted from the annual reports, interim report and/or annual announcements and interim announcements of the Group for the relevant years/period):

	2021	2022	2023	Six months ended 30 June 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	281,810	194,827	146,206	43,495
Cost of sales	<u>(227,591)</u>	<u>(137,765)</u>	<u>(111,312)</u>	<u>(39,753)</u>
Gross profit (loss)	54,219	57,062	34,894	3,742
Other income	6,895	5,957	6,710	1,008
Other gains and (losses)	115	13,441	13,832	346
Distribution costs	(23,910)	(25,348)	(13,189)	(4,414)
Administrative expenses	(54,538)	(55,655)	(50,922)	(22,506)
Impairment losses under expected credit loss model on trade and other receivables, net	<u>(57,968)</u>	<u>(46,703)</u>	<u>(4,346)</u>	<u>(4,525)</u>
<b>Loss from operations</b>				
Finance costs	<u>(5,939)</u>	<u>(7,086)</u>	<u>(9,818)</u>	<u>(3,039)</u>
Loss before tax	(81,126)	(58,332)	(22,839)	(29,388)
Income tax expense	<u>(1,960)</u>	<u>(1,323)</u>	<u>(123)</u>	<u>(76)</u>
<b>Loss for the year/period</b>	(83,086)	(59,655)	(22,962)	(29,464)
<b>Other comprehensive income</b>				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	<u>5,024</u>	<u>(12,825)</u>	<u>(6,058)</u>	<u>4,147</u>
<b>Total comprehensive expenses for the year</b>	<u>(78,062)</u>	<u>(72,480)</u>	<u>(29,020)</u>	<u>(25,317)</u>
	<i>HK cents</i>	<i>HK cents (restated)</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share				
Basic	<u>(10.39)</u>	<u>(74.57)</u>	<u>(27.78)</u>	(diluted) <u>(35.65)</u>

Save as disclosed above, there are no items of any income or expense which are material in respect of the consolidated financial results of the Group for the years ended 31 December 2023, 2022 and 2021 and the interim results for the six months ended 30 June 2024 respectively.

The auditors of the Group for the years ended 31 December 2023 and 2022 were CWK CPA Limited and the auditors of the Group for the year ended 31 December 2021 was Tandem (HK) CPA Limited.

**2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2023, 2022 AND 2021 AND UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The audited consolidated financial statements of the Group for the three years ended 31 December 2023, 2022 and 2021 and the unaudited financial statements for the six months ended 30 June 2024, together with the relevant notes thereto, are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company at <http://www.prosperous-printing-group.com.hk>.

- a. the annual report for the year ended 31 December 2021 (pages 62-151)  
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0401/2022040100324.pdf>
- b. the annual report for the year ended 31 December 2022 (pages 65-153)  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0331/2023033102367.pdf>
- c. the annual report for the year ended 31 December 2023 (pages 68-155)  
<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0327/2024032703221.pdf>
- d. the interim report for the six months ended 30 June 2024 (pages 5-17)  
<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0814/2024081401111.pdf>

### 3. INDEBTEDNESS OF THE GROUP

#### Borrowings

At the close of business on 30 June 2024, being the latest practicable date prior to the printing of this indebtedness statement, the Group had outstanding secured and guaranteed bank loans and overdrafts of approximately HK\$108.2 million and lease liabilities of approximately HK\$1.9 million.

#### Security and guarantees

At the close of business on 30 June 2024, the Group's secured bank loans and overdrafts were secured by the Group's leasehold buildings in Hong Kong, financial assets at fair value through profit or loss, investments in key management insurance policies, pledged bank deposits, factoring of certain trade receivables and corporate guarantees given by the Company and certain subsidiaries.

The Group's lease liabilities are secured by the underlying assets under hire purchase agreements.

#### Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables, and Prosperous (SZ)'s outstanding liabilities to third parties of approximately RMB36.4 million (of which employment-related liabilities amount to RMB16.7 million), the Group did not, at the close of business on 30 June 2024, have outstanding any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease or hire purchases commitments, guarantees or other material contingent liabilities.

### 4. WORKING CAPITAL STATEMENT

As set out in the Company's consolidated financial statements for the year ended 31 December 2023 and the six months ended 30 June 2024, the Group incurred a net loss of approximately HK\$23.0 million for the year ended 31 December 2023 and a net loss of HK\$29.5 million for the six months ended 30 June 2024. As at 30 June 2024, the Group has net current liabilities of approximately HK\$132.7 million.

As at 30 June 2024, the Group had bank loans and overdrafts of approximately HK\$122.7 million which are due for repayment within one year and bank balances and cash of only approximately HK\$0.6 million. The breach of certain loan covenants may also render the bank loans and overdraft of approximately HK\$118.8 million becoming immediately due for repayment. Such conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. After considering the financial position of the Group, the Group has the following plans to

ensure that the it would have sufficient working capital for least the next 12 months from the date of this circular:

- (i) the Group is actively seeking for a buyer to dispose certain properties including five carparks located in Hong Kong owned by the Group at HK\$130,000,000 and the Group expects the sales transactions will be successfully completed by end of 2024. The sales proceeds will be used for repayment of bank loans and overdraft which are subject to loan covenant and repayable on demand within twelve months;
- (ii) the Group is actively negotiating with banks and financial institutions to revise the loan covenant clause to reduce the risk of breaching loan covenant which may adversely result in immediate loan repayment. As at the Latest Practicable Date, negotiations with the banks and financial institutions were still ongoing;
- (iii) the Group is actively negotiating with its bankers to renew or/and extend its existing banking facilities, of which the available unutilised banking facilities amount to HK\$16.5 million as at 30 June 2024. As at the Latest Practicable Date, negotiations with the banks and financial institutions were still ongoing;
- (iv) the Group is actively and regularly reviewing its capital structure and sourcing additional capital by raising new debt financing or issuing new shares, where appropriate; and
- (v) the Group is closely monitoring its operations and implementing cost control on operating costs and administrative expenses with an aim to attain positive and sustainable cash flow from operations.

Taking into account the financial resources available to the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

In the event that any of the above plans (i) to (iii) could not be effectively implemented, it will have an adverse impact on the sufficiency of working capital of the Group for the next twelve months from the date of this circular. The Company will consider and seek for other appropriate alternative plan(s), including but not limited to potential equity or debt fund raising exercise, in order to ensure that the Group will have sufficient working capital. Further announcement(s) will be made by the Company as and when alternative plan(s) is/are implemented in the future.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

The financial performance of the Group for the year ended 31 December 2023 and the six months ended 30 June 2024 has been adversely affected by the challenging business environment and overall global economy uncertainty.

For the year ended 31 December 2023, the Group recorded a net loss of approximately HK\$23.0 million, and recorded a gross profit of HK\$34.9 million during the year ended 31 December 2023. For the six months ended 30 June 2024, the Group recorded a net loss of approximately HK\$29.5 million and gross profit of HK\$3.7 million.

The Group sustained a loss of approximately HK\$22,962,000 for the year ended 31 December 2023, and as of 31 December 2023, the Group had net current liabilities of approximately HK\$123,749,000 and bank loans and overdrafts amounting to approximately HK\$121,283,000 which are due for repayment within one year. The breach of loan covenants detailed in Note 26(v) of the Notes to the Consolidated Financial Statements in the 2023 Annual Report may render the bank loans and overdraft of approximately HK\$100,844,000 becoming immediately due for repayment. The Group has cash at bank amounted to approximately HK\$3,022,000 as at 31 December 2023. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The Group sustained a loss of approximately HK\$29,464,000 for the six months ended 30 June 2024, and as of that date, the Group had net current liabilities of approximately HK\$132,748,000 and bank loans and overdrafts amounting to approximately HK\$122,694,000 which are due for repayment within one year. The Group’s pledged bank deposits and cash at bank amounted to nil million and HK\$0.64 million respectively as at 30 June 2024. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In the coming years, there are certain risks that the Group will face such as (i) challenges from the uncertainty of economies due to, among others, the U.S.-China trade dispute; (ii) increase in paper cost and technological advancements in publishing and new forms of information dissemination; (iii) reliance of bank facilities to finance its operations; (iv) weak liquidity due to loss making position and weak operating cash flows and financial position; and (v) reliance on the U.S. and U.K. markets. However, the Group remains cautiously optimistic of the prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build the Group’s competitive strengths so as to increase market share and profitability. To achieve its goal, the Group plans to implement the following business strategies: improving its equipment and the level of automation, expanding customer base and strengthening sales and marketing coverage, and continuing to attract and retain top talent in the industry.

## 6. MATERIAL ADVERSE CHANGE

The financial performance of the Group has been adversely affected by the challenging business environment and overall global economy uncertainty. The Group sustained a net loss of approximately HK\$83,086,000 for the year ended 31 December 2023, and had net current liabilities of approximately HK\$123,749,000 and bank loans and overdrafts amounting to approximately HK\$121,283,000 which are due for repayment within one year as at 31 December 2023. All these indicate that the Group is currently under liquidity pressure and facing a material uncertainty in relation to going concern.

The Group's financial position has deteriorated as at Latest Practicable Date as compared to 31 December 2023. The Group sustained a loss of approximately HK\$29,464,000 for the six months ended 30 June 2024, and as of that date, the Group had net current liabilities of approximately HK\$132,748,000 and bank loans and overdrafts amounting to approximately HK\$122,694,000 which are due for repayment within one year. The Group's pledged bank deposits and cash at bank amounted to nil and HK\$0.64 million respectively as at 30 June 2024. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As disclosed in the announcements of the Company dated 31 May 2024 and 19 June 2024, the Shenzhen Factory has discontinued operation and has entered into the Agreement to dispose of Asset so as to settle employment-related compensation. For details, please refer to the aforesaid announcements.

The Group experienced decline in customer orders in 2024 due to deteriorating US-China trade relationship and also the Company took a more prudent approach to decline orders with credit risk and orders with insufficient profit margin:

	2024						
	Jan	Feb	Mar	Apr	May	June	July
Order amount (HKD)	9.9 million	5.0 million	8.3 million	9.3 million	5.1 million	2.8 million	3.5 million

As such, the total customer order of the Group was approximately HK\$40.4 million for the six months ended 30 June 2024 representing a decrease of approximately 53% from approximately HK\$86.2 million for the six months ended 30 June 2023. The Company is cautiously optimistic that the customer orders will rebound in second half of 2024, with the benefits of Huizhou Factory as disclosed on page 11 in Letter from Board.

Saved for the deterioration of customer order, closing of Shenzhen Factory as disclosed, as at the Latest Practicable Date, the Directors confirm that there is no other material adverse changes in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).



## 7. REMAINING GROUP'S MANAGEMENT DISCUSSION AND ANALYSIS

### **Basis**

The Asset does not have identifiable income stream and therefore there is no profits or loss attributable to the Asset. The disposal of Asset relates to the closing of Shenzhen Factory, and therefore the Remaining Group's management discussion and analysis set out below is prepared assuming the Shenzhen Factory has discontinued operation effective from 1 January 2023 where appropriate. Set out below is the management discussion and analysis on the Remaining Group.

### **Management Discussion and Analysis of the Remaining Group**

The Remaining Group will continue to be principally engaged in the business of provision of printing services, while the Remaining Group will switch part of its business model from self-production through its own factory in PRC to outsourcing printing orders to external sub-contractors in PRC, and continues to produce in the factory in Hong Kong.

### **Financial year ended 31 December 2023**

#### *Business review*

During the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$146.2 million. Hypothetically, if the Shenzhen Factory discontinued operation on the first day for the year ended 31 December 2023, the revenue of the Remaining Group would be reduced to approximately HK\$28.3 million.

#### *Segment Information*

During the year ended 31 December 2023, the revenue of the Group was categorized into the following segments, (i) sales of book and paper products, and (ii) provision of subcontracting services in relation to books and paper products, the revenue of each of the abovementioned category amounted to approximately HK\$146.2 million and HK\$0.04 million respectively. As the income generated by the Shenzhen Factory forms a significant part of the revenue of the Group, the revenue generated from each of the segments of the Remaining Group shall be reduced to HK\$28.3 million and nil respectively assuming the Asset has been disposed on 1 January 2023.

#### *Liquidity and Financial Resources*

The Group had non-current assets which amounted to approximately HK\$180.1 million, mainly comprising of property, plant and equipment that amounted to approximately HK\$178.7 million as at 31 December 2023. Hypothetically, if the Asset was disposed on 31 December 2023, the property, plant and equipment of the Remaining Group would amount to HK\$109.2 million and thereby the total non-current assets of the Remaining Group as at 31 December 2023 would be reduced to approximately HK\$110.4 million.

The Group had cash and bank balances which amounted to approximately HK\$3.0 million as at 31 December 2023. Hypothetically, if the Asset was disposed on 31 December 2023, as the cash proceeds from Disposal were utilized for settlement of outstanding employment-related payment to employees of Shenzhen Factory, the cash and bank balances of the Remaining Group would be reduced by the expenses incurred for the Disposal to approximately HK\$1.6 million, representing a decrease of approximately 46.7%.

The current liabilities of the Group as at 31 December 2023 amounted to approximately HK\$177.4 million. Hypothetically, if the Asset was disposed on 31 December 2023, the current liabilities of the Remaining Group would be reduced to approximately HK\$141.4 million mainly due to settlement of outstanding employment-related payment to employees of Shenzhen Factory by the proceeds from the Disposal.

The Group's total bank borrowings, other loans, overdrafts and lease liabilities amounted to approximately HK\$135.8 million as at 31 December 2023. Hypothetically, if the Asset was disposed on 31 December 2023, the Remaining Group's total bank borrowings, other loans, overdraft and lease liabilities would be reduced to approximately HK\$112.2 million as at 31 December 2023 mainly due to settlement of outstanding employment-related payment to employees of Shenzhen Factory by the proceeds from the Disposal.

The Group's gearing ratio was approximately 3.96 which is calculated on the basis of the Group's total bank loans, other loans, overdraft, and lease liabilities over the total equity as at 31 December 2023. Hypothetically, if the Asset was disposed on 31 December 2023, Remaining Group's gearing ratio would be reduced to approximately 3.85.

The Asset did not form any part of the pledge/charge to secure any borrowings of the Group.

The Group's committed borrowing facilities amount to approximately HK\$127,634,000 as at 31 December 2023. Hypothetically, if the Asset was disposed on 31 December 2023, the Remaining Group's committed borrowing facilities would be approximately HK\$115,634,000 as at 31 December 2023.

As at 31 December 2023, the net asset of the Group amounted to approximately HK\$34.2 million. Hypothetically, if the Asset was disposed on 31 December 2023, the Remaining Group's net asset should be reduced to approximately HK\$29.8 million.

### ***Capital Structure***

As at 31 December 2023, the capital of the Group comprised only ordinary shares.

### ***Significant Investment held by the Remaining Group***

The Remaining Group did not have significant investment as at 31 December 2023.

***Significant Investments, Acquisitions and Disposal***

As disclosed in the announcements of the Company dated 21 April 2023, 11 May 2023 and 20 July 2023. The Group acquired 13% of the entire registered share capital of 廣州海健數字科技有限公司(Guangzhou Hai Jian Digits Technology Company Limited\*) at the consideration of RMB1,050,000. Save as disclosed herein, the Remaining Group did not have any material acquisitions and disposal of associates and joint ventures during the year ended 31 December 2023.

***Treasury Policies***

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

***Exposure to Fluctuations in Exchange Rates***

Most of the Remaining Group's assets, liabilities and transactions are mainly denominated in HK\$. The Directors do not consider that the Remaining Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or any other alternatives have been implemented.

***Charge on the Remaining Group Assets***

As at 31 December 2023, the bank facilities were secured by the Remaining Group's investment properties, property, plant and equipment and corporate guarantees from the Company and certain subsidiaries. These bank facilities amounted to HK\$127,634,000 as at 31 December 2023. These facilities were utilised to the extent of HK\$123,227,000 as at 31 December 2023.

There was no pledged bank deposit as at 31 December 2023. As at 31 December 2023, the Remaining Group's properties with carrying amount of HK\$41,008,000 were pledged as collateral for the Remaining Group's banking facilities.

As at 31 December 2023, the Remaining Group's investment properties with carrying amount of HK\$46,069,000 were pledged for the Group's banking facilities. As at 31 December 2023, the Remaining Group's financial assets at fair value through profit or loss with carrying amounts of nil were pledged as collateral for the Group's bank facilities.

***Future Plans for Material Investments or Capital Assets***

The Remaining Group does not have existing plans for material investments or capital assets. The Remaining Group's plan is to gradually focus more on sourcing customer orders to work with external sub-contractors, and to minimize headcounts and reduce fixed costs.

***Contingent Liabilities and Guarantee***

The Remaining Group did not have any contingent liabilities as at 31 December 2023.

***Employees and Remuneration Policies***

As at 31 December 2023, the Group had 397 employees with the total staff costs amounted to approximately HK\$59.7 million and the Remaining Group employed 22 employees with the total remuneration for the year ended 31 December 2023 amounted to approximately HK\$8.8 million assuming the Shenzhen Factory discontinued operation on 31 December 2023 hypothetically. The employee's remuneration was determined by reference to the market salary of their respective experience and performance. The Remaining Group provided training to its employees to improve and upgrade their management and professional skills.

**Six months ended 30 June 2024*****Business review***

During the six months ended 30 June 2024, the Remaining Group generated revenue of HK\$41.0 million.

***Segment Information***

During the six months ended 30 June 2024, the revenue of the Remaining Group had one segment, being sales of book and paper products.

The Remaining Group had non-current assets which amounted to approximately HK\$113.0 million, mainly comprising of property, plant and equipment that amounted to approximately HK\$113.0 million as at 30 June 2024.

The Remaining Group had cash and bank balances which amounted to approximately HK\$0.4 million as at 30 June 2024.

The current liabilities of the Remaining Group as at 30 June 2024 amounted to approximately HK\$141.8 million.

The Remaining Group's total bank borrowings, other loans, overdrafts and lease liabilities amounted to approximately HK\$122.5 million as at 30 June 2024.

The Remaining Group's gearing ratio was approximately 39.0 which is calculated on the basis of the Group's total bank loans, other loans, overdraft, and lease liabilities over the total equity as at 30 June 2024.

The Asset did not form any part of the pledge/charge to secure any borrowings of the Remaining Group.

The Remaining Group's committed borrowing facilities amount to approximately HK\$115,634,000 as at 30 June 2024.

As at 30 June 2024, the net asset of the Remaining Group amounted to approximately HK\$3.1 million.

### ***Capital Structure***

As at 30 June 2024, the capital of the Remaining Group comprised only ordinary shares.

### ***Significant Investment held by the Remaining Group***

The Remaining Group did not have significant investment as at 30 June 2024.

### ***Significant Investments, Acquisitions and Disposal***

The Remaining Group did not have any material acquisitions and disposal of associates and joint ventures during the six months ended 30 June 2024.

### ***Treasury Policies***

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

### ***Exposure to Fluctuations in Exchange Rates***

Most of the Remaining Group's assets, liabilities and transactions are mainly denominated in HK\$. The Directors do not consider that the Remaining Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or any other alternatives have been implemented.

### ***Charge on the Remaining Group Assets***

As at 30 June 2024, the bank facilities were secured by the Remaining Group's investment properties, property, plant and equipment and corporate guarantees from the Company and certain subsidiaries. These bank facilities amounted to HK\$115,634,000 as at 30 June 2024. These facilities were utilised to the extent of HK\$108,163,000 as at 30 June 2024.

As at 30 June 2024, the Remaining Group's properties with carrying amount of HK\$40,022,000 were pledged as collateral for the Remaining Group's banking facilities.

As at 30 June 2024, the Remaining Group's investment properties with carrying amount of HK\$45,869,000 were pledged for the Group's banking facilities.

***Future Plans for Material Investments or Capital Assets***

The Remaining Group does not have existing plans for material investments or capital assets. The Remaining Group's plan is to gradually focus more on sourcing customer orders to work with external sub-contractors, and to minimize headcounts and reduce fixed costs.

***Contingent Liabilities and Guarantee***

The Remaining Group did not have any contingent liabilities as at 30 June 2024.

***Employees and Remuneration Policies***

As at 30 June 2024, the Remaining Group had 22 employees with the total staff costs amounted to approximately HK\$5.8 million. The employee's remuneration was determined by reference to the market salary of their respective experience and performance. The Remaining Group provided training to its employees to improve and upgrade their management and professional skills.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular, 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 document misleading.

## 2. DISCLOSURE OF INTEREST

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

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

#### (a) *Interests in the Company*

Name of Director	Capacity	Number of shares	Percentage of interest in the Company
Mr. Lam Sam Ming ("Mr. Lam") (Notes 1 and 3)	Interest of controlled corporation	48,000,000	55.17%
Ms. Yao Yuan ("Ms. Yao") (Notes 2 and 3)	Interest of spouse	48,000,000	55.17%

*Notes:*

- These 48,000,000 shares are held by First Tech Inc. ("First Tech"), which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 48,000,000 shares under the SFO.
- Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.

3. The Company was notified by First Tech, a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its shares (the “**Charged Shares**”) in the issued share capital of the Company in favour of Infinity (as defined below) as security for a loan granted by Infinity to First Tech. First Tech is wholly owned by Mr. Lam, the chairman and controlling shareholder of the Company. As at the Latest Practicable Date, the Charged Shares represent 8.28% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

**(b) Interest in associated corporation of the Company**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of interest in the Company</b>
Mr. Lam	First Tech	Beneficial owner	50,000	100%

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

**(ii) Interests and/or short position of substantial shareholders in the shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

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

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of interest in the Company</b>
First Tech	Beneficial owner	48,000,000	55.17%
Infinity Credits Co., Limited (“ <b>Infinity</b> ”) <i>(Note)</i>	Person having security interest in the shares	7,200,000 (L)	8.28%



*Note:*

Infinity is wholly owned by Infinity International Holding Limited which is in turn held by Zhao Zhisheng as to 50% and by Cheung Ting Kin as to 50%. Each of Infinity International Holding Limited, Zhao Zhisheng and Cheung Ting Kin is deemed to be interested in 8.28% of total issued shares of the Company under SFO.

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

Save as disclosed in this circular, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. INTERESTS IN CONTRACT OR ARRANGEMENT**

As at the Latest Practicable Date, (a) none of the Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up; and (b) none of the Directors was materially interested in contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

### **4. LITIGATION**

Save for the Labour Arbitration Award and Prosperous (SZ) Employees' potential legal action to pursue against Prosperous (SZ) for the remaining 65% economic compensation as disclosed in the announcement dated 19 June 2024, neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other member of the Group as at the Latest Practicable Date.

### **5. SERVICE CONTRACTS**

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

**6. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into under the ordinary course of business of the Group) have been entered into by the Company within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the Agreement.

**7. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

**8. AUDIT COMMITTEE**

The audit committee was established on 15 November 2017 with its written terms of reference in compliance with the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The audit committee consists of three members, being Ms. Cheung Yin (Chairman), Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gene. For detailed biography of the audit committee members, please refer to the 2023 annual report of the Company.

**9. GENERAL**

- (a) The registered office, head office and principal place of business in Hong Kong of the Company is at 3/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Mr. Chen Kun, who is a practising solicitor in Hong Kong.

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

#### **10. DOCUMENTS ON DISPLAY**

Pursuant to paragraph 42 of Appendix D1B to the GEM Listing Rules, the issuer shall set out in the listing document the details of a reasonable period of time (being not less than 14 days) during which the documents as required under the paragraph are published on the Stock Exchange's website and the issuer's own website.

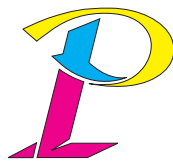
Accordingly, copies of the following documents will be published on the websites of the Company ([www.prosperous-printing-group.com.hk/en/](http://www.prosperous-printing-group.com.hk/en/)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) during a period of 14 days from the date of this circular (both days inclusive):

- (a) the articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (c) the annual report of the Company for the year ended 31 December 2021;
- (d) the annual report of the Company for the year ended 31 December 2022;
- (e) the annual report of the Company for the year ended 31 December 2023; and
- (f) the interim report of the Company for the six months ended 30 June 2024.

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## NOTICE OF EGM

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### **Prosperous Printing Company Limited**

### **萬里印刷有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8385)**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (“**EGM**”) of Prosperous Printing Company Limited (the “**Company**”) will be held at 3/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong at 10:00 a.m. on Thursday, 19 September 2024 for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTION**

To consider, approve, confirm and ratify the execution of the Agreement and to approve the Disposal and all transactions contemplated under the Agreement; and hereby to authorize the Directors to execute all documents, exercise the powers of the Company, do such acts and things and to take all steps as they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder.

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

Hong Kong, 3 September 2024

*Registered office and principal  
place of business in Hong Kong:*  
3/F, Yip Cheung Centre  
10 Fung Yip Street  
Chai Wan, Hong Kong

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## NOTICE OF EGM

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*Notes:*

- (1) A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and to vote on his behalf. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon must be deposited with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority.
- (4) Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.
- (5) Save for any resolution(s) approving the procedural and administrative matters, any voting of the EGM should be taken by poll.
- (6) The register of members of the Company will be closed from Monday, 16 September 2024 to Thursday, 19 September 2024 both days inclusive, during which period no transfer of shares of the Company can be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 13 September 2024.