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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)

FINAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of Sun Hing Printing Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended	
		30 June	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	534,445	657,726
Cost of sales		<u>(313,669)</u>	<u>(390,822)</u>
Gross profit		220,776	266,904
Other income	3	12,163	3,596
Government grants	3	1,249	304
Selling and distribution expenses		(7,788)	(10,240)
Administrative expenses		(106,271)	(108,377)
Other operating expenses, net		(7,653)	(3,574)
Finance costs	5	<u>(8,493)</u>	<u>(6,281)</u>
PROFIT BEFORE TAX	4	103,983	142,332
Income tax expense	6	<u>(26,497)</u>	<u>(26,552)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>77,486</u>	<u>115,780</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted	8	<u>16.14</u>	<u>24.12</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	HK\$'000
PROFIT FOR THE YEAR	77,486	115,780
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(12,552)</u>	<u>(5,855)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(12,552)</u>	<u>(5,855)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>64,934</u>	<u>109,925</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 <i>HK\$'000</i>	30 June 2022 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		176,683	123,712
Right-of-use assets		108,823	127,373
Intangible asset		2,137	2,137
Financial asset at fair value through profit or loss	9	–	9,884
Prepayments and deposits		3,285	53,130
Deferred tax assets		61	7,938
Total non-current assets		290,989	324,174
CURRENT ASSETS			
Inventories		30,271	65,902
Trade receivables	10	37,740	79,682
Prepayments, deposits and other receivables		23,746	12,043
Financial asset at fair value through profit or loss	9	9,901	–
Tax recoverable		281	–
Restricted cash		122	269
Cash and cash equivalents		305,757	237,159
Total current assets		407,818	395,055
CURRENT LIABILITIES			
Trade payables	11	9,326	31,563
Other payables and accruals		35,287	44,642
Lease liabilities		7,823	7,514
Tax payable		46,628	45,457
Total current liabilities		99,064	129,176
NET CURRENT ASSETS		308,754	265,879
TOTAL ASSETS LESS CURRENT LIABILITIES		599,743	590,053
NON-CURRENT LIABILITIES			
Other payables		2,205	1,602
Lease liabilities		108,032	121,088
Deferred tax liability		409	–
Total non-current liabilities		110,646	122,690
Net assets		489,097	467,363
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,800	4,800
Reserves		484,297	462,563
Total equity		489,097	467,363

NOTES TO FINANCIAL STATEMENTS

1.1 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 an investment holding company. The Group were engaged in the manufacture and sale of printing products during the year.

1.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss which has been measured at fair value. These financial statements are presented in thousands of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s consolidated financial statements.

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

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 July 2022. As there were no business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. Since the Group does not have any sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 July 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 July 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2. 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Europe	214,288	314,126
United States of America (the "USA")	115,364	103,962
Hong Kong	86,650	155,949
Oceania	50,441	13,116
The People's Republic of China (the "PRC")	9,262	8,784
Others	<u>58,440</u>	<u>61,789</u>
	<u>534,445</u>	<u>657,726</u>

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

(b) Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The PRC	281,207	300,714
Hong Kong	<u>6,574</u>	<u>2,500</u>
	<u>287,781</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.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	<u>384,213</u>	<u>471,869</u>

3. REVENUE, OTHER INCOME AND GOVERNMENT GRANTS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue		
<i>Revenue from contracts with customers</i>	<u>534,445</u>	<u>657,726</u>
<u>Revenue from contracts with customers</u>		
Disaggregated revenue information		
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of products transferred at a point in time	<u>534,445</u>	<u>657,726</u>
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and government grants		
Interest income	11,446	3,246
Others	<u>717</u>	<u>350</u>
	12,163	3,596
Government grants (<i>note</i>)	<u>1,249</u>	<u>304</u>
	<u>13,412</u>	<u>3,900</u>

Note: During the year, the government grants have been received under the Employee Support Scheme under the Anti-epidemic Fund from the Government of the Hong Kong Special Administrative Region and for innovative and technology enhancement in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

4. PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold [#]	313,669	390,822
Depreciation of property, plant and equipment	22,078	11,111
Depreciation of right-of-use assets	13,406	19,221
Lease payments not included in the measurement of lease liabilities	14,230	7,697
Auditor's remuneration	1,450	1,391
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries ^{***}	97,187	127,958
Pension scheme contributions [^]	6,885	5,376
	<u>104,072</u>	<u>133,334</u>
Foreign exchange differences, net [*]	(1,031)	704
Loss on disposal and write-off of items of property, plant and equipment [*]	8,363	1,603
Write-down of inventories ^{**}	391	960
Fair value loss/(gain) on a financial asset at fair value through profit or loss [*]	(17)	704
Impairment of trade receivables [*]	338	–
Impairment of an intangible asset [*]	<u>–</u>	<u>563</u>

[#] Cost of inventories sold includes employee benefit expenses of HK\$76,461,000 (2022: HK\$100,795,000), depreciation of HK\$31,170,000 (2022: HK\$25,879,000), lease payments of HK\$9,162,000 (2022: HK\$4,222,000) and write-down of inventories of HK\$391,000 (2022: HK\$960,000), respectively.

^{*} These items are included in “Other operating expenses, net” on the face of the consolidated statement of profit or loss.

^{**} This item is included in “Cost of sales” on the face of the consolidated statement of profit or loss.

^{***} This item includes redundancy costs of HK\$797,000 (2022: HK\$10,849,000), HK\$47,000 (2022: HK\$2,453,000) and HK\$89,000 (2022: HK\$6,920,000), which are included in “Cost of sales”, “Selling and distribution expenses” and “Administrative expenses”, respectively, on the face of the consolidated statement of profit or loss.

[^] There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	<u>8,493</u>	<u>6,281</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). The PRC tax has been provided at the rate of 25% (2022: 25%) on the estimated assessable profits arising in the PRC.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	18,157	29,846
Overprovision in prior years	(11)	(145)
Current – PRC		
Charge for the year	383	151
Deferred	<u>7,968</u>	<u>(3,300)</u>
Total tax charge for the year	<u>26,497</u>	<u>26,552</u>

7. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim – HK2.2 cents (2022: HK1.8 cents) per ordinary share	10,560	8,640
Proposed final – HK4.3 cents (2022: HK6.8 cents) per ordinary share	<u>20,640</u>	<u>32,640</u>
	<u>31,200</u>	<u>41,280</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 480,000,000 (2022: 480,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 30 June 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2023 and 2022.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings		
Profit attributable to equity holders of the Company	<u>77,486</u>	<u>115,780</u>
	2023 <i>Number of shares</i>	2022 <i>Number of shares</i>
Shares		
Weighted average number of ordinary shares in issue during the years	<u>480,000,000</u>	<u>480,000,000</u>
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share		
Basic and diluted	<u>16.14</u>	<u>24.12</u>

9. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unlisted fund investment	9,901	9,884
Less: Non-current unlisted fund investment	<u>–</u>	<u>(9,884)</u>
	<u>9,901</u>	<u>–</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. Subsequent to the year end, the Company has fully redeemed the above investment at par value and the net proceed was used as general working capital.

10. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	38,078	79,682
Less: Impairment	<u>(338)</u>	<u>–</u>
	<u>37,740</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. As at 30 June 2023, the Group had certain concentrations of credit risk as 34% (2022: 55%) of the Group's trade receivables were due from one of the Group's major customers. 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 the end of the reporting period, based on the invoice date and net of loss allowance is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	22,842	59,923
1 to 2 months	7,542	14,508
2 to 3 months	2,946	4,680
Over 3 months	<u>4,410</u>	<u>571</u>
	<u>37,740</u>	<u>79,682</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of year	–	–
Impairment losses (<i>note 4</i>)	<u>338</u>	<u>–</u>
At end of year	<u>338</u>	<u>–</u>

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	4,408	21,870
1 to 2 months	4,158	9,057
2 to 3 months	474	351
Over 3 months	286	285
	<hr/> 9,326	<hr/> 31,563

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

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 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. 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 by approximately 18.7% to approximately HK\$534.4 million for the year ended 30 June 2023 compared to last year. The decrease in the Group’s revenue was 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, and also reduction of the customers’ sentiment. Thus, customers took more conservative approach to reduce spending on printing and promotion products, and it led to a drop in sales orders received from both oversea and local customers.

The gross profit decreased by approximately 17.3% from approximately HK\$266.9 million for the year ended 30 June 2022 to approximately HK\$220.8 million for the year ended 30 June 2023, as a result of the drop in revenue.

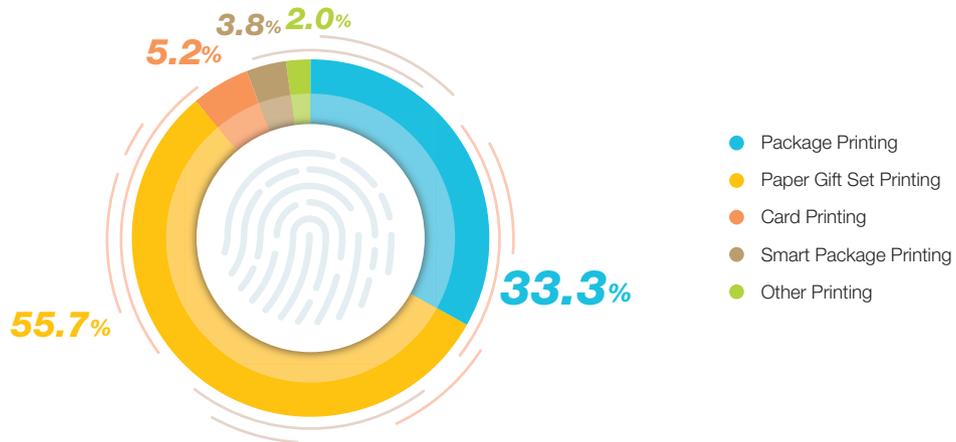
With drop in provision of redundancy costs made for relocation of workers, our gross profit margin increased slightly from approximately 40.6% for the year ended 30 June 2022 to approximately 41.3% for the year ended 30 June 2023. Our net profit for the year reduced by approximately HK\$38.3 million from HK\$115.8 million for the year ended 30 June 2022 to approximately HK\$77.5 million for the year ended 30 June 2023, as a result of decrease in revenue and loss on disposal and write-off of the property, plant and equipment in the factories located in the PRC. The net profit margin decreased from approximately 17.6% for the year ended 30 June 2022 to approximately 14.5% for the year ended 30 June 2023.

Basic earnings per share for the year ended 30 June 2023 was HK16.14 cents, compared to basic earnings per share of HK24.12 cents for the year ended 30 June 2022.

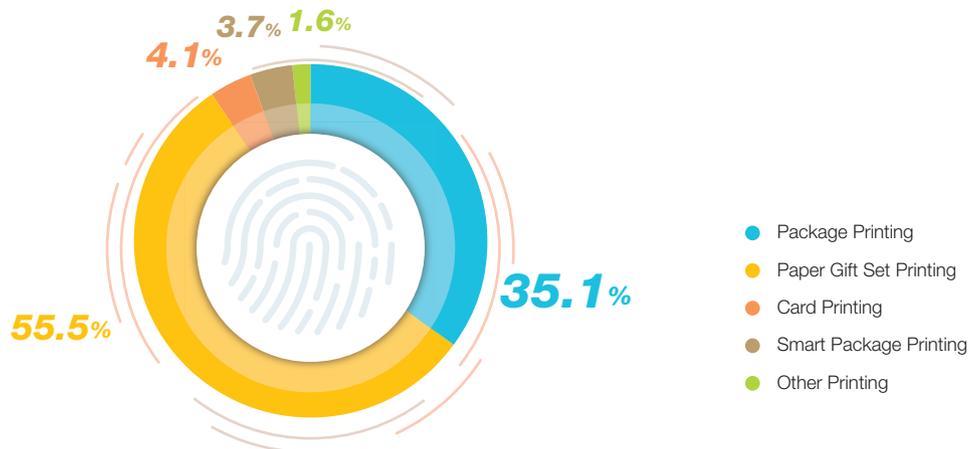
BUSINESS UNIT OVERVIEW

The Group comprises five key business units (2022: five).

Revenue contribution for the year ended 30 June 2023



Revenue contribution for the year ended 30 June 2022



Packaging printing

Packaging printing services cover, among others, corrugated boxes, gift boxes, card boxes and product boxes. For the year ended 30 June 2023, revenue from packaging printing decreased by approximately 22.8% to approximately HK\$177.7 million as compared to approximately HK\$230.3 million for the year ended 30 June 2022. The decline was mainly caused by 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 containing gift boxes, cards, booklets and hardback books. For the year ended 30 June 2023, revenue from paper gift set printing reduced by approximately 18.5% to approximately HK\$297.7 million as compared to approximately HK\$365.2 million for the year ended 30 June 2022. The drop in revenue from paper gift set printing was primarily because the customers took conservative consumption approach under concern of slowing global economic growth and high inflation. It led to reduction of the customer sentiment, 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 year ended 30 June 2023, revenue from card printing increased by approximately 3.0% to approximately HK\$28.0 million as compared to 2022. The growth in revenue from card printing was primarily caused by special promotion campaigns launched by oversea customers in the current year. It contributed to a rise in orders on 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 year ended 30 June 2023, revenue from smart package printing dropped by approximately 16.5% to approximately HK\$20.3 million as compared to 2022. 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 years ended 30 June 2023 and 2022, revenue from other printing remained stable at approximately HK\$10.7 million.

OUTLOOK

The year of 2022/2023 was challenging in view of 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 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 project, 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 has 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 18.7% to approximately HK\$534.4 million for the year ended 30 June 2023, comparing to approximately HK\$657.7 million for the year ended 30 June 2022. The drop in revenue was 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 decreased by approximately 17.3% from approximately HK\$266.9 million for the year ended 30 June 2022 to approximately HK\$220.8 million for the year ended 30 June 2023, as a result of drop in revenue.

With drop in provision of redundancy costs made for relocation of workers, our gross profit margin increased slightly from approximately 40.6% for the year ended 30 June 2022 to approximately 41.3% for the year ended 30 June 2023.

Selling and distribution expenses

Selling and distribution expenses was approximately HK\$7.8 million and approximately HK\$10.2 million for the years ended 30 June 2023 and 2022, respectively, which mainly included salaries of salespeople and freight charges. Selling and distribution expenses decreased was essentially led by decrease in sales made during the current year and lower redundancy costs paid to Shenzhen selling and distribution staff.

Administrative expenses

Administrative expenses remained relatively stable at approximately HK\$106.3 million and approximately HK\$108.4 million for the years ended 30 June 2023 and 2022 respectively.

Other operating expenses, net

The Group recorded other operating expenses of approximately HK\$7.7 million and approximately HK\$3.6 million for the years ended 30 June 2023 and 2022, respectively. The increase in other operating expenses for the year ended 30 June 2023 was mainly because of loss on disposal and write-off of the property, plant and equipment in the factories located in the PRC during the current year.

Other income and government grants

Other income and government grants were approximately HK\$3.9 million for the year ended 30 June 2022 and increased to approximately HK\$13.4 million for the year ended 30 June 2023. The Group had made more time deposits and decent interest rates were offered by the banks during the current year.

Finance costs

Finance costs were approximately HK\$8.5 million and approximately HK\$6.3 million for the years ended 30 June 2023 and 2022 respectively. Higher finance costs were resulting from lease liabilities for lease of a factory in Huizhou which commenced in October 2021. The new factory was under full year operation for the year ended 30 June 2023, instead of approximately eight months for the year ended 30 June 2022, leading to higher finance costs recorded by the Group in the current year.

Income tax expense

Income tax expense remained stable at approximately HK\$26.5 million and HK\$26.6 million for the years ended 30 June 2023 and 2022, respectively. The effective tax rate increased from approximately 18.7% for the year ended 30 June 2022 to approximately 25.5% for the year ended 30 June 2023, because of derecognition of deferred tax assets with amount of approximately HK\$7.6 million during the current year.

Liquidity and capital resources

Our net assets amounted to approximately HK\$489.1 million and approximately HK\$467.4 million as at 30 June 2023 and 30 June 2022 respectively. The increase in net assets was primarily due to the profit generated from operations during the current year.

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 on 16 November 2017, in the absence of unforeseen circumstances.

As at 30 June 2023, our cash and bank balances amounted to approximately HK\$305.9 million (30 June 2022: approximately HK\$237.4 million); and our net current assets were approximately HK\$308.8 million (30 June 2022: approximately HK\$265.9 million). The current ratio, being current assets over current liabilities, was approximately 4.1 and 3.1 as at 30 June 2023 and 30 June 2022.

As at 30 June 2023, the Group had approximately HK\$305.9 million total cash on hand, of which approximately HK\$0.1 million was restricted cash and denominated in Renminbi. For the remaining balance of approximately HK\$305.8 million, approximately HK\$15.3 million was denominated in Hong Kong Dollars, approximately HK\$280.5 million was denominated in US Dollars, and approximately HK\$10.0 million was denominated in Renminbi. The Group's cash in US Dollars and Renminbi were held to support its core operational needs. In addition, the Group had approximately HK\$281.1 million of fixed time deposits with maturity within 12 months. For the fixed time deposits, approximately HK\$1.0 million was denominated in Hong Kong Dollars and approximately HK\$280.1 million was denominated in US Dollars.

As at 30 June 2023 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 30 June 2023 and 30 June 2022.

During the year, the Group recorded approximately HK\$96.9 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 30 June 2023 and 30 June 2022.

OUR EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, we had 729 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 employ more 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\$58.4 million and approximately HK\$74.6 million for the years ended 30 June 2023 and 2022, respectively. The Group had recorded redundancy costs amounted to approximately HK\$0.9 million for the year ended 30 June 2023 (2022: approximately HK\$20.2 million). 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 a final dividend of HK4.3 cents per share in cash. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company. These, together with an interim dividend of HK2.2 cents (2022: HK1.8 cents) per share paid in March 2023, will make a total dividend of HK6.5 cents (2022: HK8.6 cents) per share for the current year. The proposed final dividend is expected to be distributed on Wednesday, 20 December 2023 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 29 November 2023.

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting will be held on Tuesday, 21 November 2023 and the Notice of the 2023 Annual General Meeting will be published and dispatched to the Company's shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 16 November 2023 to Tuesday, 21 November 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, 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 Wednesday, 15 November 2023.

The Register of Members of the Company will be closed from Monday, 27 November 2023 to Wednesday, 29 November 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final 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, 24 November 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 a factory in Shenzhen ("**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 year, 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 <i>HK\$ in million</i>	Actual usage up to the date of this announcement <i>HK\$ in million</i>	Unutilised net proceeds up to the date of this announcement <i>HK\$ in million</i>
Purchase four presses by stages	65.0	80.6	80.6	–
Relocation of Shenzhen Factory	25.0	31.0	31.0	–
Upgrade ERP system <i>(Note 1)</i>	3.3	4.1	1.3	2.8
General working capital	<u>6.7</u>	<u>8.3</u>	<u>8.3</u>	<u>–</u>
Total	<u>100.0</u>	<u>124.0</u>	<u>121.2</u>	<u>2.8</u>

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s securities throughout the year ended 30 June 2023 and up to the date of this announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out on in the Code of Corporate Governance (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 30 June 2023 and up to the date of this announcement.

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, throughout the year ended 30 June 2023. Up to the date of this announcement and there was no event of non-compliance.

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 30 June 2023.

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 the final results for the year ended 30 June 2023 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for year ended 30 June 2023 have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 30 June 2023. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company’s annual results announcement for the year ended 30 June 2023 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 annual report of the Company for the year ended 30 June 2023, 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, 28 September 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.