

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Prosperous Printing Company Limited

萬里印刷有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 8385)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE PROPERTIES OF THE GROUP

THE AGREEMENTS

The Board is pleased to announce that on 25 January 2021, each of the Vendors (being the Company's subsidiaries) respectively entered into the Agreement with the Purchaser, pursuant to which each of the Vendors respectively agreed to sell, and the Purchaser agreed to purchase, the Properties, which comprise the Premises and the Carpark, at the aggregate consideration of HK\$13,500,000.

The Purchaser will, on completion, grant one or more leases to the Vendor for leasing the Properties.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Chapter 19 of the GEM Listing Rules) in respect of the disposal of the Properties are more than 5% but all are below 25% when aggregated, the disposal of the Properties constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

On 25 January 2021, each of the Vendors respectively entered into the Agreement with the Purchaser, pursuant to which each of the Vendors respectively agreed to sell, and the Purchaser agreed to purchase, the Properties, which comprise the Premises and the Carpark, at the aggregate consideration of HK\$13,500,000.

The Purchaser will, on completion, grant one or more leases to the Vendor(s) for leasing the Properties.

A summary of the major terms of the Agreements is set out below:

KEY TERMS OF THE FIRST AGREEMENT FOR THE SALE AND PURCHASE OF THE PREMISES

Date : 25 January 2021

Parties : (1) the First Vendor (an indirect wholly-owned subsidiary of the Company), as vendor
(2) the Purchaser, as purchaser

Property : The Premises

Consideration : The consideration for the disposal of the Premises is HK\$12,500,000 which shall be paid by the Purchaser to the First Vendor in the following manner:

- (i) HK\$375,000 shall be paid being deposit upon signing of the First Agreement;
- (ii) HK\$1,500,000 shall be paid on or before 31 January 2021; and
- (iii) HK\$10,625,000 being the balance of the consideration shall be paid on the Completion Date.

The consideration was determined after arm's length negotiations between the First Vendor and the Purchaser on normal commercial terms and with reference to the prevailing property market price in Hong Kong and the valuation obtained by the Company.

Completion : Completion shall take place on or before the Completion Date.

KEY TERMS OF THE SECOND AGREEMENT FOR THE SALE AND PURCHASE OF THE CARPARK

- Date : 25 January 2021
- Parties : (1) the Second Vendor (an indirect wholly-owned subsidiary of the Company), as vendor
(2) the Purchaser, as purchaser
- Property : The Carpark
- Consideration : The consideration for the disposal of the Carpark is HK\$1,000,000 which shall be paid by the Purchaser to the Second Vendor in the following manner:
- (i) HK\$30,000 shall be paid being deposit upon signing of the Second Agreement;
 - (ii) HK\$120,000 shall be paid being deposit on or before 31 January 2021; and
 - (iii) HK\$850,000 being the balance of the consideration shall be paid on the Completion Date.
- The consideration was determined after arm's length negotiations between the Second Vendor and the Purchaser on normal commercial terms and with reference to the prevailing property market price in Hong Kong and the valuation obtained by the Company.
- Completion : Completion shall take place on or before the Completion Date.

LEASE BACK ARRANGEMENT

The Purchaser (as lessor) will, on the Completion Date, grant one or more leases to the Vendor(s) (as lessee) and/or a member(s) of the Group for leasing the Properties, which are currently mainly used as the office/production site and car parking space of the Group on the following terms:

	The Premises	The Carpark
Term:	A fixed term of 2 years	A fixed term of 2 years
Monthly rent (inclusive of the management fee, government rates and government rent):	HK\$51,000 per month	HK\$4,000 per month

The rents were determined after arm's length negotiations between the Group and the Purchaser with reference to the prevailing market rents for comparable premises in the area where the Properties is situated.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As the Properties are occupied for self-use by the Group, no rental income was generated to the Group since the Properties were acquired by the Company in October 2016.

The Properties were valued at an aggregate value of HK\$14,350,000 as at 31 December 2020 by Centaline Surveyors Limited, an independent property valuer appointed by the Company.

As at 31 December 2020, the Properties had an aggregate carrying value of HK\$12,546,000. Taking into account the fair market value of the Properties, the carrying amount of the Properties, recognition of the carrying value of the right of use of the Properties upon the sale and leaseback and the expenses incurred for the sale and purchase of the Properties, the Group is expected to record an unaudited estimate gain of approximately HK\$1,500,000.

It is expected that the net proceeds from the disposal of the Properties will be used by the Group for repaying the bank loans due by the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors are of the view that it is a good opportunity for the Group to dispose of the Property to improve cashflow as well as to reduce the gearing and interest expenses of the Group, while the lease back arrangement will ensure that there would not be interruption to the Group's operation.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreements and the transactions contemplated thereunder (including the slight discount over the valued price of the Properties considering the recent market situation, and the lease back arrangement) are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PURCHASER

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

To the best of the knowledge, information and belief upon reasonable enquiries by the Directors, the Purchaser is an investment holding company, which is wholly-owned by Mr. Ho, who was the former company secretary of the Company who resigned with effect from 31 December 2020, and is the principal of David Ho and Company (“**DHC**”), a firm of certified public accountants in Hong Kong. DHC has been the auditors of the Vendors. DHC will cease to be auditors of the Vendors and will not be engaged for the Vendors’ audit works. Save and except the above, neither the Purchaser nor Mr. Ho is otherwise related to the Company, and hence, the Directors consider that each of the Purchaser and its ultimate beneficial owner, being Mr. Ho, is an Independent Third Party.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Chapter 19 of the GEM Listing Rules) in respect of the disposal of the Properties are more than 5% but all are below 25% when aggregated, the disposal of the Properties constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Agreement(s)”	collectively the First Agreement and the Second Agreement
“Board”	the board of Directors
“Carpark”	Car Parking Space No. P16 on Basement, Yip Cheung Centre, No.10 Fung Yip Street, Hong Kong

“Company”	Prosperous Printing Company Limited, a limited liability company incorporated in Hong Kong, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8385)
“Completion Date”	31 March 2021, being the date of completion of the sale and purchase of the Properties under the Agreements
“Directors”	the directors of the Company
“First Agreement”	the provisional sale and purchase agreement dated 25 January 2021 entered into between the First Vendor and the Purchaser in relation to the sale and purchase of the Premises
“First Vendor”	Tactful Hero Limited (豪雄有限公司), a company incorporated in Hong Kong with limited liability, and is a subsidiary of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM on the Stock Exchange
“Group”	the Company and its subsidiaries
“Independent Third Party”	a party independent of and not connected with (within the meaning of the GEM Listing Rules) the Company and its connected persons
“Mr. Ho”	Mr. Ho Tai Wai David
“Premises”	Factory Units F, G and H with Flat Roof on 4th Floor, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong
“Properties”	collectively the Premises and the Carpark
“Purchaser”	MG Capital Asia Limited, a company incorporated in Hong Kong with limited liability, and is wholly-owned by Mr. Ho
“Second Agreement”	the provisional sale and purchase agreement dated 25 January 2021 entered into between the Second Vendor and the Purchaser in relation to the sale and purchase of the Carpark

“Second Vendor”	Super Noble Limited (雄順有限公司) a company incorporated in Hong Kong with limited liability, and is a subsidiary of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively the First Vendor and the Second Vendor, and “Vendor” means any of them (as the case may be)

By order of the Board of
Prosperous Printing Company Limited
Lam Sam Ming
Chairman

Hong Kong, 25 January 2021

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 the 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 enquires, 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 (www.hkgem.com) on the “Latest Company Announcements” page for at least seven days from the day of its posting. This announcement will also be published on the Company’s website at www.prosperous-printing-group.com.hk.