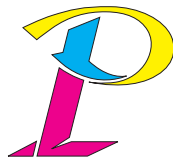


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Prosperous Printing Company Limited

萬里印刷有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 8385)

DISCLOSEABLE TRANSACTION DISPOSAL AND LEASEBACK OF MACHINERY

The Board announces that on 26 April 2022 (after trading hours), Prosperous (SZ), a wholly-owned subsidiary of the Company, entered into the Lease Financing General Agreement with the Purchaser in respect of Prosperous (SZ)'s sale and leaseback of the Machinery.

Since one or more of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of GEM Listing Rules and is subject to the notification and announcement requirements under the GEM Listing Rules.

INTRODUCTION

The Board announces that on 26 April 2022 (after trading hours), Prosperous (SZ), a wholly-owned subsidiary of the Company, entered into the Lease Financing General Agreement with the Purchaser in respect of Prosperous (SZ)'s sale and leaseback of the Machinery.

THE LEASE FINANCING GENERAL AGREEMENT

The summary of principal terms of the Lease Financing General Agreement is as follows:

Date : 26 April 2022

Parties : Prosperous (SZ), as vendor and lessee
the Purchaser, as purchaser and lessor

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

Subject property : The Machinery consists of one eight-color printing machine, one six-color printing machine, one five-color printing machine, one double-color printing machine and two offset press.

Consideration : The total consideration for the sale and purchase of the Machinery is RMB5,600,000, which shall be paid by the Purchaser to Prosperous (SZ) in the following manner:

- (a) RMB4,194,973.33 shall be paid by bank transfer to Prosperous (SZ) on Completion Date;
- (b) RMB600,000 shall be withheld to offset the first rental payment;
- (c) RMB500,000 shall be withheld as Guarantee Sum;
- (d) RMB290,000 shall be withheld as payment of consultation fee for the finance leasing advisory service provided by the Purchaser to Prosperous (SZ)
- (e) RMB15,026.67 shall be withheld to offset the payment for insurance fee of finance leasing.

The Consideration of the Machinery was determined after arm’s length negotiation between Prosperous (SZ) and the Purchaser on arm’s length basis and the Purchaser’s credit valuation of the Machinery with reference to, among others, the lease financing amount.

Completion Date : a date falling within 30 days after signing of the Lease Financing General Agreement, which is currently expected to be 28 April 2022

LEASEBACK

Pursuant to the Lease Financing General Agreement, upon completion of the Disposal, the Purchaser shall lease back the Machinery to Prosperous (SZ) for its use for a term of Leaseback of 23 months commencing immediately from the date of completion of the Disposal. The Machinery will continue to serve as the Group's machinery during the leaseback.

The rental payment schedule is as follows.

No.	Rental Payment Date	Monthly rental amount
1	28 April 2022	RMB600,000
2 – 9	28th day in each calendar month from May to December 2022	RMB290,000
10 – 17	28th day in each calendar month from January 2023 to August 2023	RMB228,000
18 – 24	28th day in each calendar month from September 2023 to March 2024	RMB160,000
	Total:	<u>RMB5,864,000</u>

During the term of Leaseback, if the People's Bank of China's published one to three years RMB lending base interest rate increases by 10% or higher as compared to the rate as at the commencement date of Leaseback, the Purchaser is entitled to request for an equivalent amount of interest increase for the rental payment after serving notice to Prosperous (SZ).

Early Repayment

After obtaining the written consent from the Purchaser, Prosperous (SZ) has the right to repay all the outstanding rental payments early by paying the said outstanding rentals together with a penalty which is equivalent to 5% of the remaining principal.

Guarantee Sum

The Guarantee Sum of RMB500,000 shall serve as security to guarantee Prosperous (SZ)'s obligation under the Lease Financing General Agreement, which may be forfeited as compensation to the Purchaser for Prosperous (SZ)'s breach of the Lease Financing General Agreement.

Buy-back upon expiration of lease term

Upon full settlement of rental payment and expiration of the term of the Leaseback, Prosperous (SZ) is entitled to buy back the Machinery at nil consideration.

Guarantee

Prosperous (SZ)'s repayment obligation under the Leaseback is guaranteed by corporate guarantee of the Company, Super Noble and Tactful Hero (each of Super Noble and Tactful Hero is indirect wholly-owned subsidiary of the Company), as well as personal guarantee (“**Personal Guarantee**”) of Mr. Lam, Ms. Yao and Ms. Yao Lan, who is Ms. Yao's sister.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the 2021 annual report, the Group incurred a loss of approximately HK\$83,086,000 for the year ended 31 December 2021, and as of 31 December 2021, the Group had net current liabilities of approximately HK\$72,595,000.

The Directors believe that the Lease Financing General Agreement and transactions contemplated thereunder represent a good opportunity for the Company to obtain funding to relieve short-term financial pressure. The Directors consider the terms of the Lease Financing General Agreement and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS ON THE GROUP

Based on, inter alia, the Consideration of RMB5.6 million (approximately HK\$6.8 million) and the unaudited carrying value of the Machinery which as at 31 March 2022 was approximately HK\$9.5 million, the Group currently expects to record a loss on disposal of approximately HK\$2.7 million upon Completion. However, it shall be noted that the Group is entitled to buy back the Machinery at nil consideration upon the full settlement of rental payments.

The proceeds arising from the Disposal are expected to be used for general working capital purpose.

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 lease financing. The sole owner of the Purchaser is CTBC International Co., Limited, and is a wholly-owned subsidiary of CTBC Bank Company Limited based in Taiwan.

IMPLICATIONS UNDER THE LISTING RULES

Since one or more of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of GEM Listing Rules and is subject to the notification and announcement requirements under the GEM Listing Rules.

Mr. Lam and Ms. Yao are executive directors of the Company. Each of the Personal Guarantors (Mr. Lam, Ms. Yao and Ms. Yao Lan (sister of Ms. Yao)) is a connected person of the Company. The Personal Guarantee of Mr. Lam, Ms. Yao and Ms. Yao's sister do not require any payment or security from the Group, and as such is financial assistance from connected person to the Group which is conducted on normal commercial terms or better, and not secured by assets of the Group, and therefore is a fully-exempt connected transaction under Rule 20.88 of GEM Listing Rules.

DEFINITIONS

“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
“Completion Date”	please refer to “Lease Financing General Agreement - Completion Date”
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the amount of RMB5.6 million (which is equivalent to approximately HK\$6.8 million), being the consideration to be paid by the Purchaser to Prosperous (SZ) for the Disposal
“Directors”	directors of the Company
“Disposal”	the sale of the Machinery by Prosperous (SZ) to the Purchaser pursuant to the terms of the Lease Financing General Agreement
“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
“Guarantee Sum”	please refer to “Lease Financing General Agreement – Guarantee Sum”
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leaseback”	the leaseback arrangement in respect of the Machinery between Prosperous (SZ) (as lessee) and the Purchaser (as lessor) that will commence upon Completion Date
“Machinery”	Please refer to “Lease Financing General Agreement – Machinery” in this announcement
“Mr. Lam”	Mr. Lam Sam Ming, a controlling Shareholder, an executive Director and the chairman of the Board
“Ms. Yao”	Ms. Yao Yuan, an executive Director and spouse of Mr. Lam
“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”	仲信國際融資租賃有限公司 (unofficial English translation being Zhongxin International Finance Leasing Company Limited), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Lease Financing General Agreement”	the Lease Financing General Agreement as disclosed in this announcement
“Personal Guarantors”	Mr. Lam, Ms. Yao and Ms. Yao Lan (sister of Ms. Yao)
“Personal Guarantee”	The personal guarantee provided by the Personal Guarantors in favour of Purchaser to secure Prosperous (SZ)’s obligations under the Lease Financing General Agreement
“Prosperous (SZ)”	中萬印刷(深圳)有限公司 (Prosperous Printing (Shenzhen) Co., Ltd), a wholly-owned subsidiary of the Company
“Shareholders”	the holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Super Noble”	Super Noble Limited 雄順有限公司, an indirect wholly-owned subsidiary of the Company
“Tactful Hero”	Tactful Hero Limited 豪雄有限公司, an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 26 April 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-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 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