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SUN HING PRINTING HOLDINGS LIMITED

新興印刷控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1975)

MAJOR TRANSACTION IN RELATION TO HUIZHOU FACTORY LEASING

HUIZHOU FACTORY LEASING

The Board announces that on 6 September 2021 (after trading hours), the Tenant, an indirect wholly-owned subsidiary of the Company, the Landlord and the Guarantor entered into the Provisional Tenancy Agreement in respect of the Huizhou Factory Leasing for a term of ten years tentatively commencing from 18 September 2021 to 17 September 2031. As at the date of this announcement, the construction of the Huizhou Factory is complete. The commencement of the Huizhou Factory Leasing is subject to the execution of the Formal Tenancy Agreement.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the Huizhou Factory Leasing will require the Group to recognise the fixed portion of the rent for the Huizhou Factory as right-of-use assets on its consolidated statement of financial position. Therefore, the Huizhou Factory Leasing and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use assets recognised by the Company under the Huizhou Factory Leasing amounted to approximately RMB113.7 million (equivalent to approximately HK\$136.4 million).

As the applicable percentage ratio(s) as defined under the Listing Rules in respect of the acquisition of right-of-use assets recognised by the Group pursuant to HKFRS 16 based on the consideration under the Huizhou Factory Leasing is 25% or more but is less than 100%, the Huizhou Factory Leasing constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Huizhou Factory Leasing and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Huizhou Factory Leasing. As the Company will obtain the Written Approval, in the event the Written Approval is obtained by the Company, the Company is exempted from convening a general meeting to approve the Huizhou Factory Leasing and the transactions contemplated thereunder. The Company will make further announcement after it has obtained the Written Approval.

A circular containing, among other things, further particulars of the Huizhou Factory Leasing and the transactions contemplated thereunder, will be despatched to the Shareholders on or before 17 September 2021.

INTRODUCTION

The Board announces that on 6 September 2021 (after trading hours), the Tenant, an indirect wholly-owned subsidiary of the Company, the Landlord and the Guarantor entered into the Provisional Tenancy Agreement in respect of the Huizhou Factory Leasing for a term of ten years tentatively commencing from 18 September 2021 to 17 September 2031. As at the date of this announcement, the construction of the Huizhou Factory is complete. The commencement of the Huizhou Factory Leasing is subject to the execution of the Formal Tenancy Agreement.

PROVISIONAL TENANCY AGREEMENT

The principal terms of the Provisional Tenancy Agreement are as follow:

Date: 6 September 2021

Parties:

- (1) Huizhou Weilan Sports Equipment Company Limited*
(惠州市蔚藍體育用品有限公司) (i.e. the Landlord)
- (2) Tung Pak Printing (Huizhou) Company Limited*
(東柏彩印(惠州)有限公司) (i.e. the Tenant)
- (3) Mr. Chen Zhencheng* (陳鎮城) (i.e. the Guarantor)

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) and the Guarantor are Independent Third Parties.

Huizhou Factory:

The Huizhou Factory will be the Group's future production base and is located at Zhongkai High-Tech Industrial Development Zone, Huizhou City, Guangdong Province, the PRC* (中國廣東省惠州市仲愷高新區) with a total gross floor area of approximately 65,270.91 square metres, which shall include the production factory (inclusive of office premises), dormitory and security room.

The Landlord shall promptly handle the application of the property ownership certificate* (不動產產權證書) and complete the filing procedures of the construction completion acceptance* (竣工驗收備案手續) in accordance with the Cooperation Framework Agreement.

Further, the Landlord agreed to complete the construction completion acceptance* (竣工驗收) before 30 October 2021, complete the filing procedures of the construction completion acceptance* (竣工驗收備案手續) for the Huizhou Factory before 15 January 2022, and obtain the property ownership certificate* (不動產產權證書) of the Huizhou Factory before 30 April 2022. After obtaining the property ownership certificate* (不動產產權證書) of the Huizhou Factory, the Landlord shall conduct the tenancy registration and filing procedures* (租賃房屋登記備案手續) for the Huizhou Factory.

If the Landlord fails to complete the construction completion acceptance* (竣工驗收) or the filing procedures of the construction completion acceptance* (竣工驗收備案手續) for the Huizhou Factory, or fails to obtain the property ownership certificate* (不動產產權證書) of the Huizhou Factory, by the aforesaid deadlines, the rental payment shall be suspended until the Landlord completes or obtains the same.

The Huizhou Factory has a total of seven floors above the ground.

The total gross floor area of the Huizhou Factory is 65,270.91 square metres of which:

- (1) Production factory: 53,009.23 square metres
- (2) Dormitory: 12,201.5 square metres
- (3) Security room: 60.18 square metres

It shall also be free for the Tenant to use the open area surrounding the Huizhou Factory, which is owned by the Landlord, for car parking during the lease term.

Save and except a bank mortgage of the land where the Huizhou Factory was built, the Huizhou Factory and the land where it was built were free from any other encumbrances or legal defects such as other mortgages and seizures.

Usage: The Huizhou Factory is used for the Tenant's printing production and operation purposes, or for the Tenant's other business purposes.

In order to meet the Tenant's business needs, the Landlord shall ensure complete infrastructure, complete facilities for communication, water supply, power supply, and domestic sewage treatment, and the capacity or load shall meet the actual needs of the Tenant for printing industry production and operation.

Term: The lease term shall be ten years tentatively commencing from 18 September 2021 to 17 September 2031

Rent: The monthly rent for the first three years of the lease term shall be calculated at the rate of RMB19.0 per square metre, and shall be increased to RMB21.85 per square metre from the fourth to sixth year, and further increased to RMB25.1275 per square metre for the rest of the lease term. All the three rates are inclusive of tax and management fee.

The annual rent (inclusive of tax and management fee) shall be approximately:

(1) for the first three years of the lease term (i.e. from 18 September 2021 to 17 September 2024):

RMB14.9 million (equivalent to approximately HK\$17.9 million) per annum

(2) for the fourth to sixth year of the lease term (i.e. from 18 September 2024 to 17 September 2027):

RMB17.1 million (equivalent to approximately HK\$20.5 million) per annum

(3) from the seventh year onwards of the lease term (i.e. from 18 September 2027 to 17 September 2031):

RMB19.7 million (equivalent to approximately HK\$23.6 million) per annum

The rent does not include the water and electricity fees incurred by the Tenant, which shall be borne by the Tenant solely.

The rent under the Huizhou Factory Leasing has been determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the Huizhou Factory.

Payment terms:

The rent shall be payable in advance on or before the fifth day of each and every calendar month. After three days from the Landlord's demand, any overdue payment will be subject to a daily penalty fee of 0.1% of the overdue amount.

Given that Tung Pak (SZ) has already paid the Landlord rental prepayment of RMB10.0 million in accordance with the Cooperation Framework Agreement, the Landlord and the Tenant agreed that the aforementioned prepayment will off-set the rent for a period of eight months since the commencement date of the Huizhou Factory Leasing with the surplus to be returned from the Landlord to the Tenant.

Deposit:

Tung Pak (SZ) has already paid the Landlord a deposit of RMB5.0 million in accordance with the Cooperation Framework Agreement, and the Landlord, the Tenant and Tung Pak (SZ) agreed to transfer the said deposit to become the rental deposit under the Huizhou Factory Leasing.

After the expiry of the lease, the rental deposit shall be returned to the Tenant without interest within three days after vacating the premises.

Pre-emptive rights:

During the lease term or when the lease term expires, the Tenant shall have the priority to purchase the Huizhou Factory.

The purchase price shall be based on the valuation results of the land use rights of the land where the Huizhou Factory is located and the value of the Huizhou Factory by the respective appraisal agency appointed by the Landlord and the Tenant, each of which shall possess securities and futures qualifications, and the purchase price shall be determined by the Landlord and the Tenant after negotiation. Nevertheless, the purchase price shall not exceed the valuation results issued by the appraisal agencies by 20%.

At the end of the lease term, if the Landlord continues to lease out the Huizhou Factory, the Tenant shall have the priority to lease under the same conditions.

Conditions precedent:

Unless otherwise agreed by all parties, the Provisional Tenancy Agreement shall contain the major terms of the Formal Tenancy Agreement. All parties agreed that:

- (I) on or before 18 September 2021 (or such other day as agreed by the parties) (the “**Long Stop Date**”), they shall negotiate, prepare and enter into the Formal Tenancy Agreement; and
- (II) the entering into the Formal Tenancy Agreement shall be subject to the following conditions precedent having been fulfilled:
 - (1) the Company being satisfied with the contents and conclusions of the PRC legal opinion issued by a PRC lawyer on issues in relation to the Huizhou Factory Leasing;
 - (2) all necessary consents and approvals in connection with the Huizhou Factory Leasing and the transactions contemplated thereunder having been obtained by the Company from the Stock Exchange or any governmental and regulatory authority (unless otherwise agreed);

- (3) the Company having issued the announcement and the circular in relation to the Huizhou Factory Leasing and the transactions contemplated thereunder;
- (4) the resolutions to approve the Huizhou Factory Leasing and the transactions contemplated thereunder having been obtained from the Shareholders; and
- (5) the Landlord has issued a leasing notice* (出租通知函) to the bank, being the mortgagee of the land where the Huizhou Factory was built, to notify the bank about the Huizhou Factory Leasing, and the bank has acknowledged and agreed to the Huizhou Factory Leasing, and if in the future the bank having to exercise its rights as the mortgagee, it will duly inform the bidders about the tenancy of the buildings on such land, as a condition of acquisition that the bidders should accept.

If the parties fail to enter into the Formal Tenancy Agreement on or before the Long Stop Date pursuant to the above, the Provisional Tenancy Agreement shall terminate and be of no further effect. The Landlord and the Guarantor shall return the deposit of RMB15.0 million to Tung Pak (SZ) in accordance with the relevant term of the Cooperation Framework Agreement, and no party shall have any claim against or liability to the other party save for any antecedent breaches.

RIGHT-OF-USE ASSETS

The value (unaudited) of the right-of-use assets recognised by the Company about the Huizhou Factory Leasing amounted to approximately RMB113.7 million (equivalent to approximately HK\$136.4 million) which is the present value of total consideration payable throughout the lease term under the Huizhou Factory Leasing and adjustment to fair value at initial recognition of refundable rental deposit in accordance with HKFRS 16. Incremental borrowing rate of 7.0% is applied to compute the present value of total consideration payable under the Huizhou Factory Leasing.

INFORMATION ON THE PARTIES

The Group is a one-stop printing service provider.

The Tenant is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The Tenant principally engages in printing and related operations.

The Landlord is a company incorporated in the PRC with limited liability and is indirectly owned as to 40% by Mr. Chen Junbin* (陳俊彬), as to 40% by Mr. Chen Kuibin* (陳葵彬) and as to 20% by a PRC company which is owned as to 80% by Mr. Chen Zhencheng* (陳鎮城) and as to 20% by Mr. Chen Ruijun* (陳瑞君), respectively.

The Guarantor is Mr. Chen Zhencheng* (陳鎮城).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) and the Guarantor are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE HUIZHOU FACTORY LEASING

Reference is made to the prospectus of the Company dated 2 November 2017, and the three announcements of the Company dated 11 July 2018, 6 September 2019 and 11 August 2020 respectively.

As set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 2 November 2017 and the announcement of the Company dated 11 August 2020, the Group intended to apply approximately HK\$31.0 million or approximately 25.0% of the net proceeds to relocate the Group's production base from the Shenzhen Factory to the Huizhou Factory and expected to fully utilise the relevant net proceeds on or before 31 March 2022.

Further, as disclosed in the announcement of the Company dated 11 August 2020, the Group's current tenancy agreement of the Shenzhen Factory will expire in March 2022. As such, on 3 June 2019, the Group entered into the Cooperation Framework Agreement with, among others, the Landlord regarding the development and construction of the Huizhou Factory, and the leasing of the Huizhou Factory to the Group.

As the construction of the Huizhou Factory is complete and the Landlord is under the process of obtaining all the necessary consents, approvals, certificates and registrations in connection with the Huizhou Factory Leasing (including but not limited to the completion of the construction completion acceptance* (竣工驗收) and the filing procedures of the construction completion acceptance* (竣工驗收備案手續), and the obtaining of the property ownership certificate* (不動產產權證書)), the Group entered into the Provisional Tenancy Agreement with, among others, the Landlord to conclude the major terms of the Huizhou Factory Leasing.

The Huizhou Factory is located at Zhongkai High-Tech Industrial Development Zone, Huizhou City, Guangdong Province, the PRC. Huizhou City is located at the southeastern part of Guangdong Province and has the second largest area in the Greater Bay Area. Further, Zhongkai High-Tech Industrial Development Zone is one of the major development areas in Huizhou City at the national level and is also the PRC's first electronic information industrial base at the national level, with relatively complete supply chains of mobile communications, panel display, automotive electronics, light-emitting diode (LED) and new energy.

Benefited from a modern comprehensive transport network gradually taking shape in Huizhou City, the Huizhou Factory is located at approximately 70 k.m. away from the Shenzhen Factory and approximately 75 k.m. away from the container port in Yantian, Shenzhen, the PRC.

Given that (i) the production capacity of the Shenzhen Factory, especially during the peak seasons, had been almost saturated; and (ii) the Group's current tenancy agreement of the Shenzhen Factory will expire in March 2022, the Directors consider that it would be in the best interests to relocate the Group's production base from the Shenzhen Factory on or before the expiry of the current tenancy agreement in March 2022 to the Huizhou Factory, which has a larger production factory with gross floor area of approximately 53,000 sq. m. as compared to the production factory of the Shenzhen Factory with gross floor area of approximately 26,000 sq.m..

As the Group's current tenancy agreement of the Shenzhen Factory will expire in March 2022, in order to minimise any potential disruption of the operations of the Group, the Directors consider that it is suitable to enter into the Provisional Tenancy Agreement at this stage in order to have sufficient time to renovate the Huizhou Factory for efficient relocation and production use.

In addition, the Directors consider that the Huizhou Factory is a newly constructed premises which will allow the Group to renovate and move in facilities which are suitable for the Group's production, with a larger production capacity as compared with the Shenzhen Factory, which will minimise the operational cost of the Group in the PRC by achieving economies of scale, and in turn improve the competitiveness of the Group by meeting customers' requirements for larger orders. As such, the Directors consider that the Huizhou Factory is a suitable premises to be used as the Group's production base.

Further, the rent under the Huizhou Factory Leasing has been determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the Huizhou Factory.

In light of the reasons stated above, the Directors are of the view that the terms of the Huizhou Factory Leasing and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations, in the ordinary and usual course of business and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has material interest in the Huizhou Factory Leasing and the transactions contemplated thereunder, and therefore no Director is required to abstain from voting on the Board resolutions approving the Huizhou Factory Leasing and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the Huizhou Factory Leasing will require the Group to recognise the fixed portion of the rent for the Huizhou Factory as right-of-use assets on its consolidated statement of financial position. Therefore, the Huizhou Factory Leasing and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use assets recognised by the Company under the Huizhou Factory Leasing amounted to approximately RMB113.7 million (equivalent to approximately HK\$136.4 million).

As the applicable percentage ratio(s) as defined under the Listing Rules in respect of the acquisition of right-of-use assets recognised by the Group pursuant to HKFRS 16 based on the consideration under the Huizhou Factory Leasing is 25% or more but is less than 100%, the Huizhou Factory Leasing constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Huizhou Factory Leasing and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Huizhou Factory Leasing. As the Company will obtain the Written Approval, in the event the Written Approval is obtained by the Company, the Company is exempted from convening a general meeting to approve the Huizhou Factory Leasing and the transactions contemplated thereunder. The Company will make further announcement after it has obtained the Written Approval.

A circular containing, among other things, further particulars of the Huizhou Factory Leasing and the transactions contemplated thereunder, will be despatched to the Shareholders on or before 17 September 2021.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sun Hing Printing Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1975)
“connected person”	shall have the meaning ascribed to it under the Listing Rules
“controlling Shareholder”	shall have the meaning ascribed to it under the Listing Rules
“Cooperation Framework Agreement”	the cooperation framework agreement dated 3 June 2019 and entered into between, among others, the Landlord and Tung Pak (SZ) regarding the development and construction of the Huizhou Factory, and the leasing of the Huizhou Factory to the Group
“Director(s)”	the director(s) of the Company

“Formal Tenancy Agreement”	the formal tenancy agreement to be entered into between the Landlord, the Tenant and the Guarantor on or before 18 September 2021 in relation to the Huizhou Factory Leasing
“Greater Bay Area”	the Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) is a concept which was mentioned in the 13th Five-Year Plan in 2016. The basic principles of the plan include that the Greater Bay Area is to be driven by innovation and led by reform, to coordinate regional development, to create a platform for opening up and to adhere to “one country, two systems”. The Greater Bay Area is positioned to leverage the advantages of Hong Kong and Macau, as free and open economies, and Guangdong, as a pioneer of reform and opening up, and to continue deepening reform and further opening up. The Greater Bay Area targets at setting an example for expedite institutional innovation and pilot implementation, developing a modern economic system, better integrating into the global market system, building a global base of emerging industries, advanced manufacturing and modern service industries, and developing an internationally competitive world-class city cluster
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Chen Zhencheng* (陳鎮城)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou Factory”	the Group’s future production base located at Zhongkai High-Tech Industrial Development Zone, Huizhou City, Guangdong Province, the PRC* (中國廣東省惠州市仲愷高新區)

“Huizhou Factory Leasing”	the leasing of the Huizhou Factory by the Tenant from the Landlord pursuant to the Provisional Tenancy Agreement
“Independent Third Party(ies)”	a third party or third parties independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive, substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Landlord”	Huizhou Weilan Sports Equipment Company Limited* (惠州市蔚藍體育用品有限公司), a company incorporated in the PRC with limited liability on 29 December 2016 and is indirectly owned as to 40% by Mr. Chen Junbin* (陳俊彬), as to 40% by Mr. Chen Kuibin* (陳葵彬) and as to 20% by a PRC company which is owned as to 80% by Mr. Chen Zhencheng* (陳鎮城) and as to 20% by Mr. Chen Ruijun* (陳瑞君), respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Provisional Tenancy Agreement”	the provisional tenancy agreement dated 6 September 2021 and entered into between the Landlord, the Tenant and the Guarantor in relation to the Huizhou Factory Leasing
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen Factory”	the Group’s current production base located at Long Gang Zone, Shenzhen, the PRC* (中國深圳市龍崗區)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tenant”	Tung Pak Printing (Huizhou) Company Limited* (東柏彩印(惠州)有限公司), a company incorporated in the PRC with limited liability on 12 June 2019 and an indirect wholly-owned subsidiary of the Company
“Tung Pak (SZ)”	Tung Pak Printing (Shenzhen) Company Limited* (東柏彩印(深圳)有限公司), a company incorporated in the PRC with limited liability on 1 July 1994 and an indirect wholly-owned subsidiary of the Company
“Written Approval”	the written approval from Goody Luck Limited and Goody Capital Limited, which together hold 360,000,000 issued ordinary Shares (representing 75% of its entire issued share capital as at the date of this announcement) in respect of the Huizhou Factory Leasing and the transactions contemplated thereunder
“%”	per cent.

By Order of the Board
Sun Hing Printing Holdings Limited
Mr. CHAN Peter Tit Sang
Chairman and Executive Director

Hong Kong, 6 September 2021

For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.20.

As at the date of this announcement, the Board comprises Mr. Chan Peter Tit Sang, Mr. Chan Kenneth Chi Kin, Mr. Chan Chi Ming and Mr. Chan Chun Sang Desmond as Executive Directors, and Mr. Ng Sze Yuen Terry, Dr. Chu Po Kuen Louis and Mr. Wong Kam Fai as Independent Non-executive Directors.

* *For identification purposes only*