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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 2021

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 2020 as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		For the six months ended	
		31 December	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3&4	358,875	163,739
Cost of sales		<u>(225,870)</u>	<u>(101,391)</u>
Gross profit		133,005	62,348
Other income	4	920	1,646
Government grants	4	1,959	2,582
Selling and distribution expenses		(5,038)	(2,855)
Administrative expenses		(60,114)	(29,433)
Other operating expenses, net		(2,621)	(128)
Finance costs	5	<u>(1,684)</u>	<u>(519)</u>
PROFIT BEFORE TAX	6	66,427	33,641
Income tax expense	7	<u>(15,559)</u>	<u>(6,111)</u>
PROFIT FOR THE PERIOD		<u>50,868</u>	<u>27,530</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8	HK cents	HK cents
Basic and diluted		<u>10.60</u>	<u>5.74</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>50,868</u>	<u>27,530</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>946</u>	<u>7,331</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>946</u>	<u>7,331</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>51,814</u>	<u>34,861</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2021 (Unaudited) <i>HK\$'000</i>	30 June 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		72,154	72,051
Right-of-use assets		143,087	9,650
Intangible asset		2,700	2,700
Financial asset at fair value through profit or loss	10	9,951	10,588
Prepayments and deposits		55,434	32,112
Deferred tax assets		6,713	4,687
Total non-current assets		290,039	131,788
CURRENT ASSETS			
Inventories		52,317	67,079
Trade receivables	11	106,060	81,930
Prepayments, deposits and other receivables		10,061	4,982
Restricted cash		926	919
Cash and cash equivalents		226,179	203,510
Total current assets		395,543	358,420
CURRENT LIABILITIES			
Trade payables	12	34,395	28,924
Other payables and accruals		67,450	36,842
Lease liabilities		3,771	10,087
Tax payable		29,967	28,989
Total current liabilities		135,583	104,842
NET CURRENT ASSETS		259,960	253,578
TOTAL ASSETS LESS CURRENT LIABILITIES		549,999	385,366
NON-CURRENT LIABILITIES			
Lease liabilities		128,403	83
Deferred tax liability		3,704	5
Total non-current liabilities		132,107	88
Net assets		417,892	385,278
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,800	4,800
Reserves		413,092	380,478
Total equity		417,892	385,278

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 15 February 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements for the six months ended 31 December 2021 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 2021, 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 9,
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe	143,701	41,990
Hong Kong	99,715	95,045
United States of America (the "USA")	78,864	6,332
The People's Republic of China (the "PRC")	3,192	11,763
Others	33,403	8,609
	<u>358,875</u>	<u>163,739</u>

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

(b) *Non-current assets*

	31 December	30 June
	2021	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
The PRC	217,773	106,915
Hong Kong	3,232	3,494
	<u>221,005</u>	<u>110,409</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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and government grants		
Interest income	882	1,101
Others	38	545
	<u>920</u>	<u>1,646</u>
Government grants	1,959	2,582
	<u>2,879</u>	<u>4,228</u>

5. FINANCE COSTS

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	<u>1,684</u>	<u>519</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold [#]	225,870	101,391
Depreciation of property, plant and equipment	4,896	4,408
Depreciation of right-of-use assets	8,971	5,542
Lease payments not included in the measurement of lease liabilities	2,336	1,512
Auditor's remuneration	700	675
Employee benefit expenses (excluding directors' and chief executive's remuneration)	75,683	30,100
Foreign exchange differences, net*	909	6
Loss on disposal of items of property, plant and equipment*	1,075	113
Fair value loss on a financial asset at fair value through profit or loss*	<u>637</u>	<u>9</u>

[#] Cost of inventories sold includes HK\$75,233,000 and HK\$30,201,000 of employee benefit expenses, 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 2021 and 2020 respectively.

* These items are included in "Other operating 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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 31 December 2021 and 2020. The PRC tax has been provided at the rate of 25% (2020: 25%) on the estimated assessable profits arising in the PRC.

	For the six months ended	
	31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	13,756	5,033
Current – PRC		
Charge for the period	143	857
Deferred	<u>1,660</u>	<u>221</u>
Total tax charge for the period	<u>15,559</u>	<u>6,111</u>

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 2021 attributable to the equity holders of the Company of HK\$50,868,000 (six months ended 31 December 2020: HK\$27,530,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 31 December 2020: 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 2021 and 2020 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:

	For the six months ended	
	31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	50,868	27,530
Weighted average number of ordinary shares in issue during the periods for calculation of basic and diluted earnings per share ('000)	480,000	480,000
	HK cents	HK cents
Basic and diluted earnings per share	10.60	5.74

9. DIVIDENDS

A final dividend in respect of the year ended 30 June 2021 of HK4.0 cents per ordinary share (2020: HK3.5 cents) was proposed pursuant to a resolution passed by the Board on 29 September 2021 and approved by the shareholders of the Company at the annual general meeting of the Company held on 7 December 2021. Such dividend amounting to HK\$19,200,000 (2020: HK\$16,800,000) was paid before 31 December 2021.

The Board declares an interim dividend amounting to HK1.8 cents for the six months ended 31 December 2021 (six months ended 31 December 2020: HK1.5 cents).

10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	30 June
	2021	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Unlisted fund investment	9,951	10,588

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 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Trade receivables	<u>106,060</u>	<u>81,930</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 2021 and 30 June 2021, based on the invoice date, is as follows:

	31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Within 1 month	60,686	41,296
1 to 2 months	25,908	32,082
2 to 3 months	17,557	6,815
over 3 months	<u>1,909</u>	<u>1,737</u>
	<u>106,060</u>	<u>81,930</u>

12. TRADE PAYABLES

An ageing analysis of the trade payables as at 31 December 2021 and 30 June 2021, based on the invoice date, is as follows:

	31 December 2021 (Unaudited) HK\$'000	30 June 2021 (Audited) HK\$'000
Within 1 month	25,699	20,779
1 to 2 months	8,448	7,128
2 to 3 months	160	934
Over 3 months	<u>88</u>	<u>83</u>
	<u>34,395</u>	<u>28,924</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 there are signs of economic growth and recovery in the global retail market, printing industry in Hong Kong is still encountering intense competition. The COVID-19 global pandemic and outbreak of the variant virus in the second half of Year 2021 have clouded worldwide economic landscape. Although there were effective anti-epidemic measures in the People’s Republic of China (the “**PRC**”), continuous lockdown of boarder between the PRC and Hong Kong, logistical delay, labour shortage, and supply chain disruption of paper and commodities are repeatedly challenging the Group’s business operations and development.

The Group’s revenue increased by approximately 119.2% to approximately HK\$358.9 million for the six months ended 31 December 2021 compared to the same period last year. The increase in revenue is mainly due to the rise in contribution from packaging and paper gift set printing services as a result of resumption of key and ongoing projects by some customers, which were postponed by the COVID-19 pandemic in previous years, and more revenue generated by those projects as compared to the revenue level prior to the COVID-19 pandemic. In addition, anti-epidemic measures taken in some Southeast Asian countries were not as effective as those in the PRC, it leads to some foreign enterprises’ production lines returning to the PRC, which indirectly boosted the Group’s sales orders received from those foreign customers. The gross profit also increased by approximately 113.3% from approximately HK\$62.3 million for the six months ended 31 December 2020 to approximately HK\$133.0 million for the six months ended 31 December 2021, as a result of increase in revenue and improvement in cost efficiency.

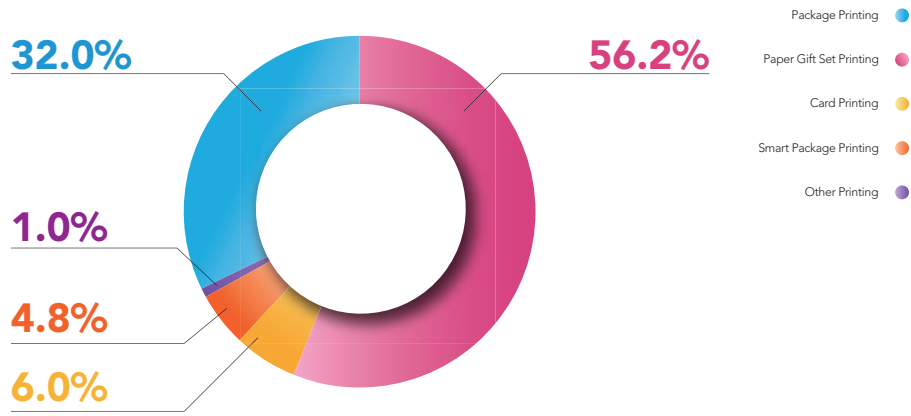
Our gross profit margin remained relatively stable of approximately 37.1% and approximately 38.1% for the six months ended 31 December 2021 and 2020. Because of increase in both revenue and gross profit, our net profit for the period increased by approximately HK\$23.4 million from approximately HK\$27.5 million for the six months ended 31 December 2020 to approximately HK\$50.9 million for the six months ended 31 December 2021. The net profit margin decreased from approximately 16.8% for the six months ended 31 December 2020 to approximately 14.2% for the six months ended 31 December 2021, as a result of increase in provision of redundancy cost made for relocation of staff and employee benefit expenses.

Basic earnings per share was HK10.60 cents, compared to a basic earnings per share of HK5.74 cents for the corresponding period in 2020.

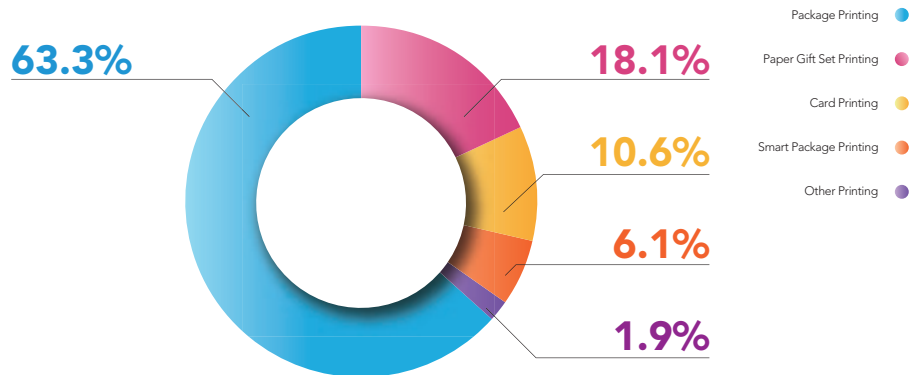
BUSINESS UNIT OVERVIEW

The Group comprises five key business units.

Revenue contribution for the six months ended 31 December 2021



Revenue contribution for the six months ended 31 December 2020



Packaging printing

Packaging printing services cover, among others, corrugated boxes, gift boxes, card boxes and product boxes. For the six months ended 31 December 2021, revenue from packaging printing increased by approximately 10.8% to approximately HK\$114.9 million as compared to the same period in 2020. The increase was mainly caused by signs of global economy growth and recovery of global retail markets in Europe, USA and Hong Kong in the second half of Year 2021. It slightly boosted the demand on packaging boxes, such as those in the Europe, 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 2021, revenue from paper gift set printing increased by approximately 580.5% to approximately HK\$201.7 million as compared to the same period in 2020. The increase in the revenue from paper gift set printing was benefited from resumption of key and ongoing projects by some customers, which were delayed by the outbreak of COVID-19 pandemic in previous years. And the Group has generated more revenue from some projects as compared to the revenue level prior to the COVID-19 pandemic. Furthermore, some foreign customers have switched back their production lines from Southeast Asian countries back to the PRC, as there were more effective anti-epidemic measures being taken in the PRC. It indirectly boosted the Group's sales orders received from those foreign customers on paper gift set printing services.

Card printing

Card printing services cover, among others, colour cards, insert cards, warranty cards and plain cards. For the six months ended 31 December 2021, revenue from card printing increased by approximately 24.1% to approximately HK\$21.5 million as compared to the same period in 2020. The increase in revenue from card printing was mainly caused by resumption of launches of new board and card game projects by some customers, in view of the recovery of the global retail markets in the second half of Year 2021. It results in a rise in 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 2021, revenue from smart package printing increased by approximately 72.5% to approximately HK\$17.2 million as compared to the same period in 2020. The increase in revenue from smart package printing was generated as more retail customers were willing to organize promotional sales under the recovery of the retail markets in Europe, USA and Hong Kong, leading to more 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 2021, revenue from other printing increased by approximately 15.4% to approximately HK\$3.6 million as compared to the same period in 2020. The revenue generated from other printing increased was mainly because of increase in the demand for other printing service for the current period.

OUTLOOK

The interim period 2021/2022 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 monitoring on body temperature and maintaining social distance in factory area, to secure the health and safety of our staff and to ensure smooth operation of the Group. Despite the improvement in the half year performance, the Group is currently accelerating the machine automation and seeking for advanced printing technologies in the market. In light of uncertain business environment, our management always maintains 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 pricing of our printing products. We have also worked closely with our existing customers to understand their needs and provided the value-added services to them to maintain mutual relationship. 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 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 increased by approximately 119.2% to approximately HK\$358.9 million for the six months ended 31 December 2021 compared to approximately HK\$163.7 million for the six months ended 31 December 2020. The increase in revenue is mainly due to the increase in contribution from packaging and paper gift set printing services as a result of resumption of the projects by some customers, which were postponed by the COVID-19 pandemic in previous years, and more revenue generated by some projects as compared to the revenue level prior to the COVID-19 pandemic. In addition, anti-epidemic measures taken in some Southeast Asian countries were not as effective as those in the PRC, it leads to some foreign enterprises' production lines returning to the PRC, which indirectly boosted the Group's sales orders received from those foreign customers.

Gross profit and gross profit margin

Gross profit increased by approximately 113.3% from approximately HK\$62.3 million for the six months ended 31 December 2020 to approximately HK\$133.0 million for the six months ended 31 December 2021, as a result of increase in sales and improvement in cost efficiency.

Our gross profit margin remained relatively stable of approximately 37.1% and approximately 38.1% for the six months ended 31 December 2021 and 2020.

Administrative expenses

Administrative expenses were approximately HK\$60.1 million and approximately HK\$29.4 million for the six months ended 31 December 2021 and 2020 respectively. Administrative expenses increased was mainly due to (i) rise in provision made for factory relocation from Shenzhen to Huizhou; (ii) rise in redundancy cost to Shenzhen administrative staff; and (iii) a general salary increment in both Hong Kong and China, and increase in the performance-related salary expenses made due to improvement of the Group's overall performance.

Selling and distribution expenses

Selling and distribution expenses was approximately HK\$5.0 million and approximately HK\$2.9 million for the six months ended 31 December 2021 and 2020 respectively, which mainly included salaries of salespeople and freight charges. Selling and distribution expenses increased was mainly because of an increase in sales made during the current period and also increase in the redundancy cost to Shenzhen selling and distribution staff.

Other operating expenses, net

The Group recorded other operating expenses, net of approximately HK\$2.6 million and approximately HK\$0.1 million for the six months ended 31 December 2021 and 2020. The increase in the other operating expenses, net for the six months ended 31 December 2021 was mainly due to increase in the exchange loss arising from the appreciation of Renminbi against United States Dollars and loss arising from disposal of fixed assets during the six months ended 31 December 2021.

Other income

Other income was approximately HK\$1.6 million for the six months ended 31 December 2020 and dropped to approximately HK\$0.9 million for the six months ended 31 December 2021. 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\$2.0 million for the six months ended 31 December 2021, while there was government grants of approximately HK\$2.6 million for the six months ended 31 December 2020. The decrease in amount was mainly due to a decrease in the government grant obtained in Hong Kong during the current period.

Finance costs

Finance costs was approximately HK\$0.5 million for the six months ended 31 December 2020 and increased to approximately HK\$1.7 million for the six months ended 31 December 2021. The increase in the finance costs was mainly due to the recognition of the lease liability for the new lease of a factory in Huizhou (“**Huizhou Factory Leasing**”) upon the commencement of the tenancy agreement in October 2021, leading to an increase in the finance costs recorded by the Group in the current period.

Income tax expense

Income tax expense increased by approximately HK\$9.5 million from approximately HK\$6.1 million for the six months ended 31 December 2020 to approximately HK\$15.6 million for the six months ended 31 December 2021. The effective tax rates for the six months ended 31 December 2021 and 2020 are at 23.4% and 18.2% respectively. The increase in the effective tax rate was mainly because of the recognition of the deferred tax liability of approximately HK\$3.6 million upon the commencement of the tenancy agreement in Huizhou.

Liquidity and capital resources

Our net assets amounted to approximately HK\$417.9 million and approximately HK\$385.3 million as at 31 December 2021 and 30 June 2021 respectively. The increase in net assets was primarily due to the profit generated for 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 2021, our cash and bank balances amounted to approximately HK\$227.1 million (30 June 2021: approximately HK\$204.4 million); and our net current assets were approximately HK\$260.0 million (30 June 2021: approximately HK\$253.6 million). The current ratio, being current assets over current liabilities, was approximately 2.9 times and 3.4 times as at 31 December 2021 and 30 June 2021, respectively.

As at 31 December 2021, the Group had approximately HK\$227.1 million total cash on hand, of which approximately HK\$0.9 million was restricted cash and denominated in Renminbi. For the remaining balance approximately HK\$226.2 million, mainly approximately HK\$26.1 million was denominated in Hong Kong Dollars, approximately HK\$78.2 million was denominated in US Dollars, and approximately HK\$121.9 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\$104.9 million of fixed time deposits with maturity within 12 months and were denominated in Renminbi.

As at 31 December 2021 and 30 June 2021, 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 2021 and 30 June 2021.

During the period, the Group recorded over HK\$6.1 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 2021 and 30 June 2021.

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 2021, we had 1,105 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\$37.6 million and approximately HK\$14.4 million for the six months ended 31 December 2021 and 2020, respectively. The increase in direct labour cost was mainly because the Group had hired more temporary workers to handle the increased number of sales orders received during the current period. Furthermore, the Group had recorded a provision for redundancy cost amounted to approximately HK\$16.2 million for the period ended 31 December 2021, while there was no such provision for redundancy cost made for the period ended 31 December 2020. 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 HK1.8 cents share (2020: HK1.5 cents) in cash. The proposed dividend is expected to be distributed on Friday, 18 March 2022 to shareholders whose names appear on the Register of Members of the Company on Friday, 4 March 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 2 March 2022 to Friday, 4 March 2022, 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 Tuesday, 1 March 2022.

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\$56.8 million for equipment upgrades on the improvement of the production process, approximately HK\$28.3 million for relocation of Shenzhen factory, approximately HK\$8.3 million for general working capital and approximately HK\$1.3 million for the consultation of 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”).

On 23 October 2021, 東柏彩印(惠州)有限公司, an indirect wholly-owned subsidiary of the Company, 惠州市蔚藍體育用品有限公司, the landlord, and Mr. Chen Zhencheng, the guarantor, entered into a formal tenancy agreement in respect of the Huizhou Factory Leasing for a term of ten years commencing from 23 October 2021 to 22 October 2031. For details of the transaction, please refer to the circulars of the Company dated 22 October 2021.

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 net proceeds up to the date of this announcement HK\$ in million	Expected timeline for utilising the unutilised net proceeds
Purchase four presses by stages (Note 1)	65.0	80.6	56.8	23.8	Expected to be fully utilised on or before 31 December 2022
Relocate Shenzhen Factory (Note 2)	25.0	31.0	28.3	2.7	Expected to be fully utilised on or before 30 June 2022
Upgrade ERP system (Note 3)	3.3	4.1	1.3	2.8	Expected to be fully utilised on or before 31 December 2022
General working capital	6.7	8.3	8.3	–	N/A
Total	100.0	124.0	94.7	29.3	

Note 1: The Group has kept searching for upgrade of our machines in the market and utilised the relevant proceeds from the initial public offering of approximately HK\$56.8 million up to the date of this announcement for purchase of presses 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: On 23 October 2021, 東柏彩印(惠州)有限公司, an indirect wholly-owned subsidiary of the Company, 惠州市蔚藍體育用品有限公司, the landlord, and Mr. Chen Zhencheng, the guarantor, entered into a formal tenancy agreement in respect of the Huizhou Factory Leasing for a term of ten years commencing from 23 October 2021 to 22 October 2031. We have utilised the relevant proceeds from the initial public offering of approximately HK\$28.3 million up to the date of announcement for relocation of Shenzhen factory to Huizhou factory. Hence, we expect to fully utilise the relevant proceeds on or before 30 June 2022.

Note 3: 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. Given we have commenced to update our ERP system, we expect to fully utilise the relevant proceeds on or before 31 December 2022.

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 2021 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 2021 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 2021 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 2021 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 2021.

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 2021 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 2021, 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, 15 February 2022

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.