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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)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

The board of directors (the “**Board**”) of Sun Hing Printing Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2022 as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| | | For the six months ended | |
|---|--------------|---------------------------------|--------------------|
| | | 31 December | |
| | | 2022 | 2021 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| REVENUE | 3&4 | 344,303 | 358,875 |
| Cost of sales | | <u>(196,244)</u> | <u>(225,870)</u> |
| Gross profit | | 148,059 | 133,005 |
| Other income | 4 | 3,079 | 920 |
| Government grants | 4 | 276 | 1,959 |
| Selling and distribution expenses | | (4,580) | (5,038) |
| Administrative expenses | | (61,317) | (60,114) |
| Other operating income/(expenses), net | | 3,455 | (2,621) |
| Finance costs | 5 | <u>(4,262)</u> | <u>(1,684)</u> |
| PROFIT BEFORE TAX | 6 | 84,710 | 66,427 |
| Income tax expense | 7 | <u>(18,636)</u> | <u>(15,559)</u> |
| PROFIT FOR THE PERIOD | | <u>66,074</u> | <u>50,868</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 8 | HK cents | HK cents |
| Basic and diluted | | <u>13.77</u> | <u>10.60</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended | |
|---|--------------------------|----------------------|
| | 31 December | |
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| PROFIT FOR THE PERIOD | <u>66,074</u> | <u>50,868</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | <u>(17,206)</u> | <u>946</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | <u>(17,206)</u> | <u>946</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY | <u>48,868</u> | <u>51,814</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 December 2022 (Unaudited) HK\$'000 | 30 June 2022 (Audited) HK\$'000 |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 143,597 | 123,712 |
| Right-of-use assets | | 112,622 | 127,373 |
| Intangible asset | | 2,137 | 2,137 |
| Financial asset at fair value through profit or loss | 10 | 9,855 | 9,884 |
| Prepayments and deposits | | 48,070 | 53,130 |
| Deferred tax assets | | 7,015 | 7,938 |
| | | 323,296 | 324,174 |
| CURRENT ASSETS | | | |
| Inventories | | 47,282 | 65,902 |
| Trade receivables | 11 | 58,646 | 79,682 |
| Prepayments, deposits and other receivables | | 18,303 | 12,043 |
| Restricted cash | | – | 269 |
| Cash and cash equivalents | | 263,907 | 237,159 |
| | | 388,138 | 395,055 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 21,636 | 31,563 |
| Other payables and accruals | | 41,017 | 44,642 |
| Lease liabilities | | 7,364 | 7,514 |
| Tax payable | | 45,834 | 45,457 |
| | | 115,851 | 129,176 |
| NET CURRENT ASSETS | | 272,287 | 265,879 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 595,583 | 590,053 |
| NON-CURRENT LIABILITIES | | | |
| Other payables | | 2,621 | 1,602 |
| Lease liabilities | | 109,371 | 121,088 |
| | | 111,992 | 122,690 |
| Net assets | | 483,591 | 467,363 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 4,800 | 4,800 |
| Reserves | | 478,791 | 462,563 |
| | | 483,591 | 467,363 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATION AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at 4/F., Sze Hing Industrial Building, 35-37 Lee Chung Street, Chai Wan, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The Group was engaged in the manufacturing and sale of printing products.

These condensed consolidated interim financial statements (the “**interim financial statements**”) are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These interim financial statements were approved for issue by the Board on 20 February 2023.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements for the six months ended 31 December 2022 are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“**Listing Rules**”) on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 30 June 2022, except for the following revised Hong Kong Financial Reporting Standards (the “**HKFRSs**”) that have been adopted by the Group for the first time for the current period’s interim financial statements:

| | |
|--|--|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKFRS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKFRS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to HKFRSs 2018-2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The adoption of the above revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the manufacture and sale of printing products.

Geographical information

(a) *Revenue from external customers*

| | For the six months ended | |
|--|--------------------------|----------------|
| | 31 December | |
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Europe | 139,651 | 143,701 |
| United States of America (the "USA") | 88,012 | 78,864 |
| Hong Kong | 48,088 | 99,715 |
| Oceania | 24,887 | 7,402 |
| The People's Republic of China (the "PRC") | 5,351 | 3,192 |
| Others | 38,314 | 26,001 |
| | <u>344,303</u> | <u>358,875</u> |

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

| | 31 December | 30 June |
|-----------|----------------|----------------|
| | 2022 | 2022 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| The PRC | 297,960 | 300,714 |
| Hong Kong | 5,448 | 2,500 |
| | <u>303,408</u> | <u>303,214</u> |

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

4. REVENUE, OTHER INCOME AND GOVERNMENT GRANTS

Revenue represents the sale of products transferred at a point in time to customers.

An analysis of the Group's other income and government grants is as follows:

| | For the six months ended 31 December | |
|---|---|--------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Other income and government grants | | |
| Interest income | 2,627 | 882 |
| Others | 452 | 38 |
| | <u>3,079</u> | <u>920</u> |
| Government grants | 276 | 1,959 |
| | <u>3,355</u> | <u>2,879</u> |

5. FINANCE COSTS

| | For the six months ended 31 December | |
|-------------------------------|---|--------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on lease liabilities | <u>4,262</u> | <u>1,684</u> |

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | For the six months ended 31 December | |
|---|---|-------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold [#] | 196,244 | 225,870 |
| Depreciation of property, plant and equipment | 8,172 | 4,896 |
| Depreciation of right-of-use assets | 6,627 | 8,971 |
| Lease payments not included in the measurement of lease liabilities | 2,580 | 2,336 |
| Auditor's remuneration | 725 | 700 |
| Employee benefit expenses (excluding directors' and chief executive's remuneration) | 67,113 | 75,683 |
| Foreign exchange differences, net* | (3,263) | 909 |
| Loss/(gain) on disposal of items of property, plant and equipment* | (221) | 1,075 |
| Fair value loss on a financial asset at fair value through profit or loss* | 29 | 637 |

[#] Cost of inventories sold includes HK\$67,709,000 and HK\$75,233,000 of employee benefit expense, depreciation and lease payments, the respective amounts of which are also included in the respective total amounts disclosed above for each of these types of expenses for the six months ended 31 December 2022 and 2021 respectively.

* These items are included in "Other operating income/(expenses), net" on the face of the condensed consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 31 December 2022 and 2021. The PRC tax has been provided at the rate of 25% (2021: 25%) on the estimated assessable profits arising in the PRC.

| | For the six months ended | |
|---------------------------------|--------------------------|---------------|
| | 31 December | |
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current – Hong Kong | | |
| Charge for the period | 14,047 | 13,756 |
| Current – The PRC | | |
| Charge for the period | 3,772 | 143 |
| Deferred | 817 | 1,660 |
| | <u>18,636</u> | <u>15,559</u> |
| Total tax charge for the period | <u>18,636</u> | <u>15,559</u> |

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2022 attributable to the equity holders of the Company of HK\$66,074,000 (six months ended 31 December 2021: HK\$50,868,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 31 December 2021: 480,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculation of basic and diluted earnings per share is based on:

| | For the six months ended 31 December | |
|--|---|----------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit attributable to equity holders of the Company | <u>66,074</u> | <u>50,868</u> |
| | 2022 | 2021 |
| | Number of | Number of |
| | shares | shares |
| Weighted average number of ordinary shares in issue during the periods for calculation of basic and diluted earnings per share ('000) | <u>480,000</u> | <u>480,000</u> |
| | HK cents | HK cents |
| Basic and diluted earnings per share | <u>13.77</u> | <u>10.60</u> |

9. DIVIDENDS

A final dividend in respect of the year ended 30 June 2022 of HK6.8 cents per ordinary share (2021: HK4.0 cents) was proposed pursuant to a resolution passed by the Board on 30 September 2022 and approved by the shareholders of the Company at the annual general meeting of the Company held on 25 November 2022. Such dividend amounting to HK\$32,640,000 (2021: HK\$19,200,000) was paid before 31 December 2022.

The Board declares an interim dividend amounting to HK2.2 cents for the six months ended 31 December 2022 (six months ended 31 December 2021: HK1.8 cents).

10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 December | 30 June |
|--------------------------|--------------------|--------------|
| | 2022 | 2022 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Unlisted fund investment | <u>9,855</u> | <u>9,884</u> |

The above investment was classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. The fair value of the unlisted fund investment is determined by its net asset value quoted by the investment administrator of the investment fund with reference to the underlying assets of the fund.

11. TRADE RECEIVABLES

| | 31 December 2022 (Unaudited) HK\$'000 | 30 June 2022 (Audited) HK\$'000 |
|-------------------|--|--|
| Trade receivables | <u>58,646</u> | <u>79,682</u> |

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a policy to manage its risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 December 2022 and 30 June 2022, based on the invoice date, is as follows:

| | 31 December 2022 (Unaudited) HK\$'000 | 30 June 2022 (Audited) HK\$'000 |
|----------------|--|--|
| Within 1 month | 45,767 | 59,923 |
| 1 to 2 months | 8,509 | 14,508 |
| 2 to 3 months | 3,873 | 4,680 |
| over 3 months | <u>497</u> | <u>571</u> |
| | <u>58,646</u> | <u>79,682</u> |

12. TRADE PAYABLES

An ageing analysis of the trade payables as at 31 December 2022 and 30 June 2022, based on the invoice date, is as follows:

| | 31 December 2022 (Unaudited) HK\$'000 | 30 June 2022 (Audited) HK\$'000 |
|----------------|--|--|
| Within 1 month | 12,968 | 21,870 |
| 1 to 2 months | 7,695 | 9,057 |
| 2 to 3 months | 743 | 351 |
| Over 3 months | <u>230</u> | <u>285</u> |
| | <u>21,636</u> | <u>31,563</u> |

The trade payables are non-interest-bearing and are normally settled within three months.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

Sun Hing Printing Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is a one-stop printing service provider. Our printing services can be broadly categorised into (i) packaging printing services which cover, among others, corrugated boxes, gift boxes, card boxes and product boxes; (ii) paper gift set printing services which cover, among others, gift sets and game sets containing gift boxes, cards, booklets and hardback books; (iii) card printing services which cover, among others, colour cards, insert cards, warranty cards and plain cards; (iv) smart package printing services which cover, among others, Near-field communications (“**NFC**”) tags, Radio-frequency Identification (“**RFID**”) labels and Real QR Code; and (v) other printing services which cover, among others, stickers, colour papers, yupo papers and red packets.

Despite reopening of border between the People’s Republic of China (the “**PRC**”) and Hong Kong in early February 2023, printing industry in Hong Kong is still struggling with unfavorable economic climate. Uncertainty of COVID-19 global pandemic, outbreak of Russo-Ukrainian War, concern about slowing global economic growth and high inflation, as well as geopolitical tension are relentlessly challenging the Group’s business operations and development.

The Group’s revenue decreased slightly by approximately 4.1% to approximately HK\$344.3 million for the six months ended 31 December 2022, comparing to the same period last year. The decrease in revenue is affected by the drop in contribution from packaging and paper gift set printing services, as a result of customers’ concern about slowing global economic growth and high inflation all over the world. Customers took more conservative consumption approach to reduce spending on printing and promotion products. Thus, it led to a drop in sale orders received from both oversea and local customers.

The gross profit increased by approximately 11.4% from approximately HK\$133.0 million for the six months ended 31 December 2021 to approximately HK\$148.1 million for the six months ended 31 December 2022, as a result of improvement in cost efficiency and decrease in provision of redundancy costs made for relocation of workers.

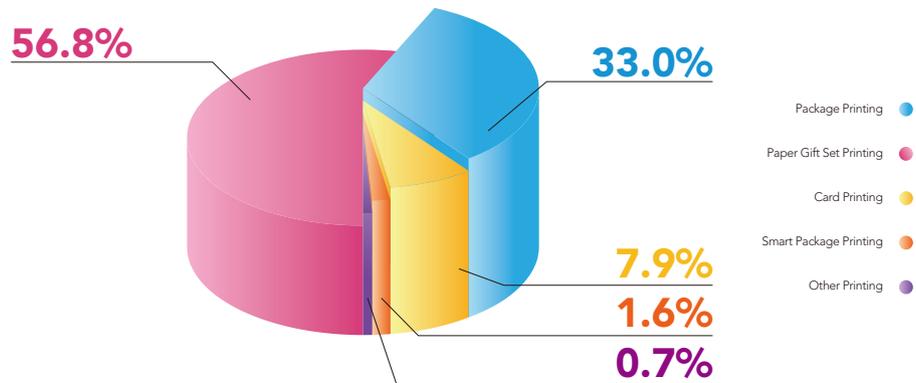
With the benefit of improvement in cost efficiency and drop in provision of redundancy costs made for relocation of workers, our gross profit margin increased from approximately 37.1% for the six months ended 31 December 2021 to approximately 43.0% for the six months ended 31 December 2022. Our net profit for the period increased by approximately HK\$15.2 million from approximately HK\$50.9 million for the six months ended 31 December 2021 to approximately HK\$66.1 million for the six months ended 31 December 2022, considering the drop in provision of redundancy costs made for relocation of staff and workers, higher bank interest income and higher exchange gain recorded during the current period. The net profit margin increased from approximately 14.2% for the six months ended 31 December 2021 to approximately 19.2% for the six months ended 31 December 2022.

Basic earnings per share was HK13.77 cents, compared to a basic earnings per share of HK10.60 cents for the corresponding period in 2021.

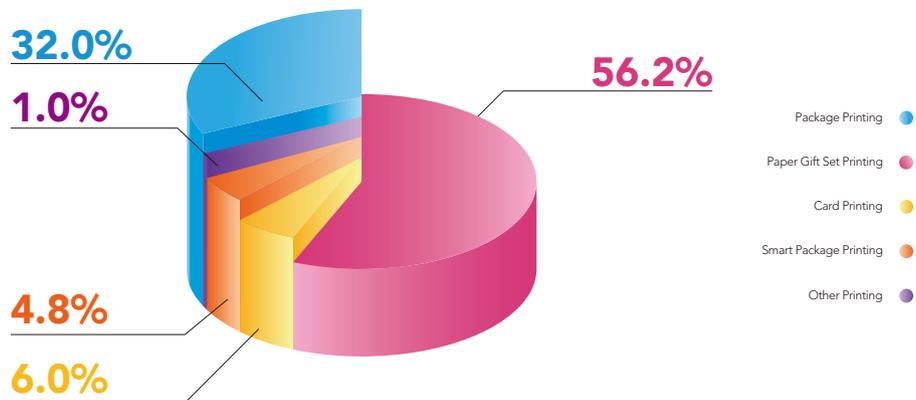
BUSINESS UNIT OVERVIEW

The Group comprises five key business units.

Revenue contribution for the six months ended 31 December 2022



Revenue contribution for the six months ended 31 December 2021



Packaging printing

Packaging printing services cover, among others, corrugated boxes, gift boxes, card boxes and product boxes. For the six months ended 31 December 2022, revenue from packaging printing decreased by approximately 1.0% to approximately HK\$113.7 million, comparing to the same period in 2021. The decline was mainly caused by relatively conservative consumption approach taken by customers under concern of slowing global economic growth and high inflation. Some of our customers, therefore postponed some new and potential projects, leading to a drop on demand in packaging boxes accordingly.

Paper gift set printing

Paper gift set printing services cover, among others, gift sets and game sets containing gift boxes, cards, booklets and hardback books. For the six months ended 31 December 2022, revenue from paper gift set printing decreased by approximately 3.0% to approximately HK\$195.6 million as compared to the same period in 2021. The drop in revenue from paper gift set printing was primarily because the customers took relatively conservative consumption approach under concern of slowing global economic growth and high inflation. Therefore, our customers tightened their spendings on promotion and marketing products and even postponed some new and potential projects of paper gift set printing. To such a degree, the Group's sales orders received from those oversea and local customers reduced accordingly.

Card printing

Card printing services cover, among others, colour cards, insert cards, warranty cards and plain cards. For the six months ended 31 December 2022, revenue from card printing rose approximately 26.0% to approximately HK\$27.1 million as compared to the same period in 2021. The growth in revenue from card printing was primarily caused by special promotion campaigns launched by oversea customers in the current period. It contributed to a rise in orders to card printing products consequently.

Smart package printing

Smart package printing services cover, among others, RFID labels, NFC tags and Real QR code, in order to provide value-added services to our existing and potential customers. For the six months ended 31 December 2022, revenue from smart package printing decreased by approximately 67.4% to approximately HK\$5.6 million as compared to the same period in 2021. The decline in revenue from smart packaging printing was attributed to more conservative consumption approach taken by the customers under concern of slowing global economic growth and high inflation. Fewer retail customers, therefore were willing to consume on marketing and promotional products in Europe, USA and Hong Kong, leading to reduction of customers' orders in smart package printing products.

Other printing

Other printing services cover, among others, stickers, colour papers, yupo papers and red packets. For the six months ended 31 December 2022, revenue from other printing decreased by approximately 36.1% to approximately HK\$2.3 million as compared to the same period in 2021. The contraction in revenue generated from other printing was primarily due to a fall in orders placed on plastic products during the current period.

OUTLOOK

The interim period of 2022/2023 is expected to be challenging in view of ceaseless influence of COVID-19 pandemic, geopolitical tension, outbreak of Russo-Ukrainian War and concern about the slowing global economic growth and high inflation. Furthermore, uncertain material supplies, global inflation on material costs, increase in labour costs, and imposition of various stringent environmental control required by different countries and cities on printing industry are threatening to the Group's business operations and development in the foreseeable future.

In order to facilitate the reopening of the border between the PRC and Hong Kong, the Group will actively seek for further business development and advanced printing technology breakthrough. Furthermore, the Group is also accelerating the machine automation, so as to improve operation efficiency and lay less reliance on manpower. In light of varying business environment, our management has always maintained stringent control over our manufacturing costs in order to make our printing products to be more competitive in the market and been cautious on pricing our printing products. We have also worked closely with our existing customers to understand their needs and provide value-added services for them to maintain good business relationship. In addition, our Group is proactively exploring opportunities on promotion of our smart package and sustainable products to our customers, which could significantly differentiate ourselves from our competitors. With the Group's experienced management team and reputation in printing industry, our management believes the Group is well-equipped to deal with the forthcoming challenges and to maintain sustainable growth.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 4.1% to approximately HK\$344.3 million for the six months ended 31 December 2022, comparing to approximately HK\$358.9 million for the six months ended 31 December 2021. The drop in revenue is primarily due to the decline in contribution from packaging and paper gift set printing services because of customers' concern about slowing global economic growth and high inflation all over the world. Customers took more conservative consumption approach and reduced their sales orders on marketing and promotion products, leading to less sales orders from those oversea and local customers.

Gross profit and gross profit margin

Gross profit increased by approximately 11.4% from approximately HK\$133.0 million for the six months ended 31 December 2021 to approximately HK\$148.1 million for the six months ended 31 December 2022, as a result of improvement in cost efficiency and decrease in the provision for redundancy costs made for relocation of workers.

With the aid of improvement in cost efficiency and drop in provision of redundancy costs made for relocation of workers, our gross profit margin elevated from approximately 37.1% for the six months ended 31 December 2021 to approximately 43.0% for the six months ended 31 December 2022.

Administrative expenses

Administrative expenses remained relatively stable of approximately HK\$61.3 million and approximately HK\$60.1 million for the six months ended 31 December 2022 and 2021 respectively.

Selling and distribution expenses

Selling and distribution expenses were approximately HK\$4.6 million and approximately HK\$5.0 million for the six months ended 31 December 2022 and 2021 respectively. It chiefly consisted of salaries of salespeople and freight charges. Selling and distribution expenses decreased was essentially led to a drop in sales made during the current period and lower redundancy costs to Shenzhen selling and distribution staff.

Other operating income/(expenses), net

The Group generated other operating income of approximately HK\$3.5 million for the six months ended 31 December 2022, while there were other operating expenses of approximately HK\$2.6 million in the six months of last year. The turnaround from other operating expenses to other operating income for the six months ended 31 December 2022 was significantly contributed from higher exchange gain arising from the depreciation of Renminbi against United States Dollars during the current period.

Other income and government grants

Other income and government grants were approximately HK\$2.9 million for the six months ended 31 December 2021 and increased to approximately HK\$3.4 million for the six months ended 31 December 2022. The Group has made more time deposits and decent interest rates were offered by the banks during the current period.

Finance costs

Finance costs were approximately HK\$4.3 million and approximately HK\$1.7 million for the six months ended 31 December 2022 and 2021 respectively. Higher finance costs was mainly resulted from the lease liabilities for a new lease of a factory in Huizhou which commenced operation in October 2021. The new factory was under full operation for the six months ended 31 December 2022, instead of approximately two months for the six months ended 31 December 2021, leading to higher finance costs recorded by the Group in the current period.

Income tax expense

Income tax expenses increased by approximately HK\$3.0 million from approximately HK\$15.6 million for the six months ended 31 December 2021 to approximately HK\$18.6 million for the six months ended 31 December 2022. The effective tax rates for the six months ended 31 December 2022 and 2021 remained relatively stable at 22.0% and 23.4% respectively.

Liquidity and capital resources

Our net assets amounted to approximately HK\$483.6 million and approximately HK\$467.4 million as at 31 December 2022 and 30 June 2022 respectively. The increase was primarily due to the profit generated from the operation during the current period.

The Group derives its working capital mainly from cash and cash equivalents and net cash generated from operating activities. The directors expects that the Group will rely on the internally generated funds and unutilised net proceeds from the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 16 November 2017, in the absence of unforeseen circumstances.

As at 31 December 2022, our cash and bank balances amounted to approximately HK\$263.9 million (30 June 2022: approximately HK\$237.4 million); and our net current assets were approximately HK\$272.3 million (30 June 2022: approximately HK\$265.9 million). The current ratio, being current assets over current liabilities, was approximately 3.3 times and 3.1 times as at 31 December 2022 and 30 June 2022, respectively.

As at 31 December 2022, the Group had approximately HK\$263.9 million total cash on hand, which mainly approximately HK\$14.6 million was denominated in Hong Kong Dollars, approximately HK\$240.5 million was denominated in US Dollars, and approximately HK\$8.8 million was denominated in Renminbi. The Group's cash in US Dollars and Renminbi was held to support its core operational needs. In addition, the Group had approximately HK\$249.9 million of fixed time deposits with maturity within 12 months. For the fixed time deposits approximately HK\$13.2 million was denominated in Hong Kong Dollars, and approximately HK\$236.7 million was denominated in US Dollars.

As at 31 December 2022 and 30 June 2022, the Group did not have any interest-bearing bank borrowings, and thus the computation of the gearing ratios were not applicable as at 31 December 2022 and 30 June 2022.

During the period, the Group recorded over HK\$37.4 million in capital expenditure, which was mostly deployed for automation, equipment upgrades and leasehold improvement.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group did not have any material contingent liabilities and did not pledge any assets as at 31 December 2022 and 30 June 2022.

EVENT AFTER THE REPORTING PERIOD

The Group does not have other significant events after the reporting period up to the date of this announcement.

OUR EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, we had 1,052 employees in Hong Kong and the Mainland China. During the peak season namely from June to September for each year, in order to maximise our production capacity, we expand our employees for production, who are principally responsible for certain post-press processes and packaging which have to be done manually and cannot otherwise be achieved by automatic machines.

Our direct labour cost, including salaries, bonuses and other employee's benefits, amounted to approximately HK\$37.7 million and approximately HK\$37.6 million for the six months ended 31 December 2022 and 2021, respectively. Furthermore, the Group had recorded no provision of redundancy costs made for relocation of workers and a provision of approximately HK\$16.2 million for the six months ended 31 December 2022 and 2021 respectively. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

DIVIDEND

The Directors recommend an interim dividend of HK2.2 cents share (2021: HK1.8 cents) in cash. The proposed dividend is expected to be distributed on Wednesday, 22 March 2023 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 8 March 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 6 March 2023 to Wednesday, 8 March 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m., on Friday, 3 March 2023.

USE OF PROCEEDS

Net proceeds from the initial public offering were HK\$124.0 million after deducting all the direct costs associated with the Listing.

Up to the date of this announcement, the Group had used approximately HK\$80.6 million for equipment upgrades on the improvement of the production process, approximately HK\$31.0 million for relocation of Shenzhen factory, approximately HK\$8.3 million for general working capital and approximately HK\$1.3 million for the upgrade of enterprise resources planning (“ERP”) system. During the period, the net proceeds, have been used for the purpose consistent with the section headed “Future Plan and Use of Proceeds” as set out in the prospectus of the Company dated 2 November 2017 (the “Prospectus”).

Details of the allocation of the net proceeds, and the utilisation of the net proceeds up to the date of this announcement are set out below:

| Intended application of the net proceeds | Percentage of total proceeds % | Planned applications HK\$ in million | Actual usage up to the date of this announcement HK\$ in million | Unutilised | Expected timeline for utilising the unutilised net proceeds |
|--|-----------------------------------|---|---|---|---|
| | | | | net proceeds up to the date of this announcement HK\$ in million | |
| Purchase four presses by stages | 65.0 | 80.6 | 80.6 | – | N/A |
| Relocation of Shenzhen Factory | 25.0 | 31.0 | 31.0 | – | N/A |
| Upgrade ERP system (<i>Note 1</i>) | 3.3 | 4.1 | 1.3 | 2.8 | Expected to be fully utilised on or before 31 December 2024 |
| General working capital | 6.7 | 8.3 | 8.3 | – | N/A |
| Total | 100.0 | 124.0 | 121.2 | 2.8 | |

Note 1: The Group had entered into agreements with independent third party ERP service providers to update our systems. Up to the date of this announcement, we have already utilised HK\$1.3 million to the service providers for the update of our ERP system. We expect to fully utilise the relevant proceeds on or before 31 December 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company’s directors, the directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code, during the six months ended 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE

In the opinion of the Board of directors, the Company has complied with the applicable code provisions listed in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the six months ended 31 December 2022 and up to the date of this announcement.

DISCLOSURE OF CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, there are no changes in information of the directors and the Company's chief executive during the six months ended 31 December 2022 and up to the date of this announcement.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 9 October 2017 (the “**Scheme**”). No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2022.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Ng Sze Yuen Terry, Dr. Chu Po Kuen Louis and Mr. Wong Kam Fai. The audit committee of the Company has reviewed with no disagreements on the unaudited condensed consolidated interim results for the six months ended 31 December 2022 and the accounting principles and practices adopted by the Group.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the Company's website at www.sunhingprinting.com. The interim report of the Company for the six months ended 31 December 2022, containing information required by the Listing Rules, will be dispatched to shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board of the Company would like to express its sincere appreciation to the shareholders, business partners and staff for their continuous support to the Group.

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

Hong Kong, 20 February 2023

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. Wong Kam Fai as independent non-executive directors.