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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 2020

The board of directors (the “**Board**”) of Sun Hing Printing Holdings Limited (the “**Company**”) are 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 2020, as follows:

#### CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	For the six months ended 31 December	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>REVENUE</b>	3&4	<b>163,739</b>	178,190
Cost of sales		<b>(101,391)</b>	(111,925)
Gross profit		<b>62,348</b>	66,265
Other income	4	<b>1,646</b>	1,847
Selling and distribution expenses		<b>(2,855)</b>	(3,073)
Administrative expenses		<b>(29,433)</b>	(30,807)
Other operating income/(expenses), net		<b>(128)</b>	330
Finance costs	5	<b>(519)</b>	(881)
Government grants		<b>2,582</b>	–
<b>PROFIT BEFORE TAX</b>	6	<b>33,641</b>	33,681
Income tax expense	7	<b>(6,111)</b>	(5,664)
<b>PROFIT FOR THE PERIOD</b>		<b>27,530</b>	28,017
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8	<b>HK cents</b>	<b>HK cents</b>
Basic and diluted		<b>5.74</b>	5.84

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b><u>27,530</u></b>	<b><u>28,017</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>7,331</u>	<u>(7,561)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b><u>7,331</u></b>	<b><u>(7,561)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b><u>34,861</u></b>	<b><u>20,456</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>31 December 2020 (Unaudited) HK\$'000</b>	30 June 2020 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		62,772	60,625
Right-of-use assets		13,470	17,789
Intangible asset		2,700	2,700
Financial asset at fair value through profit or loss	10	10,030	10,039
Prepayments and deposits		25,699	17,181
Deferred tax assets		3,557	3,773
		<b>118,228</b>	112,107
<b>CURRENT ASSETS</b>			
Inventories		27,936	24,385
Trade receivables	11	58,621	61,922
Prepayments, deposits and other receivables		8,746	8,293
Cash and cash equivalents		208,881	204,120
		<b>304,184</b>	298,720
<b>CURRENT LIABILITIES</b>			
Trade payables	12	16,003	15,950
Other payables and accruals		32,454	31,024
Lease liabilities		11,385	11,422
Tax payable		18,615	21,393
		<b>78,457</b>	79,789
Total current liabilities		<b>78,457</b>	79,789
<b>NET CURRENT ASSETS</b>		<b>225,727</b>	218,931
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>343,955</b>	331,038
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		2,709	7,853
Deferred tax liability		68	68
		<b>2,777</b>	7,921
Total non-current liabilities		<b>2,777</b>	7,921
Net assets		<b>341,178</b>	323,117
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		4,800	4,800
Reserves		336,378	318,317
		<b>341,178</b>	323,117
Total equity		<b>341,178</b>	323,117

# 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 P.O. Box 1350, Clifton House, 75 Fort Street, 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 18 February 2021.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements for the six months ended 31 December 2020 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 2020, 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>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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 sales of printing products.

#### Geographical information

(a) *Revenue from external customers*

	For the six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	95,045	108,819
Europe	41,990	10,632
The People's Republic of China (the "PRC")	11,763	12,536
United States of America	6,332	39,630
Others	8,609	6,573
	<u>163,739</u>	<u>178,190</u>

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

(b) *Non-current assets*

	31 December	30 June
	2020	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
The PRC	83,182	88,686
Hong Kong	3,820	4,174
	<u>87,002</u>	<u>92,860</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 AND OTHER INCOME

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

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

	For the six months ended 31 December	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Other income</b>		
Interest income	1,101	1,601
Others	545	246
	<u>1,646</u>	<u>1,847</u>

#### 5. FINANCE COSTS

	For the six months ended 31 December	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on lease liabilities	<u>519</u>	<u>881</u>

#### 6. PROFIT BEFORE TAX

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

	For the six months ended 31 December	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of inventories sold <sup>#</sup>	101,391	111,925
Depreciation of property, plant and equipment	4,408	3,845
Depreciation of right-of-use assets	5,542	5,747
Minimum lease payments under operating leases	–	267
Lease payments not included in the measurement of lease liabilities	1,512	–
Auditor's remuneration	675	630
Employee benefit expenses (excluding directors' and chief executive's remuneration)	30,100	31,986
Foreign exchange differences, net*	6	(363)
Loss on disposal of items of property, plant and equipment*	113	33
Fair value loss on a financial asset at fair value through profit or loss*	<u>9</u>	<u>–</u>

<sup>#</sup> Cost of inventories sold includes HK\$30,201,000 and HK\$30,541,000 of employee benefit expenses, depreciation and lease payments 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 2020 and 2019 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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in such jurisdictions.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 31 December 2020 and 2019. The PRC tax has been provided at the rate of 25% (2019: 25%) on the estimated assessable profits arising in the PRC.

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	<b>5,033</b>	4,626
Current – PRC		
Charge for the period	<b>857</b>	1,204
Deferred	<b>221</b>	(166)
	<hr/>	<hr/>
Total tax charge for the period	<b>6,111</b>	<b>5,664</b>

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

The calculation of basic earnings per share amount is based on the profit for the six months ended 31 December 2020 attributable to the equity holders of the Company of HK\$27,530,000 (six months ended 31 December 2019: HK\$28,017,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 31 December 2019: 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 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculations of basic and diluted earnings per share are based on:

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit attributable to equity holders of the Company	<b>27,530</b>	28,017
Weighted average number of ordinary shares in issue during the periods for calculation of basic and diluted earnings per share ('000)	<b>480,000</b>	480,000
	<b>HK cents</b>	HK cents
Basic and diluted earnings per share	<b>5.74</b>	5.84

## 9. DIVIDENDS

A final dividend in respect of the year ended 30 June 2020 of HK3.5 cents per ordinary share (2019: HK2.5 cents) was proposed pursuant to a resolution passed by the Board on 22 September 2020 and approved by the shareholders of the Company at the annual general meeting of the Company held on 1 December 2020. Such dividend amounting to HK\$16,800,000 (2019: HK\$12,000,000) was paid before 31 December 2020.

The Board declares an interim dividend amounting to HK1.5 cent for the six months ended 31 December 2020 (six months ended 31 December 2019: HK1 cent).

## 10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>31 December</b>	30 June
	<b>2020</b>	2020
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Unlisted fund investment	<b>10,030</b>	10,039

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

	<b>31 December 2020 (Unaudited) HK\$'000</b>	30 June 2020 (Audited) HK\$'000
Trade receivables	<u>58,621</u>	<u>61,922</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 2020 and 30 June 2020, based on the invoice date, is as follows:

	<b>31 December 2020 (Unaudited) HK\$'000</b>	30 June 2020 (Audited) HK\$'000
Within 1 month	26,977	33,350
1 to 2 months	23,374	20,272
2 to 3 months	6,676	6,649
over 3 months	<u>1,594</u>	<u>1,651</u>
	<u>58,621</u>	<u>61,922</u>

## 12. TRADE PAYABLES

An ageing analysis of the trade payables as at 31 December 2020 and 30 June 2020, based on the invoice date, is as follows:

	<b>31 December 2020 (Unaudited) HK\$'000</b>	30 June 2020 (Audited) HK\$'000
Within 1 month	9,513	9,796
1 to 2 months	5,366	5,033
2 to 3 months	980	951
Over 3 months	<u>144</u>	<u>170</u>
	<u>16,003</u>	<u>15,950</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.

Given the unstable economic environment, printing industry in Hong Kong is encountering intense competition. The COVID-19 global pandemic has continuously clouded the economic landscape of worldwide. Corresponding measures, such as lockdown of many nations and cities, have encumbered not just specific areas but global economy. Furthermore, the Sino-US trade tension is still threatening customers’ willingness to spend on printing and promotion. The abovementioned factors are repeatedly challenging the Group’s business operations and development.

The Group’s revenue decreased by approximately 8.1% to approximately HK\$163.7 million for the six months ended 31 December 2020 compared to the same period last year. The decrease in revenue is inevitably caused by the COVID-19 global pandemic, which has weakened international retail markets. Some of our customers have prudently frozen or even reduced their budget on new projects till the pandemic is under control. The gross profit also decreased by approximately 5.9% from approximately HK\$66.3 million for the six months ended 31 December 2019 to approximately HK\$62.3 million for the six months ended 31 December 2020, as a result of the decrease in revenue.

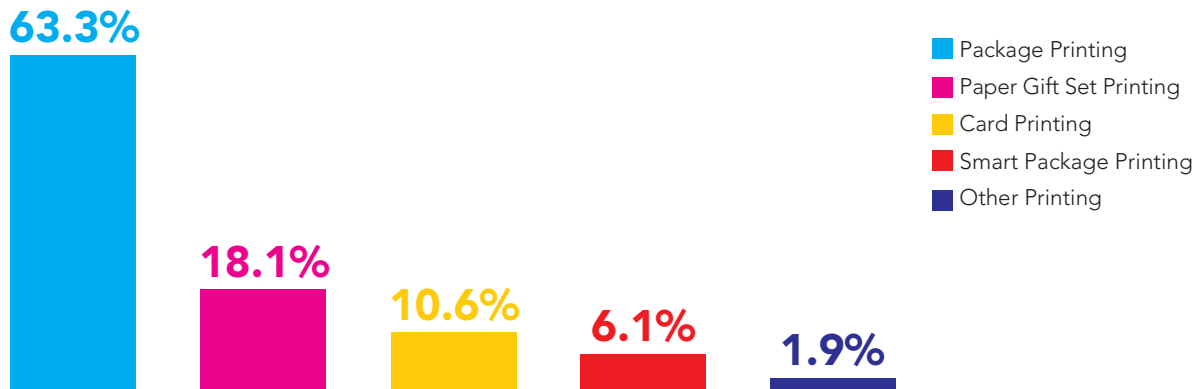
Despite the decrease in the sales, following the adoption of stringent cost control, our gross profit margin increased from approximately 37.2% for the six months ended 31 December 2019 to approximately 38.1% for the six months ended 31 December 2020. Our profit for the period decreased slightly by approximately HK\$0.5 million from approximately HK\$28.0 million for the six months ended 31 December 2019 to approximately HK\$27.5 million for the six months ended 31 December 2020. The net profit margin increased from approximately 15.7% for the six months ended 31 December 2019 to approximately 16.8% for the six months ended 31 December 2020.

Basic earnings per share was HK5.74 cents, compared to a basic earnings per share of HK5.84 cents for the corresponding period in 2019.

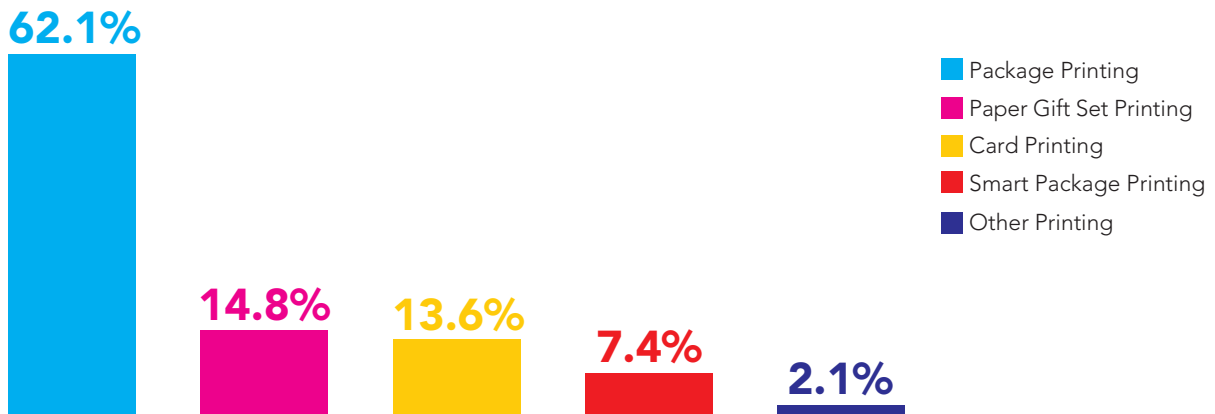
## BUSINESS UNIT OVERVIEW

The Group comprises five key business units.

### Revenue contribution for the six months ended 31 December 2020



### Revenue contribution for the six months ended 31 December 2019



## **Packaging printing**

Packaging printing services cover, among others, corrugated boxes, gift boxes, card boxes and product boxes. For the six months ended 31 December 2020, revenue from packaging printing decreased by approximately 6.4% to approximately HK\$103.6 million as compared to the same period in 2019. The decrease was mainly caused by effect of COVID-19 pandemic on the global retail markets. It was directly attributed to the drop in the demand on packaging boxes, such as the demand in the United States of America (“USA”) and Hong Kong.

## **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 2020, revenue from paper gift set printing increased by approximately 12.1% to approximately HK\$29.6 million as compared to the same period in 2019. The increase in the revenue from paper gift set printing was benefited from their product cycles. Some customers have organized promotional sales, and there was increasing customers’ orders 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 2020, revenue from card printing decreased by approximately 28.1% to approximately HK\$17.4 million as compared to the same period in 2019. The drop in revenue from card printing was mainly caused by continuous effect of COVID-19 pandemic and lockdown of some countries and cities. Furthermore, launch of some new card products was postponed, resulting in a decrease in the orders on card printing products consequently.

## **Smart package printing**

Smart package printing services cover, among others, RFID labels and NFC tags, in order to provide value-added services to our existing and potential customers. For the six months ended 31 December 2020, revenue from smart package printing decreased by approximately 24.2% to approximately HK\$10.0 million as compared to the same period in 2019. The decrease in revenue from smart package printing was generated from effect of the COVID-19 pandemic. It adversely affected global retail markets in many nations and cities, such as USA and Hong Kong, leading to a drop in the customers’ orders in smart packing 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 2020, revenue from other printing decreased by approximately 16.2% to approximately HK\$3.1 million as compared to the same period in 2019. The decrease was mainly due to the increasing environmental awareness of some retail customers and some countries imposed more restrictive rules on plastic products.

## **OUTLOOK**

The interim period 2020/2021 is expected to be challenging due to influence of COVID-19 pandemic and trade tension between USA and China. Furthermore, volatility of material costs, increase in labor costs, and imposition of various stringent environmental control required by different countries and cities on printing industry are posing additional challenges to the Group's business operations and growth in the foreseeable future.

To manage the impacts of COVID-19 pandemic, the Group has taken several measures, such as providing face masks and hand sanitizers, strict measures on body temperature checking and maintaining the social distance inside the factory area, to secure the health and safety of our staffs and to ensure the smooth operation of the Group. Moreover, to cope with falling demand from our customers, and to maintain the market competitiveness of the Group, the management has adopted various steps to mitigate the Group's operational risk, such as a stringent control over our manufacturing costs in order to make our printing products to be more competitive in the market and be cautious on the pricing of our printing products. In addition, our Group is exploring opportunities on promotion of our smart package and sustainable products to our customers, which can differentiate ourselves from our competitors. With the Group's experienced management team and reputation in the 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 8.1% to approximately HK\$163.7 million for the six months ended 31 December 2020 compared to approximately HK\$178.2 million for the six months ended 31 December 2019. The decrease is inevitably caused by the global pandemic, which has weakened international retail markets. Some of our customers have prudently frozen or even reduced their budget on new projects till the pandemic is under control.

### **Gross profit and gross profit margin**

Gross profit decreased by approximately 5.9% from approximately HK\$66.3 million for the six months ended 31 December 2019 to approximately HK\$62.3 million for the six months ended 31 December 2020, as a result of drop in sales.

Despite the decrease in the sales, following the adoption of stringent cost control, our gross profit margin increased from approximately 37.2% during the six months ended 31 December 2019 to approximately 38.1% during the six months ended 31 December 2020.

### **Administrative expenses**

Administrative expenses remained relatively stable of approximately HK\$29.4 million and HK\$30.8 million for the six months ended 31 December 2020 and 2019.

### **Selling and distribution expenses**

Selling and distribution expenses were approximately HK\$2.9 million and approximately HK\$3.1 million for the six months ended 31 December 2020 and 2019, which mainly included salaries of salespeople and freight charges. Selling and distribution expenses decreased was mainly because of a drop in the sales made during the current period.

### **Other operating income/(expenses), net**

The Group recorded other operating expenses of approximately HK\$0.1 million for the six months ended 31 December 2020 and other operating income of approximately HK\$0.3 million for the same period in 2019. The turnaround from other operating income to other operating expenses for the six months ended 31 December 2020 was mainly due to the exchange loss arising from the appreciation of Renminbi against Hong Kong Dollars and loss arising from disposal of fixed assets during the six months ended 31 December 2020.

## **Other income**

Other income was approximately HK\$1.8 million for the six months ended 31 December 2019 and decreased to approximately HK\$1.6 million for the six months ended 31 December 2020. The decrease in amount was mainly due to a drop in the interest income generated from time deposits made during the current period.

## **Government grants**

Government grants was approximately HK\$2.6 million for the six months ended 31 December 2020, while there was no such balance for the six months ended 31 December 2019. The increase in amount was mainly due to an increase in the government grants obtained in both China and Hong Kong during the current period.

## **Income tax expenses**

Income tax expenses increased by approximately HK\$0.4 million from approximately HK\$5.7 million for the six months ended 31 December 2019 to approximately HK\$6.1 million for the six months ended 31 December 2020. The effective tax rates for the six months ended 31 December 2020 and 2019 are relatively stable at 18.2% and 16.8% respectively.

## **Liquidity and capital resources**

Our net assets amounted to approximately HK\$341.2 million and approximately HK\$323.1 million as at 31 December 2020 and 30 June 2020 respectively.

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 2020, our cash and cash equivalents amounted to approximately HK\$208.9 million (30 June 2020: approximately HK\$204.1 million) and were mainly denominated in US Dollars and Renminbi; and our net current assets were approximately HK\$225.7 million (30 June 2020: approximately HK\$218.9 million). The current ratio, being current assets over current liabilities, remain relatively stable of approximately 3.9 times and 3.7 times as at 31 December 2020 and 30 June 2020, respectively.

As at 31 December 2020, the Group had approximately HK\$208.9 million total cash and cash equivalents with no restricted cash. For the amount of cash and bank balances of HK\$29.2 million, approximately HK\$12.5 million was denominated in Hong Kong Dollars, approximately HK\$9.1 million was denominated in US Dollars, and approximately HK\$7.6 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\$179.7 million of fixed time deposits with maturity within 12 months. For the fixed time deposits, approximately HK\$8.0 million was denominated in Hong Kong Dollars, approximately HK\$89.1 million was denominated in US Dollars, and the remaining was denominated in Renminbi.

As at 31 December 2020 and 30 June 2020, 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 2020 and 30 June 2020.

During the period, the Group recorded over HK\$2.0 million in capital expenditure, which was mostly deployed for automation and equipment upgrades.

## **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 2020 and 30 June 2020.

## **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 2020, we had 690 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\$14.4 million and approximately HK\$15.9 million for the six months ended 31 December 2020 and 2019, 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 HK1.5 cent per share (2019: HK1 cent) in cash. The proposed dividend is expected to be distributed on Thursday, 18 March 2021 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 9 March 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 5 March 2021 to Tuesday, 9 March 2021, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m., on Thursday, 4 March 2021.

## **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\$44.1 million for equipment upgrades on the improvement of the production process, approximately HK\$8.3 million for general working capital and approximately HK\$0.7 million for the consultation of the upgrade of enterprise resources planning ("**ERP**") system. During the period, the net proceed, 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 (Note 1)	65.0	80.6	44.1	36.5	Expected to be fully utilised on or before 31 December 2022
Relocate Shenzhen Factory (Note 2)	25.0	31.0	–	31.0	Expected to be fully utilised on or before 31 March 2022
Upgrade ERP system (Note 3)	3.3	4.1	0.7	3.4	Expected to be fully utilised on or before 31 December 2022
General working capital	6.7	8.3	8.3	–	N/A
<b>Total</b>	<b>100.0</b>	<b>124.0</b>	<b>53.1</b>	<b>70.9</b>	

*Note 1:* The Group has delayed the plan of relocation of the Shenzhen Factory as stated in Note 2 below, and hence we have also deferred the progress of purchasing Four Presses by stages. We have kept searching for upgrade of our machines in the market and utilised the relevant proceeds from the initial public offering of approximately HK\$44.1 million up to the date of this announcement for purchase of press and related machines to improve the overall production efficiency. As we are undergoing the relocation plan to the new factory, we expect to fully utilise the relevant proceeds on or before 31 December 2022.

*Note 2:* With reference to the “Voluntary Announcement — Business Updates” dated 6 September 2019, the Group has entered into a Cooperation Framework Agreement to develop and construct a factory, office building, staff dormitory and utilities (the “**New Properties**”) on a piece of self-owned industrial land by an independent third party located in Huizhou City. To the best knowledge of the Directors, it is expected the practical completion of the New Properties will be in August 2021. The existing tenancy agreement of the Shenzhen factory will be expired in March 2022. Hence, we expect to fully utilise the relevant proceeds on or before 31 March 2022.

*Note 3:* As we cannot locate the service provider with the relevant experience in printing industry, we have delayed the progress of updating our ERP system. We have already utilised HK\$0.2 million to an independent third party consultant to evaluate our existing ERP system, and we are searching for the suitable service provider. During the current period, the Group has entered into agreements with independent third party ERP service providers to update our system. Up to the date of this announcement, we have already utilised HK\$0.5 million to the service providers for the update of our ERP system. Given we have commenced to update our ERP system, we expect to fully utilise the relevant proceeds on or before 31 December 2022.

On 10 January 2017, the Group have entered into a legally binding memorandum of understanding (the “**MOU**”) with an independent third party (the “**New Landlord**”). Pursuant to the MOU, we have the right to lease, and the New Landlord shall lease to us, for three years (with an option to renew granted for us for further three years), some of the area as our new plant (the “**New Plant**”) within the piece of land located at Xiagang Community, Dongguan City, Guangdong Province, the PRC (中華人民共和國廣東省東莞市廈崗社區) for industrial use.

However, the New Landlord has sold the land together with the New Plant to an independent third party, and hence there is a delay for the relocation plan and the Group may not be able to relocate the factory as originally scheduled as mentioned in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Please refer to the “Voluntary Announcement — Business Updates” dated 11 July 2018 for details.

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, an Independent Third Party (the “**Developer**”) 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 PRC.

To the best knowledge of the Directors, it is expected that the negotiating, finalising and signing of the Tenancy Agreement would take place by the fourth quarter of 2021, a separate Tenancy Agreement to lease the New Properties shall be entered into between the Developer and the Group after negotiation and obtaining the approval from the relevant PRC authorities.

The Company will make further 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. Please refer to the “Voluntary Announcement — Business Updates” dated 6 September 2019 for details.

## **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 2020 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 2020 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 2020 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 2020 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 2020.

## **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 2020 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](http://www.hkexnews.hk) and the Company's website at [www.sunhingprinting.com](http://www.sunhingprinting.com). The interim report of the Company for the six months ended 31 December 2020, containing information required by the Listing Rules, will be despatched to shareholders of the Company and published on the above websites in due course.

## **APPRECIATION**

The Board 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, 18 February 2021

*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.*