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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)**

### **MAJOR TRANSACTION IN RELATION TO NEW LEASE AGREEMENTS**

#### **NEW FACTORY LEASE AGREEMENT**

Reference is made to the announcement of the Company dated 25 March 2019. In view of the forthcoming expiry on 30 March 2022 of the Previous Factory Lease Agreement in respect of the lease of the Shenzhen Factory, Prosperous (SZ), a wholly-owned subsidiary of the Company, as lessee, and the Lessor entered into the New Factory Lease Agreement for the renewal of the lease of the Shenzhen Factory under the Previous Factory Lease Agreement for a term of three years.

#### **NEW WAREHOUSE LEASE AGREEMENT**

Reference is made to the announcement of the Company dated 29 May 2020, 5 June 2020 and 28 December 2020. In view of the forthcoming expiry on 30 March 2022 of the Previous Warehouse Lease Agreement in respect of the lease of the Warehouse, Prosperous (SZ), a wholly-owned subsidiary of the Company, as lessee, and the Lessor entered into the New Warehouse Lease Agreement for the renewal of the lease of part of the Warehouse under the Previous Warehouse Lease Agreement for a term of three years.

#### **IMPLICATIONS UNDER THE HKFRS AND THE GEM LISTING RULES**

In accordance with HKFRS 16 “Leases”, the Group will recognise a right-of-use asset and lease liabilities on its consolidated statement of financial position in connection with the new leases of the Shenzhen Factory and the Shenzhen Warehouse under the New Lease Agreements. Accordingly, the entering into each of the New Factory Lease Agreement and the New Warehouse Lease Agreement by Prosperous (SZ) will be regarded as an acquisition of a capital asset for the purposes of the GEM Listing Rules.

Since the New Factory Lease Agreement and the New Warehouse Lease Agreement will be entered into by the Group with the Lessor at the same time, and both the premises belong to the Registered Owner, the transactions under these New Lease Agreements shall be aggregated.

As the relevant percentage ratios for the New Lease Agreements are more than 25% but less than 100%, the transactions contemplated under the New Lease Agreements constitutes a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules. Accordingly, the transactions contemplated under the New Lease Agreements are subject to notification, announcement, reporting and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the New Lease Agreements, thus no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the New Lease Agreements.

#### **GENERAL**

The Company has obtained a written approval from First Tech Inc., the controlling shareholder of the Company holding 480,000,000 ordinary shares of the Company, representing 60% of the total issued shares of the Company as at the date of this announcement, in lieu of holding a general meeting to approve the New Lease Agreements and the transactions contemplated therein in accordance with Rule 19.44 of the GEM Listing Rules. As disclosed in the circular of the Company dated 26 January 2022, First Tech Inc. will continue to hold at least 51% of the total issued shares of the Company after completion of the rights issue.

The Circular containing, among other matters, further information on the New Lease Agreements and the transactions contemplated therein shall be despatched in due course in compliance with the GEM Listing Rules.

#### **INTRODUCTION**

Reference is made to the announcements of the Company dated 25 March 2019, 29 May 2020, 5 June 2020 and 28 December 2020 in relation to, among others, the leases of the Shenzhen Factory and the Shenzhen Warehouse.

In view of the forthcoming expiry on 30 March 2022 of the Previous Factory Lease Agreement in respect of the lease of, among others, the Factory, Prosperous (SZ), a wholly-owned subsidiary of the Company, as lessee, and the Lessor, entered into the New Factory Lease Agreement for the renewal of the lease of the Shenzhen Factory for a term of three years.

In view of the forthcoming expiry on 30 March 2022 of the Previous Warehouse Lease Agreement in respect of, among others, the lease of the Warehouse, Prosperous (SZ), a wholly-owned subsidiary of the Company, as lessee, and the Lessor, entered into the Warehouse Lease Agreement for the renewal of the lease of the Shenzhen Warehouse for a term of three years.

The details of the New Lease Agreements are as follows:

**(A) NEW FACTORY LEASE AGREEMENT**

<b>Date of entering the New Factory Lease Agreement:</b>	8 March 2022
<b>Parties:</b>	(1) Prosperous (SZ) (as lessee) and (2) the Lessor (as lessor)
<b>Term:</b>	From 31 March 2022 to 31 March 2025
<b>Early Termination</b>	It is not permitted under the New Factory Lease Agreement.
<b>Location of the lease premise:</b>	Ci Chang Road No. 8, Bao An Qu, Yuan Shan Jie Dao, Long Gang District, Shenzhen, Guangdong, the PRC* (中國廣東省深圳市龍崗區園山街道保安區賜昌路8號)
<b>Security deposit and payment arrangement:</b>	Prosperous (SZ) shall pay RMB1,675,998 to the Lessor within three days after the signing date of the New Factory Lease Agreement, which is the aggregate sum of:  (a) two months of rent (RMB1,117,332) as the security deposit; and  (b) one month of rent (RMB558,666) as the prepaid monthly rental respectively.
<b>Rent-free Day:</b>	31 March 2022
<b>Monthly rental:</b>	Under the New Factory Lease Agreement, the monthly rental for the first year commencing from 1 April 2022 to 31 March 2023 shall be RMB558,666, the monthly rental for the period commencing from 1 April 2023 to 31 March 2024 shall be RMB586,600, and the monthly rental for the period commencing from 1 April 2024 to 31 March 2025 shall increase to RMB615,930. Prosperous (SZ) shall pay the monthly rental within the first tenth day of each month to the Lessor.

The monthly rental is higher than RMB407,668 during 1 April 2021 to 30 March 2022 under the Previous Factory Lease Agreement.

**Gross floor area:** 14,575.48 m<sup>2</sup> for factory use, and 4,460 m<sup>2</sup> for dormitory use.  
(Total: 19,035.48 m<sup>2</sup>)  
The size is the same as the Previous Factory Lease Agreement

**Renewal:** The lease will not be automatically renewed upon the expiry of the New Factory Lease Agreement.

**(B) NEW WAREHOUSE LEASE AGREEMENT**

**Date of entering the New Warehouse Lease Agreement:** 8 March 2022

**Parties:** (1) Prosperous (SZ) (as lessee) and  
(2) the Lessor (as lessor)

**Term:** From 31 March 2022 to 31 March 2025

**Early Termination** It is not permitted under the New Warehouse Lease Agreement.

**Location of the lease premise:** 1F, 2F and 4F, Dadi Factory Block A, Ao Bei Factory Zone, Ci Chang Road No. 8, Bao An Community, Yuan Shan Jie Dao, Long Gang District, Shenzhen, Guangdong, the PRC\* (中國廣東省深圳市龍崗區園山街道保安社區賜昌路8號坳背廠區的大底廠區A棟1F, 2F及4F).

**Security deposit:** Prosperous (SZ) shall pay RMB651,600 to the Lessor within three days after the signing date of the New Warehouse Lease Agreement, which is the aggregate sum of:

- (a) two months of rent (RMB434,400) as the security deposit; and
- (b) one month of rent (RMB217,200) as the prepaid monthly rental respectively.

<b>Rent-free Day:</b>	31 March 2022
<b>Monthly rental:</b>	Under the New Warehouse Lease Agreement, the monthly rental for the first year commencing from 1 April 2022 to 31 March 2023 shall be RMB217,200, the monthly rental for the period commencing from 1 April 2023 to 31 March 2024 shall be RMB228,060, and the monthly rental for the period commencing from 1 April 2024 to 31 March 2025 shall increase to RMB239,463. Prosperous (SZ) shall pay the monthly rental within the first tenth day of each month to the Lessor.
	The monthly rental is determined with reference to the Previous Warehouse Lease Agreement.
<b>Gross floor area:</b>	9,050 m <sup>2</sup> (The size is smaller than that of 12,750 m <sup>2</sup> under the Previous Warehouse Lease Agreement)
<b>Renewal:</b>	The lease will not be automatically renewed upon the expiry of the New Warehouse Lease Agreement.

## **REASONS FOR AND BENEFITS OF THE NEW LEASE AGREEMENTS**

As disclosed in the announcements of the Company dated 25 March 2019 and 28 December 2020, the Group has leased and has been using, among others, the Shenzhen Factory and the Shenzhen Warehouse for production and storage purposes. In view of the expiration of the existing leases under the Previous Factory Lease Agreement and the Previous Warehouse Lease Agreement, the Group would need to enter into new lease agreements for production and storage. Having regard that the transportation convenience between Shenzhen and Hong Kong where the Company's headquarter is situated, the Board considered that Shenzhen is an appropriate venue for the Group for such purposes, and by entering into the New Lease Agreements at the existing premises, the Group could save relocation costs.

In order to reduce the operation costs of the Group, upon negotiation with the Lessor, the Group would only renew part of the Shenzhen Warehouse. The gross floor area under the New Warehouse Lease Agreement is 9,050 m<sup>2</sup>, while the gross floor area under the Previous Warehouse Lease Agreement is 12,750 m<sup>2</sup>. The gross floor area under the New Factory Lease Agreement and Old Factory Lease Agreement are the same.

Based on the reasons for and benefits as set out above and with reference to the prevailing market rental of similar property in nearby locations, the Directors (including the independent non-executive Directors) are of the opinion that (1) the transaction under the New Lease Agreements are on normal commercial terms and in the ordinary

and usual course of business of the Group; and (2) that the terms of the New Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INFORMATION ON THE GROUP, THE LESSOR AND THE REGISTERED OWNER**

The Group is principally engaged in the production and trading of books and paper products. The Lessor is Long Yi Shoes (Shenzhen) Company Limited\* (隆禱鞋業(深圳)有限公司) which is a company incorporated in the PRC with limited liability. The Registered Owner of the Shenzhen Factory and Shenzhen Warehouse is Freetrend Industrial Limited (賜昌實業有限公司), which is a company incorporated in Hong Kong with limited liability. The Registered Owner has authorised the Lessor to enter into the New Factory Lease Agreement and New Warehouse Lease Agreement.

The Lessor is principally engaged in, among others, development and wholesale of shoes. Upon reasonable enquiry by Prosperous (SZ), ZHAO Jianzhi (趙健智) is the sole ultimate beneficial owner of the Lessor, and is an Independent Third Party.

The Registered Owner is Freetrend Industrial Limited. Upon reasonable enquiry by Prosperous (SZ), HUANG Chen Yuan (alias James HUANG) (黃振元) is the sole ultimate beneficial owner of the Registered Owner, and is an Independent Third Party.

### **IMPLICATIONS UNDER THE HKFRS AND THE GEM LISTING RULES**

In accordance with HKFRS 16 “Leases”, the Group will recognise a right-of-use asset and lease liabilities on its consolidated statement of financial position in connection with the new leases of the Shenzhen Factory and the Shenzhen Warehouse under the New Lease Agreements. Accordingly, the entering into each of the New Factory Lease Agreement and the New Warehouse Lease Agreement by Prosperous (SZ) will be regarded as an acquisition of a capital asset for the purposes of the GEM Listing Rules.

The unaudited value of right-of-use asset recognised by the Company under the New Lease Agreements amounted to approximately RMB26.91 million.

Since the New Factory Lease Agreement and the New Warehouse Lease Agreement will be entered into by the Group with the same Lessor, at the same time, and both the premises belong to the Registered Owner, the transactions under these New Lease Agreements shall be aggregated.

As the relevant percentage ratios for the New Lease Agreements are more than 25% but less than 100%, the transactions contemplated under the New Lease Agreements constitutes a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules. Accordingly, the transactions contemplated under the New Lease Agreements are subject to notification, announcement, reporting and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the New Lease Agreements, thus no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the New Lease Agreements.

## **GENERAL**

The Company has obtained a written approval from First Tech Inc., the controlling shareholder of the Company holding 480,000,000 ordinary shares of the Company, representing 60% of the total issued shares of the Company as at the date of this announcement, in lieu of holding a general meeting to approve the New Lease Agreements and the transactions contemplated therein in accordance with Rule 19.44 of the GEM Listing Rules. As disclosed in the circular of the Company dated 26 January 2022, First Tech Inc. will continue to hold at least 51% of the total issued shares of the Company after completion of the rights issue.

The Circular containing, among other matters, further information on the New Lease Agreements and the transactions contemplated therein shall be despatched in due course in compliance with the GEM Listing Rules.

## **DEFINITION**

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

“Board”	the board of directors of the Company
“Circular”	the circular to be despatched by the Company in relation to the New Lease Agreements
“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)
“Directors”	the directors 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
“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
“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
“Lessor”	Long Yi Shoes (Shenzhen) Company Limited* (隆禱鞋業(深圳)有限公司), a company incorporated in the PRC with limited liability
“New Factory Lease Agreement”	the lease agreement dated 8 March 2022 entered into between Prosperous (SZ) and the Lessor for the lease of the Shenzhen Factory
“New Lease Agreements”	collectively the New Factory Lease Agreement and the New Warehouse Lease Agreement
“New Warehouse Lease Agreement”	the lease agreement dated 8 March 2022 entered into between Prosperous (SZ) and the Lessor for the lease of the Shenzhen Warehouse
“Previous Factory Lease Agreement”	the lease agreement entered into between Prosperous (SZ) and the Lessor on 25 March 2019 for the lease of the Shenzhen Factory
“Previous Warehouse Lease Agreement”	the lease agreement entered into between Prosperous (SZ) and the Lessor on 28 December 2020 for the lease of the Shenzhen Warehouse
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prosperous (SZ)”	Prosperous Printing (Shenzhen) Co., Ltd. (中萬印刷(深圳)有限公司), a wholly foreign-owned limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Registered Owner”	Freetrend Industrial Limited (賜昌實業有限公司), a company incorporated in Hong Kong with limited liability

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shenzhen Factory”	the property rented under the New Factory Lease Agreement
“Shenzhen Warehouse”	the property rented under the New Warehouse Lease Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 8 March 2022

*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-Gené.*

*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](http://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](http://www.prosperous-printing-group.com.hk).*

\* *For identification purpose only*