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SUN HING PRINTING HOLDINGS LIMITED

新興印刷控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1975)

VOLUNTARY ANNOUNCEMENT – BUSINESS UPDATES

This announcement is made by Sun Hing Printing Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis in relation to the latest business development of the Group.

Reference is made to the voluntary announcement dated 11 July 2018 and the prospectus of the Company dated 2 November 2017 (the “**Prospectus**”), which contained the future plans and uses of net proceeds from the Share Offer of the Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The Group is pleased to announce that on 3 June 2019, the Group entered into a cooperation framework agreement (the “**Cooperation Framework Agreement**”) in relation to the leasing and relocation of the Group’s Shenzhen Factory to the new plant.

According to the Cooperation Framework Agreement, the Developer (as defined below) shall develop and construct factory, office building, staff dormitory and utilities (the “**New Properties**”) on a piece of self-owned industrial land located in Huizhou City (惠州市) in the People’s Republic of China (“**PRC**”) with at least 23,000 sq. m. (the “**Land Parcel**”). The New Properties shall be leased to the Group as its production facilities for its printing business for a term of ten years upon the completion of construction of the New Properties. Details of the leasing of the New Properties are subject to further negotiation and execution of definitive legally binding Tenancy Agreement (to be defined below).

On 26 August 2019, the Developer submitted the relevant materials to the Huizhou Government Affairs Service Platform* (惠州市政務服務平台) and it is expected that the construction land use planning permit (建設工程規劃許可證) and construction permit (施工許可) will be obtained in the fourth quarter in 2019 (subject to approval of the relevant authorities).

MAJOR TERMS OF THE COOPERATION FRAMEWORK AGREEMENT

Major terms of the Cooperation Framework Agreement and the transactions contemplated thereunder are set out below:

Date: 3 June 2019

Parties:

- (i) An Independent Third Party (“**the Developer**”);
- (ii) Tung Pak Printing (Shenzhen) Co., Ltd (東柏彩印(深圳)有限公司) (“**Tung Pak**”), a company incorporated in the PRC with limited liability on 1 July 1994 and an indirect wholly-owned subsidiary of the Company; and
- (iii) Two Independent Third Parties as the guarantors regarding the Developer’s obligations under the Cooperation Framework Agreement.

Requirements of the New Properties: The gross floor area of the New Properties shall not be less than 50,000 sq. m..

The New Properties shall be suitable for the Group to use as its production facilities for its printing business.

The construction drawings of the New Properties shall be approved by the Group in writing. If the Developer and the Group fail to reach consensus as to the construction drawings of the New Properties, the Initial Deposit (to be defined below) shall be refunded to the Group within five days without interest.

* For identification purpose only

The New Properties shall obtain all the necessary licences and permits including but not limited to construction land use planning permit (建設工程規劃許可證), construction permit (施工許可) and property ownership certificate (房屋產權證).

Deposit:

The Group paid the deposit of RMB5,000,000 to the Developer on 10 June 2019 (the “**Initial Deposit**”) which, among other stipulated situations, shall be refunded to the Group within three working days after the expiry of the Lease Term (to be defined below) without interest or the Initial Deposit shall be refunded to the Group within five days without interest if the Developer and the Group fail to reach consensus as to the construction drawings of the New Properties.

The Group shall pay a further deposit of RMB10,000,000 (the “**Further Deposit**”) to the Developer within ten working days after the receipt of the construction permit (施工許可) and the commencement of construction of the New Properties.

The Further Deposit shall be kept in the joint account of the Developer and Tung Pak and shall only be used by the Developer for the construction of the New Properties, failing which the Group has the right to terminate the Cooperation Framework Agreement and claim against the Developer two times the amount of the Further Deposit.

If the New Properties are leased to the Group pursuant to the Cooperation Framework Agreement, the Further Deposit can be used by the Group to offset the rent to be payable by the Group.

If the New Properties cannot be used for the Group as its production facilities for its printing business due to any reasons other than parties’ default (such as the governmental policy), the Initial Deposit and the Further Deposit shall be refunded to the Group without interest.

Lease:	<p>The Developer shall within 26 months from the date of the Cooperation Framework Agreement (i.e. August 2021) complete the construction of the New Properties in accordance with the Cooperation Framework Agreement and deliver possession to the Group for leasing.</p> <p>A separate tenancy agreement to lease the New Properties shall be entered into between the Developer and the Group (the “Tenancy Agreement”).</p> <p>The lease term shall be ten years (the “Lease Term”).</p> <p>The Group shall be responsible for the repair and maintenance of the New Properties during the Lease Term.</p> <p>The monthly rent under the Lease Term will be subject to further negotiations upon the finalising and signing of the Tenancy Agreement.</p> <p>The final gross floor area of the New Properties under the lease shall be determined by the joint on-site inspection by the Developer and the Group.</p>
Pre-emptive rights to acquire and lease renewal:	<p>During the term of the Cooperation Framework Agreement (including the Lease Term), the Developer shall not sell nor lease the Land Parcel and/or the New Properties to any third parties.</p> <p>During the Lease Term or upon the expiry of the Lease Term, the Group shall have the pre-emptive right to acquire the Land Parcel and/or the New Properties. Both parties need to carry out valuation to determine the acquisition consideration.</p>

If the Group acquires the Land Parcel and the New Properties, the Initial Deposit and the remaining Further Deposit can be used to offset the acquisition consideration.

Upon the expiry of the Lease Term, if the Developer chooses to continue to lease out the New Properties, the Group shall have the pre-emptive right to continue to lease the New Properties on the same terms offered from any genuine third parties to the Developer.

EXPECTED TIMETABLE OF THE DEVELOPMENT UNDER THE COOPERATION FRAMEWORK AGREEMENT

To the best knowledge of the Directors, the expected timetable of the development under the Cooperation Framework Agreement is set forth below:

Time	Event
3 June 2019	Signing of the Cooperation Framework Agreement
10 June 2019	Payment of the Initial Deposit
Fourth quarter of 2019	Obtain the construction land use planning permit (建設工程規劃許可證) and the construction permit (施工許可) for the construction of the New Properties
First quarter of 2020	Commencement of construction of the New Properties
10 working days upon obtaining the construction permit	Payment of the Further Deposit
Within 26 months from the date of the Cooperation Framework Agreement (i.e. August 2021)	Practical completion of the New Properties
Fourth quarter of 2021	Negotiating (e.g. joint on-site inspection by the Developer and the Group on the final gross floor area of the New Properties), finalising and signing the Tenancy Agreement

The expected timetable set out above is tentative and for indicative purposes only. The timetable may be varied due to the time required for obtaining the approval from the relevant PRC authorities and the construction progress. Should there be any changes, the Company will issue further announcement(s) on the timetable as and when appropriate in compliance with the Listing Rules.

FINANCIAL EFFECTS OF THE COOPERATION FRAMEWORK AGREEMENT

As at the date of this announcement, having considered that (i) the leasing of the New Properties is subject to numerous requirements and procedures as summarised above; (ii) the Tenancy Agreement shall be entered into between the Developer and the Group after negotiation and obtaining the approval from the relevant PRC authorities; and (iii) the Group currently has no contractual obligation to pay the Further Deposit nor to sign the Tenancy Agreement, the Directors consider that the Cooperation Framework Agreement will not constitute operating lease commitments nor give rise to any acquisition of right-of-use asset of the Company unless and until the Tenancy Agreement was entered into.

Accordingly, saved as the Initial Deposit paid on 10 June 2019, the Directors consider the Cooperation Framework Agreement has no material impact on the Group's financial performance and condition for the financial year ended 30 June 2019.

As disclosed in the Company's 2017/18 annual report dated 18 September 2018, the Group is expected to adopt HKFRS from 1 July 2019 and is currently assessing the impact of HKFRS 16 upon adoption. If the leasing of the New Properties under the Cooperation Framework Agreement materialises and constitutes a notifiable transaction under the Listing Rules, the Company will comply with the applicable requirements of the Listing Rules and make further announcement as and when appropriate.

The Company will make announcement(s), as and when appropriate, in relation to the status of the construction and leasing of the New Properties, the Cooperation Framework Agreement and the relocation plan of the Group in accordance with the Listing Rules.

This announcement is made by the Company on a voluntary basis and does not constitute for the Company a transaction disclosable under Chapter 14 or Chapter 14A of the Listing Rules.

WARNING NOTICE

Shareholders and potential investors of the Company should note that there is no assurance that the leasing of the New Properties and the relocation plan of relocating the Group's Shenzhen Factory to the New Properties will materialise and proceed as planned because the leasing of the New Properties is subject to numerous requirements and procedures as summarised above. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

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

Hong Kong, 6 September 2019

As at the date of this announcement, the Board comprises Mr. Chan Peter Tit Sang, Mr. Chan Kenneth Chi Kin, Mr. Chan Chi Ming and Mr. Chan Chun Sang Desmond as executive directors, Mr. Ng Sze Yuen Terry, Dr. Chu Po Kuen Louis and Mr. Ho Yuk Chi as independent non-executive directors.