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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Universe Printshop Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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UNIVERSE PRINTSHOP HOLDINGS LIMITED

環球印館控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8448)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF THE MACHINERY AND NOTICE OF EGM

**Independent Financial Adviser to the Independent
Board Committee and the Independent
Shareholders**

Financial Adviser to the Company



Sorrento Capital Limited



**普頓資本有限公司
PROTON CAPITAL LIMITED**

Proton Capital Limited

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Acquisition Agreement is set out on page 19 of this circular. A letter of advice from Proton Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 35 of this circular.

A notice convening the EGM to be held at Workshop A1, Ground Floor, Tsing Yi Industrial Centre Phase 1, No. 1 to 33 Cheung Tat Road, Tsing Yi, New Territories, Hong Kong on Wednesday, 21 June 2023 at 11:00 a.m. (Hong Kong time) is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend and/or vote at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 11:00 a.m. (Hong Kong time) on Monday, 19 June 2023 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the website of the Company at www.uprintshop.hk and the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least seven days from the date of its posting.

31 May 2023

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Acquisition Agreement”	the conditional agreement entered into among the Purchaser, the Vendor and the Foreign Trade Agent on 16 May 2023 (after trading hours) for the Proposed Acquisition
“acting in concert”	has the meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers
“Announcement”	the announcement of the Company dated 16 May 2023 in relation to, among other things, the Proposed Acquisition and the Finance Lease
“BEA”	The Bank of East Asia, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 23)
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday, public holiday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licenced banks are generally open for business in Hong Kong during normal working hours
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Universe Printshop Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8448)
“Completion”	the completion of the Proposed Acquisition in accordance with the terms and conditions of the Acquisition Agreement

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the sale and purchase of the Machinery pursuant to the Acquisition Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Acting in Concert Undertaking”	the deed of acting in concert undertaking dated 4 April 2022 entered into among New Metro, Mr. Lam, Mr. Chau and Mr. Hsu
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purposes of, among other matters, considering and, if thought fit, approving the Acquisition Agreement, the Hire Purchase Agreement and the transactions contemplated thereunder
“Finance Lease”	the proposed finance lease arrangement between the Purchaser (as hirer), BEA (as owner) and the Company (as guarantor) in relation to the hire purchase of the Machinery
“Foreign Trade Agent”	重慶保晟國際貿易有限公司 (transliterated as Chongqing Polysun International Trade Co., Ltd. for identification purposes), a limited liability company established under the laws of the PRC
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“HIBOR”	the Hong Kong Interbank Offered Rate

DEFINITIONS

“Hire Purchase Agreement”	the agreement between the Purchaser and BEA in relation to the financing arrangement for the Proposed Acquisition, together with a guarantee to be executed by the Company for due and prompt payment, performance and discharge by the Purchaser of all its obligations under and compliance under with all provisions of the Hire Purchase Agreement, which are expected to be entered into as soon as practicable upon the obtainment of Independent Shareholders’ approval on the Proposed Acquisition at the EGM
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board comprising all independent non-executive Directors which has been established to advise the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Proton Capital”	Proton Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition
“Independent Shareholder(s)”	Shareholder(s) of the Company other than New Metro, Mr. Chau and Mr. Hsu and those who are required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, is/are not connected with, and are third parties independent of, the Company and its connected persons (as defined in the GEM Listing Rules)

DEFINITIONS

“Latest Practicable Date”	30 May 2023, being the latest practicable date for ascertaining certain information in this circular prior to its printing
“Machinery”	two sets of brand new FUJIFILM four-colour digital inkjet printing machines (model: Jet Press 750S) as specified under the Acquisition Agreement
“Mr. Chau” or “Mr. Chau Man Keung”	Mr. Chau Man Keung, an executive Director
“Mr. Hsu” or “Mr. Hsu Ching Loi”	Mr. Hsu Ching Loi, an executive Director
“Mr. Lam” or “Mr. Lam Shing Tai”	Mr. Lam Shing Tai, an executive Director, the chairman of the Board
“New Metro”	New Metro Inc., a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Lam
“percentage ratios”	has the meaning ascribed to it under the GEM Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Machinery under the Acquisition Agreement
“Purchaser”	Universe Printing Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	素位科技(深圳)有限公司 (transliterated as Suwei Technology (Shenzhen) Co., Ltd. for identification purposes), a limited liability company established under the laws of the PRC
“%”	per cent.

LETTER FROM THE BOARD

UNIVERSE PRINTSHOP HOLDINGS LIMITED

環球印館控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8448)

Executive Directors:

Mr. LAM Shing Tai (*Chairman*)

Mr. CHAU Man Keung

Mr. HSU Ching Loi

Independent Non-executive Directors:

Mr. WONG Chun Kwok

Mr. HO Kar Ming

Ms. SO Shuk Wan

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Shop B3, G/F, Block 3

Kwun Tong Industrial Centre

448-458 Kwun Tong Road

Kwun Tong, Hong Kong

31 May 2023

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO PROPOSED ACQUISITION OF THE MACHINERY
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement in relation to the Proposed Acquisition and the Finance Lease.

On 16 May 2023 (after trading hours), the Purchaser, the Vendor and the Foreign Trade Agent entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, the Vendor has conditionally agreed to sell, and the Foreign Trade Agent has conditionally agreed to provide import/export services in relation to the sale of, the Machinery at the Consideration of HK\$18,700,000. As part of the Consideration will be financed under the hire purchase facility to be provided by BEA, the Purchaser (as hirer), BEA (as owner) and the Company (as guarantor) will enter into the Hire Purchase Agreement for a facility of HK\$16,830,000 after obtainment of the Independent Shareholders' approval at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition Agreement and the Hire Purchase Agreement; (ii) the recommendations from the Independent Board Committee in relation to the Acquisition Agreement and the transactions contemplated thereunder; (iii) the advice from the Independent Financial Adviser in relation to the Acquisition Agreement and the transactions contemplated thereunder; (iv) a notice of the EGM; and (v) other information as required under the GEM Listing Rules.

THE PROPOSED ACQUISITION

The principal terms of the Acquisition Agreement are as follows:

- Date: 16 May 2023 (after trading hours)
- Parties: (i) the Purchaser (as purchaser);
(ii) the Vendor (as vendor); and
(iii) the Foreign Trade Agent (as an agent to facilitate import and export of the Machinery)
- Machinery to be acquired: Two sets of brand new four-colour digital ink-jet printing machines manufactured by FUJIFILM (model: Jet Press 750S)
- Expected date of delivery: Within 90 days from the date of approval of the Independent Shareholders at the EGM in respect of the transactions contemplated under the Acquisition Agreement.
- Consideration and payment terms: The unit price is HK\$9,350,000 per set of the printing machine and the total Consideration for two sets of the printing machines is HK\$18,700,000, which shall be paid in the following manner:
- (i) 10% of the Consideration, being HK\$1,870,000 (the “**Deposit**”) shall be paid by the Purchaser in cash to the Foreign Trade Agent for the Vendor within five Business Days after signing the Acquisition Agreement; and
 - (ii) 90% of the Consideration, being HK\$16,830,000 shall be paid by the Purchaser in cash to the Foreign Trade Agent for the Vendor when installation and testing of the Machinery and training of relevant staff for the operation of the Machinery are completed.

LETTER FROM THE BOARD

Warranty:

The Vendor warrants that the Machinery shall be free from defects in materials and workmanship for a period of one (1) year commencing from the completion of installation and testing of the Machinery and training of relevant staff for the operation of the Machinery.

During the warranty period, the Vendor will be responsible for any service charges and material costs for repairing the Machinery and/or replacement of defective parts of the Machinery.

The warranty does not cover (i) damages caused by misuse, negligence, accident, or alteration of the Machinery by anyone other than the Vendor or their authorised representatives; and (ii) normal wear and tear, routine maintenance, or consumable items.

The Purchaser must promptly notify the Vendor in writing of any defects in the Machinery covered by the warranty.

The Vendor shall not be responsible for any costs associated with removing or reinstalling the Machinery, or for any loss of revenue, profits, or other consequential damages arising from the use or inability to use the Machinery.

The warranty is the sole and exclusive remedy available to the Purchaser for any defects in the Machinery.

Conditions:

The Acquisition Agreement shall be conditional upon the obtaining of the approval of the Independent Shareholders at the EGM in respect of the transactions contemplated under the Acquisition Agreement and the obtainment of relevant hire purchase facility by the Purchaser from bank (the “**Condition(s)**”) within three (3) months from the date of the Acquisition Agreement (the “**Long Stop Date**”).

LETTER FROM THE BOARD

If the Conditions are not fulfilled at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Vendor, the Foreign Trade Agent and the Purchaser may agree in writing to postpone the Long Stop Date by up to three (3) months. If the Long Stop Date is not postponed or the Conditions remain to be fulfilled by 5:00 p.m. (Hong Kong time) on the postponed Long Stop Date, (i) the Vendor and/or the Purchaser may terminate the Acquisition Agreement by written notice to the other parties; (ii) the Foreign Trade Agent for the Vendor and/or the Vendor shall return the Deposit in full to the Purchaser in cash within five (5) calendar days after the Long Stop Date or the postponed Long Stop Date (as the case may be); and (iii) all obligations of the parties to the Acquisition Agreement shall cease except customary surviving provisions and save for rights and liabilities of the parties which have already accrued before termination, such as the Foreign Trade Agent's responsibility in ensuring compliance with relevant laws and regulations relating to the import and export of the Machinery, the Foreign Trade Agent's avoidance of conflict of interest with the Vendor and confidentiality.

The Company has enquired other sellers of printing machines in Hong Kong but could not obtain any immediate quotation of FUJIFILM Jet Press 750S at that moment. Instead, the Company has obtained the official recommended price of FUJIFILM Jet Press 750S from FUJIFILM (China) Investment Co., Ltd. for reference. Since the Vendor is a strategic partner of FUJIFILM (China) Investment Co., Ltd. and an authorised seller of FUJIFILM Jet Press 750S in the PRC and Hong Kong, the Company is more confident in their after sales services such as test and repairing of the Machinery.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor after considering the aforesaid official recommended price and five historical transaction prices of FUJIFILM Jet Press 750S in past five years that are available to the Board where the Consideration per set of the printing machine is within the price range. The Deposit will be funded by internal resources of the Group and the Company intends to obtain bank facility to finance the remaining Consideration by entering into the Hire Purchase Agreement subject to the Independent Shareholders' approval on the Proposed Acquisition at the EGM.

LETTER FROM THE BOARD

The principal terms of the Hire Purchase Agreement are as follows:

Parties:	(i) the Purchaser (as hirer); (ii) BEA (as owner of the Machinery); and (iii) the Company (as guarantor)
Subject assets:	Two sets of brand new four-colour digital ink-jet printing machine manufactured by FUJIFILM (model: Jet Press 750S)
Facility amount:	HK\$16,830,000
Period of hire:	60 months
Interest rate:	One month HIBOR + 2.50% per annum payable on monthly basis
Default interest:	5% per annum over the contractual interest rate of the facility on each overdue instalment
Purchase option:	At the expiry of the hiring period, an option fee of HK\$500 per agreement should be paid.
Guarantee:	The Company shall irrevocably and unconditionally guarantee the due and prompt payment, performance and discharge by the Purchaser of all its obligations under and compliance with all provisions of the Hire Purchase Agreement.

Pursuant to HKFRS 16, the entering into of the Acquisition Agreement and the Hire Purchase Agreement will require the Group to recognise a right-of-use asset. It is expected that the value of right-of-use asset to be recognised by the Group would be approximately HK\$18.8 million under the Acquisition Agreement and the Hire Purchase Agreement calculated based on a discount rate of 6.81667% per annum (i.e. the one month HIBOR of 4.31667% as at the date of the Acquisition Agreement plus 2.50%) assuming that there will be no change in such HIBOR during the lease term.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

The Company and the Purchaser

The Company is an investment holding company. The Group is principally engaged in providing printing services to customers in Hong Kong. The printing services of the Group include offset printing, ink-jet printing and toner-based digital printing.

The Purchaser, namely Universe Printing Holdings Limited, is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business activities of the Purchaser are provision of general printing services and trading of printing products in Hong Kong.

The Vendor

The Vendor, namely 素位科技(深圳)有限公司 (transliterated as Suwei Technology (Shenzhen) Co., Ltd. for identification purposes), is a limited liability company established under the laws of the PRC. The business scope of the Vendor includes, among others, development of internet-of-things technology, provision of supply chain and three dimensional (3D) printing services and sales, installation and maintenance of machinery. The Vendor is also an authorised seller of FUJIFILM (China) Investment Co., Ltd. in respect of the Machinery in the PRC and Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is owned as to 99% by 張少勇 (Zhang Shaoyong) (“**Mr. Zhang**”) and 1% by 任莉 (Ren Li) (“**Ms. Ren**”). As at the Latest Practicable Date, Mr. Zhang was shareholder, legal representative and/or director of various companies indirectly owned by Mr. Lam and/or his close associate, and Ms. Ren was an Independent Third Party.

The Foreign Trade Agent

The Foreign Trade Agent, namely 重慶保晟國際貿易有限公司 (transliterated as Chongqing Polysun International Trade Co., Ltd. for identification purposes), is a limited liability company established under the laws of the PRC. The business scope of the Foreign Trade Agent includes, among others, provision of agency services for international shipment of goods and import and export of goods and technologies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Foreign Trade Agent is owned as to 70% by 李粟 (Li Li) (“**Mr. Li**”) and 30% by 傅博 (Fu Bo) (“**Ms. Fu**”). As at the Latest Practicable Date, Mr. Li was a supervisor of a company indirectly owned by Mr. Lam, and Ms. Fu was an Independent Third Party.

LETTER FROM THE BOARD

Although the Vendor, Mr. Zhang, the Foreign Trade Agent and Mr. Li are not associate of Mr. Lam under the GEM Listing Rules and Mr. Lam does not have any existing or proposed agreement, arrangement, understanding or undertaking with the aforesaid parties in relation to the Proposed Acquisition under Rule 20.18(1) of the GEM Listing Rules, for the avoidance of any potential conflict of interests in view of Mr. Lam's association with Mr. Zhang and Mr. Li, (i) Mr. Lam has voluntarily abstained from voting on the relevant resolutions of the Board; and (ii) New Metro (being a controlling shareholder of the Company and a company beneficially wholly owned by Mr. Lam) also intends to voluntarily abstain from voting on the relevant resolutions at the EGM; and (iii) the Board has decided to take a more stringent corporate governance approach and the Company will fulfil the connected transaction requirements under Chapter 20 of the GEM Listing Rules.

BEA

The Bank of East Asia, Limited is a licensed bank incorporated and domiciled in Hong Kong and the principal activities of which include provision of banking and related financial services. The shares of BEA are listed on the Stock Exchange (stock code: 23). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, BEA and the ultimate beneficial owners of BEA are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION AND THE FINANCE LEASE

The Company is an investment holding company and the Group is principally engaged in providing printing services to customers in Hong Kong. The printing services of the Group include offset printing, ink-jet printing and toner-based digital printing. Generally, offset printing offers consistently high image quality for products and is relatively cost-efficient for large volume print orders. As pre-press setting and plate-making are required for offset printing, it may not be as economical or time efficient for low volume or urgent printing orders as compared to digital printing. Digital printing provides solutions for low volume printing and allows for more flexibility since texts and images can be changed from one copy to the next without stopping or slowing the printing process. In view of the facts that (i) the recent decrease in printing volume per order will lead to lower profit margin due to incurrence of fixed costs regardless of printing volume such as plate-making costs and labour costs and digital printing provides solutions and flexibility to the Group for adjusting printing contents and volume to reduce unit fixed costs; and (ii) the increasing customers' demand on the printing quality and shorter delivery time can be met by using digital printing since while the quality of ink-jet digital printing is comparable to that of off-set printing, the Group can change texts and images of printouts if required by customers without any need to stop/slow down the Machinery and the Group can save time for product transportation as compared with sub-contracting to external service providers, the Company considers that expansion of the Group's digital printing services might fit the business needs of the Group and the types, features and specification of machinery which the Group possesses are crucial factors to maintain its edge in, among others, production capability and efficiency as well as cost efficiency and support the Group's long term development.

LETTER FROM THE BOARD

The Machinery to be acquired pursuant to the Acquisition Agreement comprise two sets of brand new four-colour digital inkjet printing machine manufactured by FUJIFILM (model: Jet Press 750S) accompanied with servers and FUJIFILM XMF Workflow system which enhances printing management for higher efficiency and consistency. Each of Jet Press 750S has a high productivity of 3,600 B2 sheets per hour and resolution up to 1200 x 1200 dot per inch (dpi).

As disclosed in the announcement of the Company dated 18 April 2023, the performance of the Group's traditional printing business in the past years was unsatisfactory and the Board has decided to optimise the Group's production in Hong Kong by balancing the proportion of offset printing which is mainly sub-contracted to external service providers and internal digital printing to cope with the current challenging operating environment. The Company believes that by investing in advanced printing machinery with forefront of technology, the Company could (i) further undertake the production process on its own whilst saving per unit fixed manufacturing costs such as labour costs and plate-making costs and hence would improve the Group's profit margin (after taking into account the interests under the Finance Lease); and (ii) maintain its competitiveness by offering more printing options with higher quality and consistency to meet customers' needs; and (iii) follow the industry trend on technological advancement since the Machinery belongs to the flagship series of commercial use digital inkjet press launched by FUJIFILM in past few years for industry-leading print quality.

The Company intends to obtain bank financing for the Proposed Acquisition in order to retain more capital for its daily operation and business development when opportunities arise. Hence, it is intended that out of the Consideration of HK\$18,700,000, the Deposit of HK\$1,870,000 will be funded by internal resources of the Group whilst the balance of HK\$16,830,000 will be financed by BEA pursuant to the Hire Purchase Agreement.

Therefore, the Board (including the independent non-executive Directors) considers that the Proposed Acquisition, the Finance Lease and the terms of the Acquisition Agreement and the Hire Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE PROPOSED ACQUISITION AND THE FINANCE LEASE

Pursuant to HKFRS 16, the entering into of the Acquisition Agreement and the Hire Purchase Agreement will require the Group to recognise a right-of-use asset, and as a result, the entering into of the Acquisition Agreement and the Hire Purchase Agreement and the transactions contemplated thereunder will be regarded as acquisition of asset by the Group pursuant to the GEM Listing Rules. After commencement of the Finance Lease, the Group, as lessee, shall measure the right-of-use asset using a cost model unless the right-of-use asset relates to a class of plant, property and equipment to which the Group applies Hong Kong Accounting Standard (HKAS) 16's revaluation mode.

LETTER FROM THE BOARD

Under the cost model, a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. The aggregate value of the right-of-use asset to be recognised by the Group at the respective lease commencement date in its consolidated financial statements under the Proposed Acquisition and the Finance Lease is approximately HK\$18.8 million, which is calculated based on the aggregated present values of lease payments discounted using the interest rate implicit in the Finance Lease of 6.81667% per annum (i.e. the one month HIBOR of 4.31667% as at the date of the Acquisition Agreement plus 2.50%) assuming there will be no change in such one month HIBOR during the lease term and lease payments made at or before the lease commencement date (e.g. the Deposit). Along with the recognition of the right-of-use asset, the lease liabilities in the same amount are expected to be recognised. Since the Machinery will be used in production by the Group, the expenses of the Group in relation to the Finance Lease, being depreciation of right-of-use asset and finance costs in the consolidated financial statements of the Group, are expected to increase after entering into the Hire Purchase Agreement.

On the other hand, the Company expects to incur professional fee of approximately HK\$0.6 million for advisory, legal, accounting services etc. in connection with the Proposed Acquisition and the Finance Lease which would be treated as current liabilities of the Group and affect the earnings and cash balance of the Group upon settlement.

It should however be noted that the ultimate effects on the assets and liabilities and profit and loss of the Group as a result of the Proposed Acquisition and the Finance Lease are subject to audit by the auditors of the Company.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the entering into of the Acquisition Agreement and the Hire Purchase Agreement will require the Group to recognise a right-of-use asset. It is expected that the value of right-of-use asset to be recognised by the Group would be approximately HK\$18.8 million under the Acquisition Agreement and the Hire Purchase Agreement calculated based on a discount rate of 6.81667% per annum (i.e. the one month HIBOR of 4.31667% as at the date of the Acquisition Agreement plus 2.50%) assuming that there will be no change in such HIBOR during the lease term.

As the highest applicable percentage ratio in respect of the Proposed Acquisition (after taking into account the Finance Lease) exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Although the Vendor, Mr. Zhang, the Foreign Trade Agent and Mr. Li are not associate of Mr. Lam under the GEM Listing Rules and Mr. Lam does not have any existing or proposed agreement, arrangement, understanding or undertaking with the aforesaid parties in relation to the Proposed Acquisition under Rule 20.18(1) of the GEM Listing Rules, (i) Mr. Lam has voluntarily abstained from voting on the relevant resolutions of the Board; and (ii) New Metro (being a controlling shareholder of the Company and a company beneficially wholly owned by Mr. Lam) also intends to voluntarily abstain from voting on the relevant resolution(s) at the EGM for avoidance of any potential conflict of interests in view of Mr. Lam's association with Mr. Zhang and Mr. Li (please refer to the paragraph headed "Information on the parties" above for details) and the Board has decided to take a more stringent corporate governance approach and the Company will fulfil the connected transaction requirements under Chapter 20 of the GEM Listing Rules, i.e. circular (including independent financial advice) and Independent Shareholders' approval requirements.

LETTER FROM THE BOARD

As at the Latest Practicable Date, (i) New Metro (a company beneficially wholly owned by Mr. Lam, the chairman of the Board and an executive Director) was beneficially interested in 354,659,000 Shares, representing approximately 35.54% of the total issued capital of the Company; (ii) Mr. Chau was beneficially interested in 41,366,000 Shares, representing approximately 4.14% of the total issued capital of the Company; and (iii) Mr. Hsu was beneficially interested in 110,500,000 Shares, representing approximately 11.07% of the total issued capital of the Company. Pursuant to the Deed of Acting in Concert Undertaking, each of New Metro, Mr. Lam, Mr. Chau and Mr. Hsu are deemed to be interested in the Shares held by the others and each of them was therefore interested in 506,525,000 Shares as at the Latest Practicable Date. Given Mr. Chau and Mr. Hsu are both parties acting in concert with Mr. Lam and New Metro pursuant to the Deed of Acting in Concert Undertaking, they will also voluntarily abstain from voting on the relevant resolutions at the EGM approving the Acquisition Agreement, the Hire Purchase Agreement and the transactions contemplated thereunder. Mr. Chau and Mr. Hsu have also voluntarily abstained from voting on the relevant resolutions of the Board.

Since none of the Directors have a material interest in the transactions contemplated under the Acquisition Agreement and the Hire Purchase Agreement, none of the Directors are required to abstain from voting on the relevant resolutions of the Board. Mr. Lam, Mr. Chau and Mr. Hsu have voluntarily abstained from voting on the relevant resolutions of the Board as disclosed above.

Pursuant to the GEM Listing Rules, any shareholder who has a material interest in the transaction must abstain from voting. Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has or is deemed to have a material interest in the Acquisition Agreement, the Hire Purchase Agreement and the transactions contemplated thereunder and therefore, no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Wong Chun Kwok, Mr. Ho Kar Ming and Ms. So Shuk Wan, all being independent non-executive Directors, has been established to advise the Independent Shareholders on matters relating to the Acquisition Agreement and the transactions contemplated thereunder.

The Company has, with the approval of the Independent Board Committee, appointed Proton Capital Limited as the Independent Financial Adviser in accordance with the requirements under the GEM Listing Rules to advise the Independent Board Committee and the Independent Shareholders on matters relating to the Acquisition Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement, the Hire Purchase Agreement and transactions contemplated thereunder.

A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM or any adjournment thereof, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

In compliance with the GEM Listing Rules, the resolutions put to vote at the EGM will be decided by way of poll.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose views on the Proposed Acquisition are set out in the section headed "Letter from the Independent Board Committee" in this circular, after considering the advice from Proton Capital on the Proposed Acquisition) are of the view that the terms of the Proposed Acquisition and the Finance Lease are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Hire Purchase Agreement and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 19 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser set out on pages 20 to 35 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder together with the principal factors and reasons considered by it in concluding its advice; and (iii) the additional information set out in the appendices to this circular.

By order of the Board
Universe Printshop Holdings Limited
Lam Shing Tai
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders as to its opinion and recommendations in respect of the Acquisition Agreement and the transactions contemplated thereunder.

UNIVERSE PRINTSHOP HOLDINGS LIMITED

環球印館控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8448)

31 May 2023

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF THE MACHINERY

We refer to the circular of the Company dated 31 May 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been formed to advise you in respect of the Acquisition Agreement and the transactions contemplated thereunder. Proton Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons that have been taken into consideration in giving such advice, are set out on pages 20 to 35 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

RECOMMENDATION

Having considered the terms of the Acquisition Agreement, the advice of Proton Capital and the relevant information contained in the letter from the Board in the Circular, we consider that the terms of the Acquisition Agreement are (i) fair and reasonable so far as the Independent Shareholders are concerned; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Wong Chun Kwok

*Independent non-executive
Director*

Ho Kar Ming

*Independent non-executive
Director*

So Shuk Wan

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee regarding the Proposed Acquisition for the purpose of inclusion in this circular.



普頓資本有限公司
PROTON CAPITAL LIMITED

Room 2503, 25/F, China Insurance Group Building,
141 Des Voeux Road Central, Central, Hong Kong

31 May 2023

To: *The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF THE MACHINERY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, the details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 May 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 16 May 2023 (after trading hours), the Purchaser, the Vendor and the Foreign Trade Agent entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, the Vendor has conditionally agreed to sell, and the Foreign Trade Agent has conditionally agreed to provide import/export services in relation to the sale of, the Machinery at the Consideration of HK\$18,700,000.

As part of the Consideration will be financed under the hire purchase facility to be provided by BEA, which is an Independent Third Party, the Purchaser (as hirer), BEA (as owner) and the Company (as guarantor) will enter into the Hire Purchase Agreement for a facility of HK\$16,830,000 after obtainment of the Independent Shareholders’ approval at the EGM.

GEM LISTING RULES IMPLICATIONS

As disclosed in the Board Letter, as the highest applicable percentage ratio in respect of the Proposed Acquisition (after taking into account the Finance Lease) exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although the Vendor, Mr. Zhang, the Foreign Trade Agent and Mr. Li are not associate of Mr. Lam under the GEM Listing Rules and Mr. Lam does not have any existing or proposed agreement, arrangement, understanding or undertaking with the aforesaid parties in relation to the Proposed Acquisition under Rule 20.18(1) of the GEM Listing Rules, (i) Mr. Lam has voluntarily abstained from voting on the relevant resolutions of the Board; and (ii) New Metro (being a controlling shareholder of the Company and a company beneficially wholly owned by Mr. Lam) also intends to voluntarily abstain from voting on the relevant resolutions at the EGM for avoidance of any potential conflict of interests in view of Mr. Lam's association with Mr. Zhang and Mr. Li (please refer to the paragraph headed "Information on the parties" in the Board Letter for details) and the Board has decided to take a more stringent corporate governance approach and the Company will fulfil the connected transaction requirements under Chapter 20 of the GEM Listing Rules, i.e. circular (including independent financial advice) and Independent Shareholders' approval requirements.

As at the Latest Practicable Date, (i) New Metro (a company beneficially wholly owned by Mr. Lam, the chairman of the Board and an executive Director) was beneficially interested in 354,659,000 Shares, representing approximately 35.54% of the total issued capital of the Company; (ii) Mr. Chau was beneficially interested in 41,366,000 Shares, representing approximately 4.14% of the total issued capital of the Company; and (iii) Mr. Hsu was beneficially interested in 110,500,000 Shares, representing approximately 11.07% of the total issued capital of the Company. Pursuant to the Deed of Acting in Concert Undertaking, each of New Metro, Mr. Lam, Mr. Chau and Mr. Hsu are deemed to be interested in the Shares held by the others and each of them was therefore interested in 506,525,000 Shares as at the Latest Practicable Date. Given Mr. Chau and Mr. Hsu are both parties acting in concert with Mr. Lam and New Metro pursuant to the Deed of Acting in Concert Undertaking, they will also voluntarily abstain from voting on the relevant resolutions at the EGM approving the Acquisition Agreement, the Hire Purchase Agreement and the transactions contemplated thereunder. Mr. Chau and Mr. Hsu have also voluntarily abstained from voting on the relevant resolutions of the Board.

Since none of the Directors have a material interest in the transactions contemplated under the Acquisition Agreement and the Hire Purchase Agreement, none of the Directors are required to abstain from voting on the relevant resolutions of the Board. Mr. Lam, Mr. Chau and Mr. Hsu have voluntarily abstained from voting on the relevant resolutions of the Board as disclosed above.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Chun Kwok, Mr. Ho Kar Ming and Ms. So Shuk Wan, has been formed to advise the Independent Shareholders on the Proposed Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are not connected with the directors, chief executive and controlling shareholders of the Company or the Vendor or the Foreign Trade Agent or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, save for our engagement as an independent financial adviser in respect of the mandatory unconditional cash offer made by New Metro in respect of the Company, the details of which were set out in the composite document of the Company and New Metro dated 27 April 2022, there was no engagement between the Company or the Vendor or the Foreign Trade Agent and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and controlling shareholders of the Company or the Vendor or the Foreign Trade Agent or any of its subsidiaries or their respective associates that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Proposed Acquisition pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Company, the Directors and the management of the Company (collectively, “**Management**”) and its advisers for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its officers, its advisers and/or the Directors, which have been provided to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 the Circular 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 the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, or their respective subsidiaries or associates. We have not considered the taxation implication on the Group or the Shareholders as a result of the Acquisition Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background

Information of the Group

The Company is an investment holding company. The Group is principally engaged in providing printing services to customers in Hong Kong. The printing services of the Group include offset printing, ink-jet printing and toner-based digital printing.

The Purchaser, namely Universe Printing Holdings Limited, is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business activities of the Purchaser are provision of general printing services and trading of printing products in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical financial information of the Group

Financial performance of the Group

Set out below is a summary of the consolidated financial information of the Group for (i) the two years ended 31 March 2021 (“**FY2021**”) and 2022 (“**FY2022**”) as extracted from the Company’s annual report for FY2022 (“**Annual Report**”); and (ii) the nine months ended 31 December 2021 (“**3Q 2021**”) and 2022 (“**3Q 2022**”) as extracted from the Company’s third quarterly report for 3Q 2022 (the “**3Q 2022 Report**”):

	FY2022		FY2021		3Q 2022		3Q 2021	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(audited)		(audited)		(unaudited)		(unaudited)	
Revenue								
- Offset printing	81,992	72.2%	76,445	74.1%	59,685	76.7%	68,977	73.2%
- Toner-based digital printing	8,413	7.4%	7,101	6.9%	5,457	7.0%	7,213	7.7%
- Ink-jet printing	19,369	17.0%	13,736	13.3%	11,545	14.9%	14,442	15.3%
- Other printing related products	3,878	3.4%	5,851	5.7%	1,085	1.4%	3,542	3.8%
	113,652	100.0%	103,133	100.0%	77,772	100.0%	94,174	100.0%
Gross profit	24,396	-	20,298	-	12,551	-	22,750	-
Gross profit margin	-	21.5%	-	19.7%	-	16.1%	-	24.2%
(Loss)/Profit and total comprehensive income for the year/period attributable to owners of the Company	(4,447)	-	(12,536)	-	(13,088)	-	1,956	-

(a) FY2022 as compared to FY2021

The Group derived its revenue primarily from printing services which accounted for approximately 96.6% of its total revenue for FY2022 (FY2021: 94.3%), in which approximately 72.2% (FY2021: 74.1%) was generated from offset printing.

Total revenue of the Group in FY2022 was approximately HK\$113.7 million, representing a growth of approximately 10.2% as compared to the revenue of approximately HK\$103.1 million for the FY2021. The increase was mainly due to the increase in demand for the Group’s printing services as a result of the improved market sentiment, according to the Annual Report.

Gross profit of the Group increased from approximately HK\$20.3 million for FY2021 to approximately HK\$24.4 million for FY2022, which was in tandem with the increase in revenue and costs of sales. The gross profit margin was approximately 21.5% for FY2022 (FY2021: approximately 19.7%).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The loss and total comprehensive income attributable to owners of the Company was approximately HK\$4.4 million in FY2022 as compared to approximately HK\$12.5 million recorded in FY2021. Excluding the impact of one-off items in the respective financial years, there was a net operating loss of approximately HK\$4.6 million recorded in FY2022 as compared to approximately HK\$9.4 million in FY2021.

(b) 3Q 2022 as compared to 3Q 2021

The Group continued derived its revenue primarily from printing services with accounted for approximately 98.6% of its total revenue for 3Q 2022 (3Q 2021: approximately 96.2%), in which approximately 76.7% (3Q 2021: approximately 73.2%) was generated from offset printing.

The total revenue of the Group for Q3 2022 decreased by approximately HK\$16.4 million or approximately 17.4% to approximately HK\$77.8 million as compared to approximately HK\$94.2 million for Q3 2021. According to the Q3 2022 Report, the decrease in total revenue was mainly contributed by the decline in the demand for printing services activities resulting from the persistence outbreak of COVID-19 in Hong Kong during the period under review.

The gross profit of the Group decreased from approximately HK\$22.8 million for Q3 2021 to approximately HK\$12.6 million for Q3 2022, which was in tandem with the decrease in revenue. The gross profit margin decreased from approximately 24.2% for Q3 2021 to approximately 16.1% for Q3 2022 mainly due to the increase in per unit fixed cost as a result of the decrease in production volume of the Group's printing services.

The loss and total comprehensive income attributable to owners of the Company was approximately HK\$13.1 million in Q3 2022 as compared to a profit and total comprehensive income attributable to owners of the Company of approximately HK\$2.0 million recorded in Q3 2021. This change was mainly due to (i) decrease in gross profit margin as a result of increase in per unit fixed cost as production volume decreased; and (ii) increase in selling and administrative expenses as a result of (a) the one-off legal and professional fees in relation to mandatory unconditional cash offer; (b) the increase in salary costs; and (c) the increase in lease payments due to the opening of flagship stores.

Excluding the impact of one-off items in the respective financial periods, there was a loss attributable to owners of the Company of approximately HK\$15.4 million recorded in Q3 2022 as compared to a profit attributable to owners of the Company of approximately HK\$1.7 million in Q3 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position of the Group

Set out below is a summary of the major information of the consolidated financial position of the Group as at 31 March 2022 and 30 September 2022 as extracted from the Company's interim report for the six months ended 30 September 2022 ("**Interim Report**"):

	As at 31 March 2022 HK\$'000 (audited)	As at 30 September 2022 HK\$'000 (unaudited)
Non-current assets	20,127	24,712
Current assets	<u>29,231</u>	<u>15,863</u>
Total assets	49,358	40,575
Current liabilities	25,065	23,446
Non-current liabilities	<u>4,471</u>	<u>6,552</u>
Total liabilities	29,536	29,998
Net current assets/(liabilities)	4,166	(7,583)
Net assets	19,822	10,577
Cash and cash equivalents	19,113	5,105

In tandem with the loss of the Group recorded for the six months period 30 September 2022, net assets of the Group decreased by approximately HK\$9.2 million from approximately HK\$19.8 million as at 31 March 2022 to approximately HK\$10.6 million as at 30 September 2022.

As at 30 September 2022, the total assets of the Group mainly comprised of property, plant and equipment, right-of-use assets, inventories, trade and other receivables, prepayments and deposits, and cash and cash equivalents, in aggregate amounted to approximately HK\$36.9 million, which represented approximately 90.9% of the total assets. The total liabilities of the Group mainly comprise of trade and other payables and accruals, contract liabilities and lease liabilities of approximately HK\$29.3 million in aggregate, which represented approximately 97.7% of the total liabilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information of the Vendor and the Foreign Trade Agent

(a) *The Vendor*

The Vendor, namely 素位科技(深圳)有限公司 (transliterated as Suwei Technology (Shenzhen) Co., Ltd. for identification purposes), is a limited liability company established under the laws of the PRC. The business scope of the Vendor includes, among others, development of internet-of-things technology, provision of supply chain and three dimensional (3D) printing services and sales, installation and maintenance of machinery. The Vendor is also an authorised seller of FUJIFILM (China) Investment Co., Ltd. in respect of the Machinery in the PRC and Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is owned as to 99% by 張少勇 (Zhang Shaoyong) (“**Mr. Zhang**”) and 1% by 任莉 (Ren Li) (“**Ms. Ren**”). As at the Latest Practicable Date, Mr. Zhang was shareholder, legal representative and/or director of various companies indirectly owned by Mr. Lam and/or his close associate, and Ms. Ren was an Independent Third Party.

(b) *The Foreign Trade Agent*

The Foreign Trade Agent, namely 重慶保晟國際貿易有限公司 (transliterated as Chongqing Polysun International Trade Co., Ltd. for identification purposes), is a limited liability company established under the laws of the PRC. The business scope of the Foreign Trade Agent includes, among others, provision of agency services for international shipment of goods and import and export of goods and technologies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Foreign Trade Agent is owned as to 70% by 李粟 (Li Li) (“**Mr. Li**”) and 30% by 傅博 (Fu Bo) (“**Ms. Fu**”). As at the Latest Practicable Date, Mr. Li was a supervisor of a company indirectly owned by Mr. Lam, and Ms. Fu was an Independent Third Party.

As advised in the Board Letter, although the Vendor, Mr. Zhang, the Foreign Trade Agent and Mr. Li are not associate of Mr. Lam under the GEM Listing Rules and Mr. Lam does not have any existing or proposed agreement, arrangement, understanding or undertaking with the aforesaid parties in relation to the Proposed Acquisition under Rule 20.18(1) of the GEM Listing Rules, for the avoidance of any potential conflict of interests in view of Mr. Lam's association with Mr. Zhang and Mr. Li:

- (i) Mr. Lam has voluntarily abstained from voting on the relevant resolutions of the Board;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) New Metro (being a controlling shareholder of the Company and a company beneficially wholly owned by Mr. Lam) also intends to voluntarily abstain from voting on the relevant resolutions at the EGM; and
- (iii) the Board has decided to take a more stringent corporate governance approach and the Company will fulfil the connected transaction requirements under Chapter 20 of the GEM Listing Rules.

3. Reasons for and benefits from the Proposed Acquisition

The Company is an investment holding company and the Group is principally engaged in providing printing services to customers in Hong Kong. The printing services of the Group include offset printing, ink-jet printing and toner-based digital printing. Generally, offset printing offers consistently high image quality for products and is relatively cost-efficient for large volume print orders. As explained in the Board Letter, as pre-press setting and plate-making are required for offset printing, it may not be as economical or time efficient for low volume or urgent printing orders as compared to digital printing. Digital printing provides solutions for low volume printing and allows for more flexibility since texts and images can be changed from one copy to the next without stopping or slowing the printing process. In view of the facts that (i) the recent decrease in printing volume per order will lead to lower profit margin due to incurrence of fixed costs regardless of printing volume such as plate-making costs and labour costs and digital printing provides solutions and flexibility to the Group for adjusting printing contents and volume to reduce unit fixed costs; and (ii) the increasing customers' demand on the printing quality and shorter delivery time can be met by using digital printing since while the quality of ink-jet digital printing is comparable to that of offset printing, the Group can change texts and images of printouts if required by customers without any need to stop/slow down the Machinery and the Group can save time for product transportation as compared with sub-contracting to external service providers, the Company considers that expansion of the Group's digital printing services might fit the business needs of the Group and the types, features and specification of machinery which the Group possesses are crucial factors to maintain its edge in, among others, production capability and efficiency as well as cost efficiency and support the Group's long term development.

The Machinery to be acquired pursuant to the Acquisition Agreement comprise two sets of brand new four-colour digital inkjet printing machines manufactured by FUJIFILM (model: Jet Press 750S) accompanied with servers and FUJIFILM XMF Workflow system which enhance printing management for higher efficiency and consistency. Each of Jet Press 750S has a high productivity of 3,600 B2 sheets per hour and resolution up to 1200 x 1200 dot per inch (dpi).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the announcement of the Company dated 18 April 2023, the performance of the Group's traditional printing business in the past years was unsatisfactory and the Board has decided to optimise the Group's production in Hong Kong by balancing the proportion of offset printing which is mainly sub-contracted to external service providers and internal digital printing to cope with the current challenging operating environment. The Company believes that by investing in advanced printing machinery with forefront of technology, the Company could (i) further undertake the production process on its own whilst saving per unit fixed manufacturing costs such as labour costs and plate-making costs and hence would improve the Group's profit margin (after taking into account the interests under the Finance Lease); (ii) maintain its competitiveness by offering more printing options with higher quality and consistency to meet customers' needs; and (iii) follow the industry trend on technological advancement since the Machinery belongs to the flagship series of commercial use digital inkjet press launched by FUJIFILM in past few years for industry-leading print quality.

We have reviewed the product specifications and information of the Machinery and noted that the intended use of the Machinery is in line with the existing principal business of the Group. As analysed in the section headed "Historical financial information of the Group" above, among the three printing services provided by the Group, offset printing is the most popular method used by the Group's customers, which accounted for more than approximately 70% of the Group's revenue for FY2021, FY2022 and 3Q 2022. This signified that the Group's customers used to opt for products with high image quality but, as we understood from the Management, the delivery time for offset printing orders is longer because additional time is required for pre-press setting and plate-making. Also, the per unit fixed cost for offset printing will be higher if the production volume is low and this can materially affect the Group's profitability and competitiveness in the commercial printing industry. According to the 3Q 2022 Report, the major factor attributable to the material decrease in the gross profit margin of the Group from approximately 24.2% in 3Q 2021 to approximately 16.1% in 3Q 2022 was the increase in per unit fixed cost as a result of the decrease in production volume.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Management and review of the information of the Machinery, we understand that the Machinery uses the ink-jet digital printing technology and the quality of its printed products is comparable to those produced from offset printing. Nonetheless, no pre-press setting and plate-making are required for the Machinery, this can effectively lower the per unit fixed cost of printing, make low volume printing much more economical and shorten the product delivery time. As the printing process of the Machinery is fully computerised, change of texts and images are possible without any need to stop/slow down the Machinery for making adjustment, this can significantly enhance the printing efficiency. We also understand from the Management that the two new flagship stores opened by the Group under the brand 'Print Shop' in Kwun Tong and Wan Chai in Q3 2022 allowed the Group to reach out more potential customers. The Management observed that in view of the rapid changing business environment in Hong Kong, there have been decrease in printing volume per order while at the same time, customers demand for shorter delivery time with high printing quality. The Management believes the Proposed Acquisition will allow the Group to provide better printing solutions to its customers at a much more competitive price and with high efficiency and therefore, increase the competitiveness of the Group in the commercial printing industry.

We have enquired with the Management the difference between the Machinery which uses digital inkjet printing technology and the toner-based digital printing. We understand that toner-based digital printing is traditional printing method using toner (i.e. powders) as printing materials. Printing quality of products from toner-based digital printing is lower than offset printing and therefore, this printing method is less preferred by customers.

On the basis of the Company's reasons for the Proposed Acquisition as aforesaid, the intended use of the Machinery is in line with the existing principal business of the Group and the expected benefits of the Machinery, we consider that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Terms of the Acquisition Agreement

Below are the principal terms of the Acquisition Agreement:

Date:	16 May 2023 (after trading hours)
Parties:	the Purchaser (as purchaser); the Vendor (as vendor); and the Foreign Trade Agent (as an agent to facilitate import and export of the Machinery)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Machinery to be acquired: Two sets of brand new four-colour digital ink-jet printing machines manufactured by FUJIFILM (model: Jet Press 750S)
- Expected date of delivery: Within 90 days from the date of approval of the Independent Shareholders at the EGM in respect of the transactions contemplated under the Acquisition Agreement.
- Consideration and payment terms: The unit price is HK\$9,350,000 per set of the printing machine and the total Consideration for two sets of the printing machines is HK\$18,700,000, which shall be paid in the following manner:
- (i) 10% of the Consideration, being HK\$1,870,000 (the “**Deposit**”) shall be paid by the Purchaser in cash to the Foreign Trade Agent for the Vendor within five Business Days after signing the Acquisition Agreement; and
 - (ii) 90% of the Consideration, being HK\$16,830,000 shall be paid by the Purchaser in cash to the Foreign Trade Agent for the Vendor when installation and testing of the Machinery and training of relevant staff for the operation of the Machinery are completed.
- Conditions: The Acquisition Agreement shall be conditional upon the obtaining of the approval of the Independent Shareholders at the EGM in respect of the transactions contemplated under the Acquisition Agreement and the obtainment of relevant hire purchase facility by the Purchaser from bank (the “**Condition(s)**”) within three (3) months from the date of the Acquisition Agreement (the “**Long Stop Date**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the Conditions are not fulfilled at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Vendor, the Foreign Trade Agent and the Purchaser may agree in writing to postpone the Long Stop Date by up to three (3) months. If the Long Stop Date is not postponed or the Conditions remain to be fulfilled by 5:00 p.m. (Hong Kong time) on the postponed Long Stop Date, (i) the Vendor and/or the Purchaser may terminate the Acquisition Agreement by written notice to the other parties; (ii) the Foreign Trade Agent for the Vendor and/or the Vendor shall return the Deposit in full to the Purchaser in cash within five (5) calendar days after the Long Stop Date or the postponed Long Stop Date (as the case may be); and (iii) all obligations of the parties to the Acquisition Agreement shall cease except customary surviving provisions and save for rights and liabilities of the parties which have already accrued before termination, such as the Foreign Trade Agent's responsibility in ensuring compliance with relevant laws and regulations relating to the import and export of the Machinery, the Foreign Trade Agent's avoidance of conflict of interest with the Vendor and confidentiality.

The warranty provided by the Vendor in the Acquisition Agreement is set out in the Board Letter.

5. Basis of Determination of the Consideration

The Company advised that the Consideration was determined after arm's length negotiations between the Purchaser and the Vendor after considering the official recommended price from FUJIFLIM (China) Investment Co., Ltd. and five historical transaction prices of FUJIFILM Jet Press 750S in past five years that are available to the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have compared the Consideration per set of the printing machine with the aforesaid official recommended price from FUJIFLIM (China) Investment Co., Ltd. and the aforesaid five historical transaction prices (*Note*) and noted that the Consideration is lower than the aforesaid prices. According to the Acquisition Agreement, no additional cost/service fee is payable by the Group for the shipment of the Machinery from the PRC to Hong Kong via the Foreign Trade Agent and installation and setting up of the Machinery at the Group's factory in Hong Kong.

Note: These historical transaction prices were denominated in RMB but in view that the Consideration is in HK\$, we have converted the RMB historical transaction prices into HK\$ based on the prevailing exchange rate as at the date of the Acquisition Agreement for comparison purpose.

To further assess the fairness and reasonableness of the Consideration, we have searched for the selling price of Jet Press 750S in Hong Kong and the PRC but the result of our research was not fruitful and we could only source one historical indicative selling price, which was before value added tax, in European Union. It seems that Jet Press 750S is a high-end large scale printing machine for commercial/industrial use and thus retail selling price is not readily available from the internet. As such, we have made a direct enquiry with the official sales office of FUJIFILM in Hong Kong for quotation on the selling prices of Jet Press 750S. The result of our comparison of the Consideration (being HK\$9.35 million per unit) with the selling price and quotation obtained by us shows that the Consideration (being HK\$9.35 million per unit) is lower and thus more competitive.

In light of (i) the Consideration was determined after arm's length negotiations among the Vendor and the Purchaser; and (ii) that the Consideration is lower than the official recommended price, the historical transaction prices, the historical indicative selling price (before value added tax) in European Union and the official selling prices obtained by us directly in Hong Kong, we consider that the Consideration of the Proposed Acquisition is fair and reasonable so far as the Independent Shareholders are concerned.

6. Possible financial impacts of the Proposed Acquisition and the Finance Lease

According to the Board Letter, out of the Consideration of HK\$18,700,000, the Deposit of HK\$1,870,000 will be funded by internal resources of the Group whilst the balance of HK\$16,830,000 will be financed by BEA pursuant to the Hire Purchase Agreement.

Please refer to the Board Letter for a summary of the terms of the Hire Purchase Agreement to be entered into between the Group and BEA subject to the Independent Shareholders' approval on the Proposed Acquisition at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has confirmed with us that the Group has already settled the Deposit from its internal resources according to the terms of the Acquisition Agreement. As such, the Group's available cash has been decreased by an amount equivalent to the Deposit of HK\$1,870,000.

According to the Interim Report, the Group's cash and cash equivalents as at 30 September 2022 was approximately HK\$5.1 million only. Nonetheless, we noted that the Company had raised net proceeds of approximately HK\$3.7 million from a placement of new shares completed on 3 May 2023 and disposed of an equipment at the total consideration of HK\$5.2 million in cash in April 2023. Information of the aforesaid fund raising exercises were set out in the Company's announcements dated 18 April 2023, 19 April 2023 and 3 May 2023, respectively. Further, according to appendix I to the Circular, the Directors, taking into account of (i) the internal resources of the Group; (ii) expected cash flows from the Group's operations; and (iii) the cash flow impact of the Proposed Acquisition (after taking into account the available banking facilities to the Group pursuant to the Hire Purchase Agreement), and in the absence of unforeseen circumstances, are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of publication of the Circular.

As further advised by the Company, pursuant to HKFRS 16, the entering into of the Acquisition Agreement and the Hire Purchase Agreement will require the Group to recognise a right-of-use asset. The aggregate value of the right-of-use assets to be recognised by the Group at the respective lease commencement date in its consolidated financial statements under the Proposed Acquisition and the Finance Lease is approximately HK\$18.8 million, which is calculated based on the aggregated present values of lease payments discounted using the interest rate implicit in the lease of 6.81667% per annum (i.e. the one month HIBOR of 4.31667% as at the date of the Acquisition Agreement plus 2.50%) assuming there will be no change in such one month HIBOR during the lease term and lease payments made at or before the lease commencement date (e.g. the Deposit). Along with the recognition of the right-of-use asset, the lease liabilities in the same amount are expected to be recognised. Since the Machinery will be used in production by the Group, the expenses of the Group in relation to the Finance Lease, being depreciation of right-of-use assets and finance costs in the consolidated financial statements of the Group, are expected to increase after entering into the Hire Purchase Agreement.

Apart from the aforesaid, the Company expects to incur professional fee of approximately HK\$0.6 million for advisory, legal, accounting services etc. in connection with the Proposed Acquisition and the Finance Lease which would be treated as current liabilities of the Group and affect the earnings of the Group upon settlement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated in this letter, we are of the opinion that (i) the terms of the Acquisition Agreement are on normal commercial terms; (ii) the terms of the Proposed Acquisition are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the proposed resolutions in this regard.

Yours faithfully,
For and on behalf of
Proton Capital Limited

Josephine Lau
Director – Corporate Finance

Note: Ms. Josephine Lau has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2007. Ms. Lau has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions conducted by companies listed on the Stock Exchange.

1. FINANCIAL INFORMATION

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for each of the three years ended 31 March 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.uprintshop.hk:

- (i) annual report of the Company for the year ended 31 March 2022
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0630/2022063001019.pdf>
- (ii) annual report of the Company for the year ended 31 March 2021
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0630/2021063000652.pdf>
- (iii) annual report of the Company for the year ended 31 March 2020
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0626/2020062601658.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

	<i>Approximately</i> <i>HK\$'000</i>
Current	
Lease liabilities	7,549
Non-current	
Lease liabilities	<u>3,029</u>
Total	<u><u>10,578</u></u>

There were no material contingent liabilities as at 30 April 2023.

Save as aforesaid and apart from normal trade and other payables in the ordinary course of business, as at the close of business on 30 April 2023, the Group did not have any material outstanding:

- (i) debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans (whether they were guaranteed, unguaranteed, secured (whether the security was provided by the Company or by third parties) or unsecured);

- (ii) other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether they were guaranteed, unguaranteed, secured (whether the security was provided by the Company or by third parties) or unsecured;
- (iii) mortgages and charges;
- (iv) lease liabilities or hire purchase commitments; or
- (v) contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors, taking into account of (i) the internal resources of the Group; (ii) expected cash flows from the Group's operations; and (iii) the cash flow impact of the Proposed Acquisition (after taking into account the available banking facilities to the Group pursuant to the Hire Purchase Agreement), and in the absence of unforeseen circumstances, are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

According to the third quarterly report of the Company for the nine months ended 31 December 2022, unaudited revenue of the Company decreased from approximately HK\$94.2 million for the nine months ended 31 December 2021 to approximately HK\$77.8 million for the nine months ended 31 December 2022 mainly due to the decline in the demand for printing services activities resulting from the outbreak of COVID-19 in Hong Kong. The Company recorded an unaudited loss of approximately HK\$13.1 million for the nine months ended 31 December 2022 as compared with an unaudited profit of approximately HK\$2.0 million for the nine months ended 31 December 2021 mainly due to (i) decrease in gross profit margin as a result of increase in per unit fixed cost as production volume decreased; and (ii) increase in selling and administrative expenses as a result of (a) the one-off legal and professional fees in relation to mandatory unconditional cash offer; (b) the increase in salary costs; and (c) the increase in lease payments due to the opening of flagship stores. Save as aforesaid, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The outbreak of COVID-19 in Hong Kong has affected the business and market activities of the Group's customers. These activities were reduced significantly due to the prolonged COVID-19 outbreak. During the nine months ended 31 December 2022, the Group opened two flagship stores under the brand "Print Shop" in Kwun Tong and Wan Chai respectively and relocated two stores in Mong Kok and Yuen Long. The Group believes that relocation of stores may increase its competitiveness in the market. The Group is exploring market opportunities for horizontal expansion and services diversification.

During the year ended 31 March 2022, the Group recorded (i) a revenue of approximately HK\$113.7 million of which approximately HK\$82.0 million (representing approximately 72.1% of total revenue) was attributable to offset printing; and (ii) a gross profit margin of approximately 21.5%. During the six months ended 30 September 2022, the Group recorded (i) an unaudited revenue of approximately HK\$50.3 million of which approximately HK\$38.4 million (representing approximately 76.3% of total revenue) was attributable to offset printing; and (ii) a gross profit margin of approximately 14.6%. The decrease in gross profit margin was mainly due to the increase in per unit fixed cost as a result of the decrease in production volume. In response to this, certain of the Group's production processes have been sub-contracted to external service providers in order to reduce fixed manufacturing costs such as rents and labour costs. During the nine months ended 31 December 2022, the gross profit margin of the Group was approximately 16.1%.

To cope with the current challenging operating environment, the Group has strategically reviewed its existing business model and customers' demand and decided to optimise its production in Hong Kong by balancing the proportion of offset printing and digital printing. The Board believes that the expansion of the digital printing services would enable the Group to efficiently deal with numerous orders with low volume whilst saving per unit fixed manufacturing costs such as labour costs and enhance its printing management for higher efficiency, quality and consistency of its products for customers, and the Proposed Acquisition would also increase the production capability of the Group as well as to equip itself with advanced printing technology to support the Group's long term development in future. The Group will continue to review and implement its business plan to enhance its market share, image, recognition and market reputation.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding (%)
Mr. Lam Shing Tai	Interest in controlled corporation ^(Note 1)	354,659,000	35.54
	Interest held jointly with another person ^(Note 2)	151,866,000	15.21
Mr. Chau Man Keung	Beneficial Owner	41,366,000	4.14
	Interest held jointly with another person ^(Note 2)	465,159,000	46.61
Mr. Hsu Ching Loi	Beneficial Owner	110,500,000	11.07
	Interest held jointly with another person ^(Note 2)	396,025,000	39.68

Long position in ordinary shares of the associated corporation

Name of director	Name of associated corporation	Capacity/Nature of interest	Number of shares held/ interested	Approximate percentage of shareholding (%)
Mr. Lam Shing Tai	New Metro	Beneficial Owner	1	100.00

Notes:

1. Mr. Lam Shing Tai holds 100% of the issued share capital of New Metro. Under the SFO, Mr. Lam is deemed to be interested in the 354,659,000 Shares held by New Metro.
2. Pursuant to the Deed of Acting in Concert Undertaking, each of New Metro, Mr. Lam, Mr. Chau and Mr. Hsu (being the controlling shareholders of the Company) is deemed to be interested in the Shares held by the others. Accordingly, they were each interested in 506,525,000 Shares, representing approximately 50.75% of the entire issued share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name of director	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding (%)
New Metro	Beneficial owner	354,659,000	35.54
	Interest held jointly with another person <i>(Note 1)</i>	151,866,000	15.21
Ms. Fung Chi Kuen	Interest of spouse <i>(Note 2)</i>	506,525,000	50.75
Ms. Siu Man Yam	Interest of spouse <i>(Note 3)</i>	506,525,000	50.75
Ms. Ng Lai Nga	Interest of spouse <i>(Note 4)</i>	506,525,000	50.75

Notes:

- Pursuant to the Deed of Acting in Concert Undertaking, each of New Metro, Mr. Lam, Mr. Chau and Mr. Hsu is deemed to be interested in the Shares held by the others. Accordingly, they were each interested in 506,525,000 Shares, representing approximately 50.75% of the entire issues share capital of the Company as at the Latest Practicable Date. Mr. Lam is the director of New Metro.
- Ms. Fung Chi Kuen is the spouse of Mr. Lam Shing Tai, the chairman of the Board and an executive Director. By virtue of the SFO, Ms. Fung is deemed to be interested in all the Shares in which Mr. Lam is interested or deemed to be interested under the SFO.
- Ms. Siu Man Yam is the spouse of Mr. Chau Man Keung, an executive Director. By virtue of the SFO, Ms. Siu is deemed to be interested in all the Shares in which Mr. Chau is interested or deemed to be interested under the SFO.
- Ms. Ng Lai Nga is the spouse of Mr. Hsu Ching Loi, an executive Director. By virtue of the SFO, Ms. Ng is deemed to be interested in all the Shares in which Mr. Hsu is interested or deemed to be interested under the SFO.

Save as disclosed above and as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

Save as disclosed above and as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. EXPERT AND CONSENT

The following are the name and the qualification of the professional adviser who has given opinion or advice contained or referred to in this circular:

Name	Qualification
Proton Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Proton Capital had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Proton Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group. As at the Latest Practicable Date, Proton Capital did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired or disposed of or leased since 31 March 2022, being the date to which the latest published audited accounts of the Company were made up.

5. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprised three independent non-executive Directors, namely Mr. Wong Chun Kwok, Mr. Ho Kar Ming and Ms. So Shuk Wan, with Mr. Wong Chun Kwok acting as the chairman. The primary duties of the audit committee are (among other things) to review and supervise the financial reporting process and internal control procedures of the Group. Biographical information of each member of the audit committee of the Board are set out below:

Mr. Wong Chun Kwok, aged 41, has over 17 years of experience in accounting and finance. Mr. Wong currently serves as a non-executive director of DW Consulting Corporation Limited, chief financial officer of Huisen Household International Group Limited, a company listed on the Main Board of the Stock Exchange with Stock code 2127 and an independent director of Datasea Inc. (NASDAQ: DTSS). He served as the financial controller from February 2017 to January 2018 and the chief financial officer from January 2018 to August 2020 of Fitness World (Group) Limited. He was a senior associate of PricewaterhouseCoopers Limited (PwC) from January 2016 to January 2017. He worked at Moore Stephens Associates Limited (Hong Kong) as an audit senior associate from October 2010 to December 2015. He worked at KLC CPA Limited from October 2005 to August 2010 with his last position being a supervisor. Mr. Wong is a fellow member of Association of Chartered Certified Accountants and an affiliate member of The Society of Chinese Accountants & Auditors. Mr. Wong obtained his Bachelor of Commerce degree in Accounting from Macquarie University in Sydney, Australia in 2005.

Mr. Ho Kar Ming, aged 51, currently serves as the chief executive officer of Linpons Company Limited, a company established for provision of business advisory and promotion services, communication solution and language training, since September 2021 and the relationship manager of Infinity Asset Management Limited (a corporation licensed by the Securities and Futures Commission to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO) from July 2020 to May 2022. He served as the chief operating officer of Mastermind Strategy Advisors Limited, a company established for provision of business advisory services, from May 2019 to September 2021. He was a senior advisor of Di & Cooke Company Limited, a company established for provision of business advisory services and corporate planning and training, from March 2011 to March 2019. Mr. Ho obtained his Bachelor of Business degree in Banking and Finance from Queensland University of Technology in Australia in March 1995.

Ms. So Shuk Wan, aged 36, has over 10 years of experience in corporate governance. She currently serves as the Hong Kong Company Secretary of SouthGobi Resources Ltd. (“SGQ”), a mining company listed on the Main Board of the Stock Exchange with stock code 1878 and TSX Venture Exchange with stock code SGQ. Ms. So joined SGQ in February 2011 and has held various positions, including assistant company secretary before being appointed as the Hong Kong Company Secretary in January 2021. Ms. So obtained her Bachelor of Business Administration from the Bernard M. Baruch College of the City University of New York in June 2010 and a Master of Corporate Governance from the Hong Kong Polytechnic University in September 2019. Ms. So is an associate member of The Hong Kong Chartered Governance Institute.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and the controlling shareholders of the Company (i.e. New Metro, Mr. Lam, Mr. Chau and Mr. Hsu) and employees of the Company nor their respective close associates had any business or interest which competed or might compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person had or might have with the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

8. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

Save for the two tenancy agreements dated 18 February 2022 entered into between the Purchaser (as tenant) and each of Universe Printing Company Limited and Universe Samfine Limited (as landlords, and both are associates of Mr. Chau and Mr. Hsu under the GEM Listing Rules) in respect of the tenancy of premises in Kwun Tong Industrial Centre, Kowloon with total rents of approximately HK\$3.2 million which were then terminated pursuant to relevant surrender deeds dated 30 August 2022 among the same parties, as at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (ii) none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

- (i) the subscription agreement dated 19 April 2023 entered into between the Company (as issuer), Mr. Tsang Yee Fung (as subscriber) and Mr. Chiu Wan Lung (as subscriber) in relation to the subscription of 98,000,000 new Shares with gross proceeds of HK\$3.92 million (please refer to announcements of the Company dated 19 April 2023 and 3 May 2023 for details);
- (ii) the sale and purchase agreement dated 18 April 2023 entered into between the Purchaser (as vendor) and Advance Graphic Systems Limited (as purchaser) in relation to the disposal of a six-colour offset press at a consideration of HK\$5,200,000 (please refer to announcement of the Company dated 18 April 2023 for details);
- (iii) the surrender deed dated 30 August 2022 entered into between the Purchaser (as tenant) and Universe Printing Company Limited (as landlord) in relation to early termination of the tenancy for premises at Kwun Tong Industrial Centre, Kowloon pursuant to which the Purchaser could save rent of at least approximately HK\$0.7 million (please refer to announcement of the Company dated 30 August 2022 for details);
- (iv) the surrender deed dated 30 August 2022 entered into between the Purchaser (as tenant) and Universe Samfine Limited (as landlord) in relation to early termination of the tenancy for premises at Kwun Tong Industrial Centre, Kowloon pursuant to which the Purchaser could save rent of approximately HK\$0.3 million (please refer to announcement of the Company dated 30 August 2022 for details);
- (v) the tenancy agreement dated 18 February 2022 entered into between the Purchaser (as tenant) and Universe Printing Company Limited (as landlord) in relation to the tenancy agreement for premises at Kwun Tong Industrial Centre, Kowloon with total rent of HK\$2.7 million (please refer to announcement of the Company dated 18 February 2022 for details);

- (vi) the tenancy agreement dated 18 February 2022 entered into between the Purchaser (as tenant) and Universe Samfine Limited (as landlord) in relation to the tenancy agreement for premises at Kwun Tong Industrial Centre, Kowloon with total rent of approximately HK\$0.5 million (please refer to announcement of the Company dated 18 February 2022 for details); and
- (vii) the supplemental agreement dated 13 September 2021 entered into between the Purchaser (as tenant) and Universe Printing Company Limited (as landlord) in relation to the rental discount under the then tenancy agreement for a premises at Kwun Tong Industrial Centre, Kowloon in the amount of approximately HK\$0.1 million (please refer to announcement of the Company dated 13 September 2021 for details).

10. CORPORATE INFORMATION OF THE GROUP

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Shop B3, G/F, Block 3 Kwun Tong Industrial Centre 448-458 Kwun Tong Road Kwun Tong Hong Kong
Principal share registrar	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Branch share registrar and transfer office	Tricor Investor Services Limited 17/F Far East Finance Centre 16 Harcourt Road Hong Kong

Company secretary

Mr. So Hang Fung

- Member of:
 - i) Hong Kong Institute of Certified Public Accountants
 - ii) Association of Chartered Certified Accountants
 - iii) Institute of Chartered Accountants of England and Wales
- Chartered Secretary
- Chartered Governance Professional
- Fellow of The Hong Kong Chartered Governance Institute
- Fellow of The Chartered Governance Institute

Compliance officer

Mr. Chau Man Keung, an executive Director

11. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.uprintshop.hk for a period of 14 days commencing from the date of this circular:

- i. the Acquisition Agreement;
- ii. the contracts referred to in the paragraph headed “9. Material Contracts” above in this appendix;
- iii. the letter from the Independent Financial Adviser, the text of which is set out on pages 20 to 35 of this circular; and
- iv. the written consent referred to in the paragraph headed “4. Expert and Consent” above in this appendix.

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM

UNIVERSE PRINTSHOP HOLDINGS LIMITED

環球印館控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8448)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Universe Printshop Holdings Limited (the “**Company**”) will be held at Workshop A1, Ground Floor, Tsing Yi Industrial Centre Phase 1, No. 1 to 33 Cheung Tat Road, Tsing Yi, New Territories, Hong Kong on Wednesday, 21 June 2023 at 11:00 a.m. (Hong Kong time) for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolution(s) of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- a. the agreement dated 16 May 2023 (the “**Acquisition Agreement**”) and entered into among Universe Printing Holdings Limited (the “**Purchaser**”), 素位科技(深圳)有限公司 (transliterated as Suwei Technology (Shenzhen) Co., Ltd. for identification purposes, the “**Vendor**”) and 重慶保晟國際貿易有限公司 (transliterated as Chongqing Polysun International Trade Co., Ltd. for identification purposes, the “**Foreign Trade Agent**”), pursuant to which the Purchaser has conditionally agreed to purchase, the Vendor has conditionally agreed to sell, and the Foreign Trade Agent has conditionally agreed to provide import/export services in relation to the sale of two sets of brand new FUJIFILM four-colour digital inkjet printing machines (model: Jet Press 750S) (the “**Machinery**”) at the total consideration of HK\$18,700,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified (a copy of which having been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purpose);
- b. the agreement (the “**Hire Purchase Agreement**”) to be entered into among the Purchaser (as hirer), The Bank of East Asia, Limited (“**BEA**”) (as owner) and the Company (as guarantor), pursuant to which the Purchaser will obtain hire purchase facility from BEA with maximum amount of HK\$16,830,000 and the Company will guarantee (the “**Guarantee**”) for due and prompt payment, performance and discharge by the Purchaser of all its obligations under and compliance with all provisions of the Hire Purchase Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified (a copy of which having been produced to the EGM marked “B” and signed by the chairman of the EGM for identification purpose);

NOTICE OF EGM

- c. any one or more directors of the Company be and is hereby generally and unconditionally authorised to do all such acts and things, to sign and execute, perfect, deliver all such documents, deeds, acts, matters and things, as the case may be, for and on behalf of the Company as they may in their discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition Agreement, the Hire Purchase Agreement (including the Guarantee) and the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are in the reasonable opinion of any one or more directors of the Company in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Acquisition Agreement and the Hire Purchase Agreement (including the Guarantee); and
- d. any act done or documents executed (if necessary, under the common seal of the Company) by any director of the Company in relation to or for the purpose of giving effect to the Acquisition Agreement and the Hire Purchase Agreement (including the Guarantee) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

By order of the Board
Universe Printshop Holdings Limited
Lam Shing Tai
Chairman and Executive Director

Hong Kong, 31 May 2023

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Shop B3, G/F, Block 3
Kwun Tong Industrial Centre
448-458 Kwun Tong Road
Kwun Tong
Hong Kong

NOTICE OF EGM

Notes:

1. All resolutions set out in this notice of the EGM will be taken by poll pursuant to the GEM Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the GEM Listing Rules.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. A form of proxy for use at the EGM is being despatched together with this notice. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
5. Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish. In the event that you attend the EGM after having lodged the form of proxy, it will be deemed to have been revoked.
6. The register of members of the Company will be closed from Friday, 16 June 2023 to Wednesday, 21 June 2023, both days inclusive, for the purpose of determining its shareholders' entitlement to attend and vote at the EGM, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the EGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:00 p.m. on Thursday, 15 June 2023.
7. If Typhoon Signal No. 8 or above remains hoisted and/or extreme conditions are in force at or at any time after 9:00 a.m. on the date of the EGM, the EGM will be postponed or adjourned. The Company will post an announcement on the Company's website at www.uprintshop.hk and the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.
8. In the event of any inconsistency, the English language text of this notice shall prevail over the Chinese language text.
9. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal or a Black Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather condition bearing in mind their own situations.
10. References to time and dates in this notice are to Hong Kong time and dates.

NOTICE OF EGM

As at the date of this notice, the directors of the Company (the “**Directors**”) are as follows:

Executive Directors:

Mr. Lam Shing Tai (*Chairman*)

Mr. Chau Man Keung

Mr. Hsu Ching Loi

Independent non-executive Directors:

Mr. Wong Chun Kwok

Mr. Ho Kar Ming

Ms. So Shuk Wan

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 notice 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 notice misleading.

This notice will remain on the website of the Company at www.uptprintshop.hk and the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least seven days from the date of its posting.