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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 2022

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 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended	
		30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	657,726	380,090
Cost of sales		<u>(390,822)</u>	<u>(228,577)</u>
Gross profit		266,904	151,513
Other income	3	3,596	2,829
Government grants	3	304	2,753
Selling and distribution expenses		(10,240)	(5,307)
Administrative expenses		(108,377)	(61,291)
Other operating income/(expenses), net		(3,574)	4,192
Finance costs	5	<u>(6,281)</u>	<u>(907)</u>
PROFIT BEFORE TAX	4	142,332	93,782
Income tax expense	6	<u>(26,552)</u>	<u>(15,950)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>115,780</u>	<u>77,832</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted	8	<u>24.12</u>	<u>16.22</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	115,780	77,832
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(5,855)</u>	<u>8,329</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(5,855)</u>	<u>8,329</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>109,925</u>	<u>86,161</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2022 HK\$'000	30 June 2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		123,712	72,051
Right-of-use assets		127,373	9,650
Intangible asset		2,137	2,700
Financial asset at fair value through profit or loss	9	9,884	10,588
Prepayments and deposits		53,130	32,112
Deferred tax assets		7,938	4,687
Total non-current assets		<u>324,174</u>	<u>131,788</u>
CURRENT ASSETS			
Inventories		65,902	67,079
Trade receivables	10	79,682	81,930
Prepayments, deposits and other receivables		12,043	4,982
Restricted cash		269	919
Cash and cash equivalents		237,159	203,510
Total current assets		<u>395,055</u>	<u>358,420</u>
CURRENT LIABILITIES			
Trade payables	11	31,563	28,924
Other payables and accruals		44,642	36,842
Lease liabilities		7,514	10,087
Tax payable		45,457	28,989
Total current liabilities		<u>129,176</u>	<u>104,842</u>
NET CURRENT ASSETS		<u>265,879</u>	<u>253,578</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>590,053</u>	<u>385,366</u>
NON-CURRENT LIABILITIES			
Other payables		1,602	–
Lease liabilities		121,088	83
Deferred tax liability		–	5
Total non-current liabilities		<u>122,690</u>	<u>88</u>
Net assets		<u>467,363</u>	<u>385,278</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,800	4,800
Reserves		462,563	380,478
Total equity		<u>467,363</u>	<u>385,278</u>

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 financial statements.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

COVID-19-Related Rent Concessions beyond 30 June 2021

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

These amendments did not have any significant impact on the Group’s financial statements.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

This amendment did not have any significant impact on the Group’s financial statements.

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*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Europe	314,126	148,384
Hong Kong	155,949	157,429
United States of America (the "USA")	103,962	24,363
The People's Republic of China (the "PRC")	8,784	18,580
Others	74,905	31,334
	<u>657,726</u>	<u>380,090</u>

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

(b) *Non-current assets*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC	300,714	106,915
Hong Kong	2,500	3,494
	<u>303,214</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.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	N/A*	52,227
Customer B	471,869	188,915
Customer C	N/A*	50,634
	<u>471,869</u>	<u>291,776</u>

* Less than 10% of the Group's revenue.

3. REVENUE, OTHER INCOME AND GOVERNMENT GRANTS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
<i>Revenue from contracts with customers</i>	<u>657,726</u>	<u>380,090</u>
<u>Revenue from contracts with customers</u>		
Disaggregated revenue information		
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of products transferred at a point in time	<u>657,726</u>	<u>380,090</u>
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and government grants		
Interest income	3,246	2,515
Others	<u>350</u>	<u>314</u>
	3,596	2,829
Government grants (<i>note</i>)	<u>304</u>	<u>2,753</u>
	<u>3,900</u>	<u>5,582</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):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold [#]	390,822	228,577
Depreciation of property, plant and equipment	11,111	9,048
Depreciation of right-of-use assets	19,221	11,570
Lease payments not included in the measurement of lease liabilities	7,697	3,216
Auditor's remuneration	1,391	1,314
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries ^{***}	127,958	73,226
Pension scheme contributions [^]	5,376	2,652
	<u>133,334</u>	<u>75,878</u>
Foreign exchange differences, net*	704	(4,203)
Loss on disposal of items of property, plant and equipment*	1,603	462
Write-down of inventories**	960	440
Fair value loss/(gain) on a financial asset at fair value through profit or loss*	704	(549)
Write-off of trade receivables*	-	98
Impairment of an intangible asset*	<u>563</u>	<u>-</u>

[#] Cost of inventories sold includes HK\$131,856,000 (2021: HK\$75,651,000) of employee benefit expense, depreciation, lease payments and write-down of inventories, the respective amounts of which are also included in the respective total amounts disclosed above for each of these types of expenses.

* These items are included in "Other operating income/(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\$20,222,000 (2021: HK\$3,495,000), which is included in "Cost of sales, Selling and distribution expenses and Administrative expenses" 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	<u>6,281</u>	<u>907</u>

6. 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% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). The PRC tax has been provided at the rate of 25% (2021: 25%) on the estimated assessable profits arising in the PRC.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	29,846	13,139
Overprovision in prior years	(145)	(14)
Current – PRC		
Charge for the year	151	3,418
Deferred	<u>(3,300)</u>	<u>(593)</u>
Total tax charge for the year	<u>26,552</u>	<u>15,950</u>

7. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim – HK1.8 cents (2021: HK1.5 cents) per ordinary share	8,640	7,200
Proposed final – HK6.8 cents (2021: HK4.0 cents) per ordinary share	<u>32,640</u>	<u>19,200</u>
	<u>41,280</u>	<u>26,400</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 (2021: 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 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2022 and 2021.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit attributable to equity holders of the Company	<u>115,780</u>	<u>77,832</u>
	2022 <i>Number of shares</i>	2021 <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>24.12</u>	<u>16.22</u>

9. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unlisted fund investment	<u>9,884</u>	<u>10,588</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.

10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<u>79,682</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. As at 30 June 2022, the Group had certain concentrations of credit risk as 55% (2021: 52%) 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, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	59,923	41,296
1 to 2 months	14,508	32,082
2 to 3 months	4,680	6,815
Over 3 months	<u>571</u>	<u>1,737</u>
	<u>79,682</u>	<u>81,930</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	21,870	20,779
1 to 2 months	9,057	7,128
2 to 3 months	351	934
Over 3 months	<u>285</u>	<u>83</u>
	<u>31,563</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

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 there was sign of recovery in the global retail market and resumption of economic activities, printing industry in Hong Kong is still encountering intense competition. Continuous impact of COVID-19 pandemic on unstable material supplies and port congestion, lockdown of boarder between the PRC and Hong Kong, geopolitical tension and anxiety about the economic recession are repeatedly challenging the Group’s business operations and development.

The Group’s revenue increased by approximately 73.0% to approximately HK\$657.7 million for the year ended 30 June 2022 compared to last year. The increase in the Group’s revenue was mainly due to increase in contribution from packaging and paper gift set printing services as a result of resumption of the key and ongoing 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, the Group had devoted more resources and time to promote the smart package and sustainable products to the customers, which created value-added and quality services to our customers. The gross profit also increased by approximately 76.2% from approximately HK\$151.5 million for the year ended 30 June 2021 to approximately HK\$266.9 million for the year ended 30 June 2022, as a result of the increase in revenue and the stringent cost control adopted by the Group.

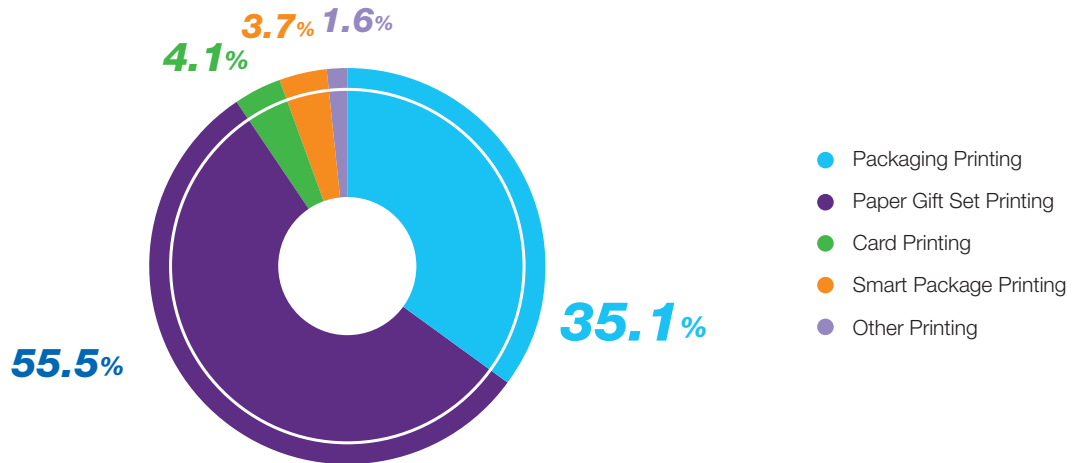
With the increase in revenue and the stringent cost control adopted, our gross profit margin also increased from approximately 39.9% during the year ended 30 June 2021 to approximately 40.6% during the year ended 30 June 2022. Our net profit for the year increased by approximately HK\$38.0 million from approximately HK\$77.8 million for the year ended 30 June 2021 to approximately HK\$115.8 million for the year ended 30 June 2022, as a result of the resumption of the key and ongoing projects by some customers, which were postponed by the COVID-19 pandemic in previous years and the stringent cost control policies placed by management. The net profit margin decreased from approximately 20.5% for the year ended 30 June 2021 to approximately 17.6% for the year ended 30 June 2022.

Basic earnings per share for the year ended 30 June 2022 was HK24.12 cents, compared to a basic earnings per share of HK16.22 cents for the year ended 30 June 2021.

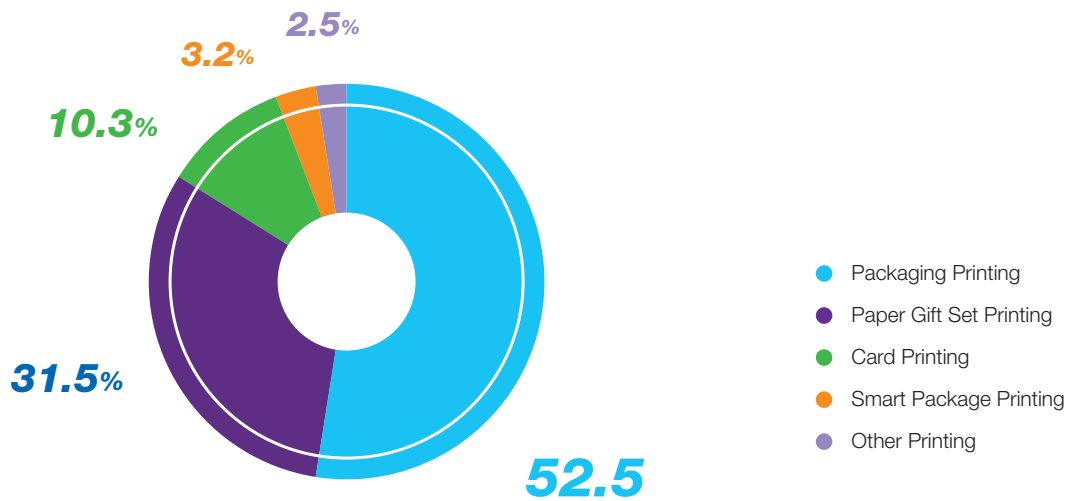
BUSINESS UNIT OVERVIEW

The Group comprises five key business units (2021: five).

Revenue contribution for the year ended 30 June 2022



Revenue contribution for the year ended 30 June 2021



Packaging printing

Packaging printing services cover, among others, corrugated boxes, gift boxes, card boxes and product boxes. For the year ended 30 June 2022, revenue from packaging printing increased by approximately 15.3% to approximately HK\$230.3 million as compared to approximately HK\$199.8 million for the year ended 30 June 2021. The increase in revenue from packaging printing was mainly caused by recovery of the retail markets in Europe, USA and Hong Kong and resumption of the economic activities in those regions during the year. It slightly boosted the demand on packaging boxes in those regions.

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 2022, revenue from paper gift set printing increased by approximately 205.4% to approximately HK\$365.2 million as compared to approximately HK\$119.6 million for the year ended 30 June 2021. The increase in 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 had 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.

Card printing

Card printing services cover, among others, colour cards, insert cards, warranty cards and plain cards. For the year ended 30 June 2022, revenue from card printing decreased by approximately 30.6% to approximately HK\$27.2 million as compared to 2021. The decrease in revenue from card printing was mainly caused by launches of new board and card game projects in the previous years, which it took time for the market to absorb the previously launched products. Thus, it results in a drop in orders placed 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 2022, revenue from smart package printing increased by approximately 102.5% to approximately HK\$24.3 million as compared to 2021. The increase in the 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 year ended 30 June 2022, revenue from other printing increased by approximately 12.6% to approximately HK\$10.7 million as compared to 2021. The increase in revenue from other printing services was mainly because there was an increase in orders placed on red packets products during the current year.

OUTLOOK

The year 2021/2022 was challenging due to continuous influence of COVID-19 pandemic, geopolitical tension and anxiety about the global economic recession. Furthermore, uncertain material supplies and port congestion, 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 development in the foreseeable future.

To mitigate 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 current year's performance, the Group is currently accelerating 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 for 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 that 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 73.0% to approximately HK\$657.7 million for the year ended 30 June 2022 compared to approximately HK\$380.1 million for the year ended 30 June 2021. The increase in the revenue is mainly due to higher contribution from packaging and paper gift set printing as a result of the resumption of the key and ongoing 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 before COVID-19 pandemic.

Gross profit and gross profit margin

Gross profit increased by approximately 76.2% from approximately HK\$151.5 million for the year ended 30 June 2021 to approximately HK\$266.9 million for the year ended 30 June 2022, as a result of the increase in revenue and the stringent cost control adopted by the Group.

With increase in revenue and the stringent cost control adopted, our gross profit margin increased from approximately 39.9% during the year ended 30 June 2021 to approximately 40.6% during the year ended 30 June 2022.

Selling and distribution expenses

Selling and distribution expenses was approximately HK\$10.2 million and approximately HK\$5.3 million for the years ended 30 June 2022 and 2021, 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 year and also increase in redundancy costs for selling and distribution staff in Shenzhen.

Administrative expenses

Administrative expenses were approximately HK\$108.4 million and approximately HK\$61.3 million for the years ended 30 June 2022 and 2021 respectively. Administrative expenses increased was mainly due to (i) rise in redundancy costs for administrative staff in Shenzhen; (ii) a general salary increment in both Hong Kong and China; and (iii) increase in the performance-related salary expenses as a result of improvement in the Group's overall performance.

Other operating income/(expenses), net

The Group recorded other operating expenses of approximately HK\$3.6 million for the year ended 30 June 2022, while the Group recorded other operating income of approximately HK\$4.2 million in last year. The turnaround from other operating income to other operating expenses for the year ended 30 June 2022 was mainly due to loss arising from disposal of fixed assets in Shenzhen factory and increase in the exchange loss during the current year.

Other income and government grants

Other income and government grants were approximately HK\$5.6 million for the year ended 30 June 2021 and drop to approximately HK\$3.9 million for the year ended 30 June 2022. The decrease in the amount was mainly due to less government grants received under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region and under the technological transformation scheme from the Shenzhen Industrial and Information Technology Bureau of the PRC Government.

Finance costs

Finance costs were approximately HK\$6.3 million and approximately HK\$0.9 million for the years ended 30 June 2022 and 2021 respectively. The increase in the finance costs was mainly resulted from the lease liabilities for the new lease of a factory in Huizhou which commenced in October 2021, leading to an increase in the finance costs recorded by the Group in the current year.

Income tax expense

Income tax expense increased by approximately HK\$10.6 million from approximately HK\$16.0 million for the year ended 30 June 2021 to approximately HK\$26.6 million for the year ended 30 June 2022. The effective tax rates for the years ended 30 June 2022 and 2021 are 18.7% and 17.0%, respectively.

Liquidity and capital resources

Our net assets amounted to approximately HK\$467.4 million and approximately HK\$385.3 million as at 30 June 2022 and 30 June 2021 respectively. The increase in net assets was primarily due to the profit generated from the operation 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 2022, our cash and bank balances amounted to approximately HK\$237.4 million (30 June 2021: approximately HK\$204.4 million); and our net current assets were approximately HK\$265.9 million (30 June 2021: approximately HK\$253.6 million). The current ratio, being current assets over current liabilities, was approximately 3.1 and 3.4 as at 30 June 2022 and 30 June 2021.

As at 30 June 2022, the Group had approximately HK\$237.4 million total cash on hand, of which approximately HK\$0.3 million was restricted cash and denominated in Renminbi. For the remaining balance approximately HK\$237.1 million, mainly approximately HK\$18.9 million was denominated in Hong Kong Dollars, approximately HK\$129.8 million was denominated in US Dollars, and approximately HK\$88.4 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\$183.3 million of fixed time deposits with maturity within 12 months. For the fixed time deposits approximately HK\$9.0 million was denominated in Hong Kong Dollars, approximately HK\$93.6 million was denominated in US Dollars and approximately HK\$80.7 million was denominated in Renminbi.

As at 30 June 2022 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 30 June 2022 and 30 June 2021.

During the year, the Group recorded over HK\$68.8 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 2022 and 30 June 2021.

OUR EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, we had 1,256 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\$74.6 million and approximately HK\$40.2 million for the years ended 30 June 2022 and 2021, respectively. The Group had recorded redundancy costs amounted to approximately HK\$20.2 million for the year ended 30 June 2022 (2021: approximately HK\$3.5 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 HK6.8 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 HK1.8 cents (2021: HK1.5 cents) per share paid in March 2022, will make a total dividend of HK8.6 cents (2021: HK5.5 cents) per share for the current year. The proposed final dividend is expected to be distributed on Thursday, 22 December 2022 to shareholders whose names appear on the Register of Members of the Company on Monday, 5 December 2022.

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting will be held on Friday, 25 November 2022 and the Notice of the 2022 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 Tuesday, 22 November 2022 to Friday, 25 November 2022, 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 Monday, 21 November 2022.

The Register of Members of the Company will be closed from Thursday, 1 December 2022 to Monday, 5 December 2022, 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 Wednesday, 30 November 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\$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 (<i>Note 1</i>)	65.0	80.6	80.6	–
Relocation of Shenzhen Factory (<i>Note 2</i>)	25.0	31.0	31.0	–
Upgrade ERP system (<i>Note 3</i>)	3.3	4.1	1.3	2.8
General working capital	6.7	8.3	8.3	–
Total	100.0	124.0	121.2	2.8

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\$80.6 million up to the date of this announcement for purchase of press and related machines to improve the overall production efficiency. Hence, we had fully utilised the relevant proceeds on or before 30 June 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\$31.0 million up to the date of this announcement for relocation of Shenzhen Factory to a factory in Huizhou. Hence, we had fully utilised 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. 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 2022.

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 2022 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 2022. 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 2022.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors namely Mr. Ng Sze Yuen Terry, Dr. Chu Po Kuen Louis and Mr. Wong Kam Fai. The audit committee of the Company has reviewed the final results for the year ended 30 June 2022 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 2022 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 2022. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants 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 2022 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 2022, containing information required by the Listing Rules, will be dispatched to shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 30 September 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.