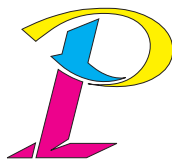


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## **Prosperous Printing Company Limited**

**萬里印刷有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8385)**

### **VERY SUBSTANTIAL DISPOSAL: DISPOSAL OF ASSET INSIDE INFORMATION: LABOUR ARBITRATION AWARD RESUMPTION OF TRADING**

The Board announces that 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 a 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.

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.

Further, a group of 291 employees of Prosperous (SZ) obtained Labour Arbitration Award dated 12 June 2024 against Prosperous (SZ) for employment related payment of approximately RMB25,399,608, for which the proceeds of Disposal will be used to partially settle.

#### **INTRODUCTION**

The Board announces that 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 to settle outstanding payment of Shenzhen Factory staff's salary, social security fund, housing provident fund and other employment-related payment.

## THE AGREEMENT

The summary of principal terms of the Agreement is as follows:

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.

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 date of this announcement, the payment (1) and (2) have been settled. As the date of removal of Asset has not been determined, the payment (3) is still pending.

- (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, Purchaser shall pay RMB3,700,000 (subject to verification of salary amount) to settle the outstanding salary to Shenzhen Factory staff.
- (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 and 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 who holds 55.17% in nominal value of the issued share capital of the Company. As such, it is expected the removal of Asset will be completed by end of August 2024.

The Consideration of the Asset was determined between Prosperous (SZ) and the Purchaser on arm's length basis with reference to the price of a 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 printing industry. Prosperous (SZ) Employees have also participated in considering the credentials of the Purchaser to ensure its capability of payment.

## **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, and the Company intends to dispose of machinery to settle outstanding payment of Shenzhen Factory's staff salary, social security fund and housing provident fund. 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. 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.

## **INSIDE INFORMATION – LABOUR ARBITRATION AWARD**

A group of 291 employees (“**Applicants**”) of Prosperous (SZ) had commenced arbitration against Prosperous (SZ), and the Shenzhen Labor and Personnel Dispute Arbitration Commission issued the Labour Arbitration Award dated 12 June 2024 holding that:

- (1) Prosperous (SZ) shall pay the Applicants wages in the amount of RMB3,266,776 for the period from 1 March 2024 to 31 May 2024.
- (2) The Applicants were dismissed by early termination of their employment contract;
- (3) Prosperous (SZ) shall pay the Applicants economic compensation of RMB21,469,750 for termination of their employment contract;
- (4) For the 16 employees claiming the one-off disability employment benefit, Prosperous (SZ) shall pay a one-off disability employment benefit in the total amount of RMB663,082.16.

Accordingly Prosperous (SZ) is legally obliged to settle the judgment as soon as possible. As such, Prosperous (SZ) need to utilize the proceeds from Disposal to settle the Labour Arbitration Award.

The total amount of the Labour Arbitration Award is approximately RMB25,399,608 which is expected to be settled with the proceeds of Disposal, except for 65% of the economic compensation, for which there is no sufficient proceeds of Disposal to settle.

The Directors hereby confirm that, to their knowledge and belief, save as disclosed in this announcement and as at the date of this announcement, there is no other inside information which is required to be disclosed pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

## FINANCIAL EFFECTS ON THE GROUP

Based on, inter alia, the Consideration of RMB20,680,000 (approximately HK\$22.3 million) and the unaudited carrying value of the Asset was RMB19,427,848 as at 31 May 2024, the Group currently expects to record a gain on disposal of approximately RMB1.25 million.

## 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>20,680,000</u>

*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.

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 date of this announcement, 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.

## **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).

## **IMPLICATIONS UNDER THE 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.

## **EGM**

The EGM will be convened to consider, and if thought fit, to approve the Agreement and the transactions contemplated thereunder.

## GENERAL

A circular containing, among other things, (i) details of the Agreement and transactions contemplated thereunder, (ii) the financial information of the Group; (iii) information of the Asset, (iv) the unaudited pro forma financial information of the Group as at completion of Disposal; and (v) the notice of EGM, is expected to be dispatched to the Shareholders on or before 10 July 2024.

## RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company (the “Shares”) on the GEM of Stock Exchange was suspended with effect from 9:00 a.m. on 11 June 2024 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 20 June 2024.

## DEFINITIONS

“Agreement”	Machinery Disposal and Fund Supervision Agreement (設備買賣及資金支付監管合同)
“Applicants”	the employees of Prosperous (SZ) who applied for arbitration award against Prosperous (SZ)
“Asset”	please refer to “Agreement – Asset”
“Board”	the board of Directors
“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 “Agreement – Consideration”
“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 to approve the Disposal
“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
“GEM”	the GEM of the Stock Exchange
“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 Chai Wan, Hong Kong
“Labour Arbitration Award”	Please refer to “Agreement – Labour Arbitration Award” in this announcement
“Machinery”	Please refer to “Agreement – Asset” in this announcement
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, 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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of the shares of the Company



“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 19 June 2024

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

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

*This announcement will remain on the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company at [www.prosperous-printing-group.com.hk](http://www.prosperous-printing-group.com.hk)*