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 2019

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 2019, as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		For the six months ended 31 December	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3&4*	**178,190**	152,728
Cost of sales		**(111,925)**	(97,846)
Gross profit		**66,265**	54,882
Other income	*4*	**1,847**	1,654
Selling and distribution expenses		**(3,073)**	(2,840)
Administrative expenses		**(30,807)**	(30,475)
Other operating income/(expenses), net		**330**	(109)
Finance costs	*5*	**(881)**	–
PROFIT BEFORE TAX	*6*	**33,681**	23,112
Income tax expense	*7*	**(5,664)**	(4,068)
PROFIT FOR THE PERIOD		**28,017**	19,044
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*	***HK cents***	*HK cents*
Basic and diluted		**5.84**	3.97

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**28,017**	19,044
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7,561)**	(4,532)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(7,561)**	(4,532)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**20,456**	14,512

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2019 (Unaudited)** *HK$'000*	30 June 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**62,236**	54,197
Right-of-use assets		**25,092**	–
Intangible asset		**2,700**	2,700
Prepayments and deposits		**8,286**	6,764
Deferred tax assets		**315**	149
Total non-current assets		**98,629**	63,810
CURRENT ASSETS			
Inventories		**20,616**	25,061
Trade receivables	*10*	**50,671**	54,541
Prepayments, deposits and other receivables		**10,006**	12,187
Tax recoverable		**8**	272
Restricted cash		**–**	11,402
Cash and cash equivalents		**209,929**	174,651
Total current assets		**291,230**	278,114
CURRENT LIABILITIES			
Trade payables	*11*	**20,240**	16,003
Other payables and accruals		**21,948**	17,050
Lease liabilities		**11,125**	–
Tax payable		**14,113**	9,527
Total current liabilities		**67,426**	42,580
NET CURRENT ASSETS		**223,804**	235,534
TOTAL ASSETS LESS CURRENT LIABILITIES		**322,433**	299,344
NON-CURRENT LIABILITIES			
Lease liabilities		**14,633**	–
Deferred tax liabilities		**130**	130
Total non-current liabilities		**14,763**	130
Net assets		**307,670**	299,214
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**4,800**	4,800
Reserves		**302,870**	294,414
Total equity		**307,670**	299,214

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 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements for the six months ended 31 December 2019 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 2019, except for the following new and 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	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The adoption of new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements except for HKFRS 16 which will be explained below.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 July 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 July 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 July 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 July 2019 are as follows:

	Increase (Unaudited) *HK$'000*
Assets	
Increase in right-of-use assets	**31,003**
Increase in total assets	**31,003**
Liabilities	
Increase in lease liabilities	**31,003**
Increase in total liabilities	**31,003**

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 is as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 30 June 2019	**36,341**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 30 June 2020	**(2,997)**
	33,344
Weighted average incremental borrowing rate as at 1 July 2019	**6.2%**
Discounted operating lease commitments and lease liabilities as at 1 July 2019	**31,003**

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 30 June 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 July 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the manufacture and sales of printing products. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**108,819**	115,488
United States of America	**39,630**	16,869
Other countries	**29,741**	20,371
	178,190	152,728

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

(b) Non-current assets

No geographical information is presented as over 90% of the Group's non-current assets are located in Mainland China as at 31 December 2019 and 30 June 2019.

4. REVENUE AND OTHER INCOME

Revenue represents the sale of goods to customers.

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

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Interest income	**1,601**	1,654
Others	**246**	–
	1,847	1,654

5. FINANCE COSTS

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on lease liabilities	**881**	–

6. PROFIT BEFORE TAX

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

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold#	**111,925**	97,846
Depreciation of property, plant and equipment	**3,845**	4,770
Depreciation of right-of-use assets	**5,747**	–
Minimum lease payments under operating leases	**267**	4,121
Auditor's remuneration	**630**	630
Employee benefit expenses (excluding directors' and chief executive's remuneration)	**31,986**	31,653
Foreign exchange differences, net*	**(363)**	203
Loss/(gain) on disposal of items of property, plant and equipment*	**33**	(94)

Cost of inventories sold includes HK$30,541,000 and HK$28,792,000 of employee benefit expenses, depreciation and minimum lease payments under operating leases 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 2019 and 2018 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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 31 December 2019 and 2018. The People's Republic of China (the "**PRC**") tax has been provided at the rate of 25% (2018: 25%) on the estimated assessable profits arising in the PRC.

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**4,626**	2,934
Current – PRC		
Charge for the period	**1,204**	1,134
Deferred	**(166)**	–
Total tax charge for the period	**5,664**	4,068

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 2019 attributable to the equity holders of the Company of HK$28,017,000 (six months ended 31 December 2018: HK$19,044,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 31 December 2018: 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 2019 and 2018 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**28,017**	19,044
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	**5.84**	3.97

9. DIVIDENDS

A final dividend in respect of the year ended 30 June 2019 of HK2.5 cents per ordinary share (2018: HK3 cents) was proposed pursuant to a resolution passed by the Board on 18 September 2019 and approved by the shareholders of the Company at the annual general meeting of the Company held on 29 November 2019. Such dividend amounting to HK$12,000,000 (2018: HK$14,400,000) was paid before 31 December 2019.

The Board declares an interim dividend amounting to HK1 cent for the six months ended 31 December 2019 (six months ended 31 December 2018: HK1 cent).

10. TRADE RECEIVABLES

	31 December	30 June
	2019	2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**50,671**	54,541

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 2019 and 30 June 2019, based on the invoice date, is as follows:

	31 December 2019 (Unaudited) ***HK$'000***	30 June 2019 (Audited) *HK$'000*
Within 1 month	**24,581**	24,865
1 to 2 months	**15,222**	21,551
2 to 3 months	**8,925**	6,816
over 3 months	**1,943**	1,309
	50,671	54,541

11. TRADE PAYABLES

An ageing analysis of the trade payables as at 31 December 2019 and 30 June 2019, based on the invoice date, is as follows:

	31 December 2019 (Unaudited) ***HK$'000***	30 June 2019 (Audited) *HK$'000*
Within 1 month	**13,584**	8,780
1 to 2 months	**6,436**	7,013
2 to 3 months	**124**	183
Over 3 months	**96**	27
	20,240	16,003

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 (previously known as booklet printing) 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 (previously known as IT Technology printing) which cover, among others, RFID labels and NFC tags; and (v) other printing services which cover, among others, stickers, colour papers, yupo papers, red packets and paper bags.

The printing industry is facing intense competition. Besides, the outbreak and spread of novel coronavirus clouded the economic landscape of the worldwide and China. Although the printing industry is not directly impacted, the spread of novel coronavirus has negatively influenced the customers' willingness to spend on printing and promotion. The above factor poses challenges to the Group's business operations.

The Group's revenue increased by approximately 16.7% to approximately HK$178.2 million for the six months ended 31 December 2019 compared to the same period last year. The increase is mainly due to the increase in contribution from both card printing services and smart package printing services as a result of the optimisation of the order combination. The gross profit also increased by approximately 20.8% from approximately HK$54.9 million for the six months ended 31 December 2018 to approximately HK$66.3 million for the six months ended 31 December 2019, as a result of the increase in revenue and the steady raw material costs.

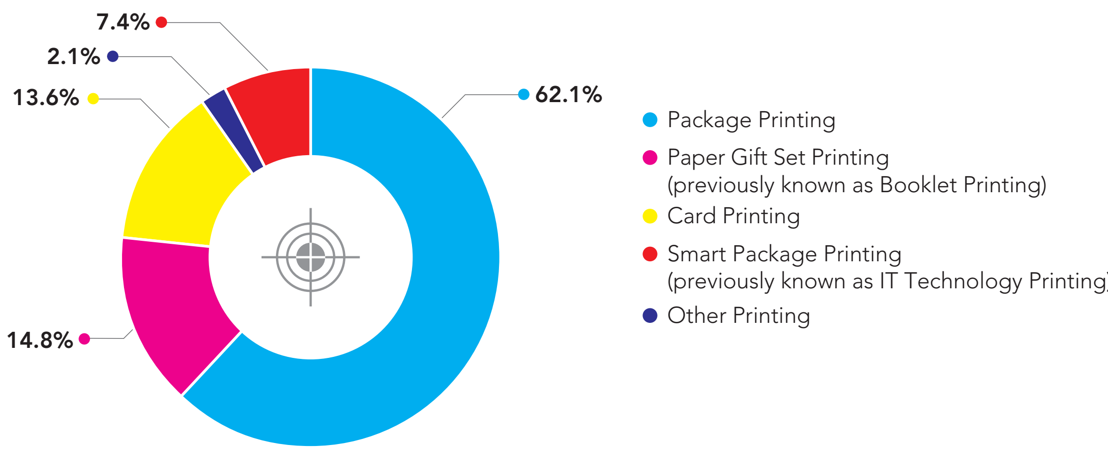
Following the increase in revenue and the steady paper costs, our gross profit margin increased from approximately 35.9% for the six months ended 31 December 2018 to approximately 37.2% for the six months ended 31 December 2019. Our profit for the period increased by approximately HK$9.0 million from approximately HK$19.0 million for the six months ended 31 December 2018 to approximately HK$28.0 million for the six months ended 31 December 2019, as a result of optimisation of the order combination and the stringent cost control placed by management. The net profit margin increased from approximately 12.5% for the six months ended 31 December 2018 to approximately 15.7% for the six months ended 31 December 2019.

Basic earnings per share was HK5.84 cents, compared to a basic earnings per share of HK3.97 cents for the corresponding period in 2018.

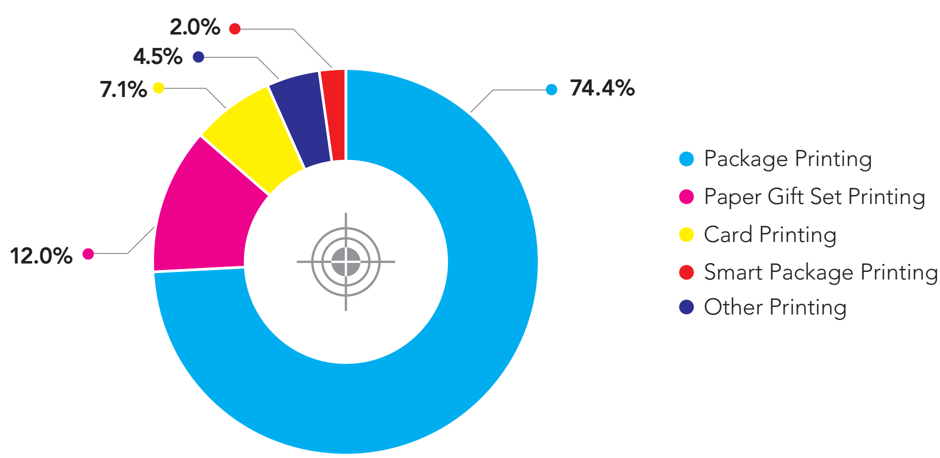
BUSINESS UNIT OVERVIEW

The Group comprises five key business units.

Revenue contribution for the six months ended 31 December 2019



Revenue contribution for the six months ended 31 December 2018



Packaging printing

Packaging printing services cover, among others, corrugated boxes, gift boxes, card boxes and product boxes. For the six months ended 31 December 2019, revenue from packaging printing decreased by approximately 2.6% to approximately HK$110.7 million as compared to the same period in 2018.

Paper gift set printing

Paper gift set printing services cover, among others, gift sets containing gift boxes, cards, booklets and hardback books. For the six months ended 31 December 2019, revenue from paper gift set printing increased by approximately 43.9% to approximately HK$26.4 million as compared to the same period in 2018. The increase in revenue from paper gift set printing was mainly due to increasing customers orders received on paper gift set printing.

Card printing

Card printing services cover, among others, colour cards, insert cards, warranty cards and plain cards. For the six months ended 31 December 2019, revenue from card printing increased by approximately 124.2% to approximately HK$24.2 million as compared to the same period in 2018. The increase in revenue from card printing was mainly due to some new board games and new household cleaning products were launched during the period in 2019, and the customers had placed more orders for card printing services.

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 2019, revenue from smart package printing increased by approximately 323.1% to approximately HK$13.2 million as compared to the same period in 2018. The increase in revenue from smart package printing was mainly because the Group has placed more resource to explore and develop this business unit, and some customers had applied the smart package printing technology to protect their products from the faked goods.

Other printing

Other printing services cover, among others, stickers, colour papers, yupo papers, red packets and paper bag. For the six months ended 31 December 2019, revenue from other printing decreased by approximately 45.6% to approximately HK$3.7 million as compared to the same period in 2018. The decrease in revenue from other printing was mainly because the Group had received an order for plastic film in last period in 2018, while there was no such order being received during the current period.

OUTLOOK

The interim period 2019/2020 is expected to be challenging due to the outbreak and spread of novel coronavirus, which has had an adverse impact on market sentiments and posed global economy uncertainty. Furthermore, volatility of material costs, increase in labour costs, and the imposition of various stringent environmental control requirements in China also posed additional challenges to the Group's business operations and growth in the future.

To cope with the abovementioned challenges, and to maintain the market competitiveness of the Group, the management has taken various steps to mitigate the Group's operational risk, such as a better 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 explores opportunities on promoting the smart package and sustainable products to our customers, which can differentiate ourselves from others. With the Group's experienced management team and reputation in the printing industry, our management believes the Group is well-equipped to face the forthcoming challenges and to maintain sustainable growth.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 16.7% to approximately HK$178.2 million for the period ended 31 December 2019 compared to approximately HK$152.7 million for the period ended 31 December 2018. The increase of the revenue is mainly due to the increase in the revenue contribution from both card printing and smart package printing as a result of the optimisation of the order combination.

Gross profit and gross profit margin

Gross profit increased by approximately 20.8% from approximately HK$54.9 million for the period ended 31 December 2018 to approximately HK$66.3 million for the period ended 31 December 2019, as a result of optimisation of the order combination and the steady material costs.

Following the increase in revenue and stable material costs, our gross profit margin increased from approximately 35.9% during the period ended 31 December 2018 to approximately 37.2% during the period ended 31 December 2019.

Administrative expenses

Administrative expenses remained relatively stable of approximately HK$30.8 million and HK$30.5 million for the periods ended 31 December 2019 and 2018.

Selling and distribution expenses

Selling and distribution expenses was approximately HK$3.1 million and approximately HK$2.8 million to the periods ended 31 December 2019 and 2018 which mainly included salaries of salespeople and freight charges. Selling and distribution expenses increased was mainly because of an increase in the freight charges for delivering the finished goods to our customers.

Other operating income/expenses

The Group recorded other operating income of approximately HK$0.3 million for the six months ended 31 December 2019 and other operating expense of approximately HK$0.1 million for the same period in 2018. The turnaround from other operating expense to other operating income for the six months ended 31 December 2019 was mainly due to the exchange gain arising from the depreciation of Renminbi against Hong Kong Dollars during the six months ended 31 December 2019.

Other income

Other income was approximately HK$1.7 million for the period ended 31 December 2018 and increased to approximately HK$1.8 million for the period ended 31 December 2019. The increase in amount was mainly due to an increase in the interest income generated from time deposits made during the current period.

Income tax expenses

Income tax expenses increased by approximately HK$1.6 million from approximately HK$4.1 million for the six months ended 31 December 2018 to approximately HK$5.7 million for the six months ended 31 December 2019. The effective tax rates for the six months ended 31 December 2019 and 2018 are relatively stable at 16.8% and 17.6% respectively.

Liquidity and capital resources

Our net assets amounted to approximately HK$307.7 million and approximately HK$299.2 million as at 31 December 2019 and 30 June 2019 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 2019, our cash and cash equivalents amounted to approximately HK$209.9 million (30 June 2019: approximately HK$174.7 million) and were mainly denominated in Hong Kong dollars; and our net current assets were approximately HK$223.8 million (30 June 2019: approximately HK$235.5 million). The current ratio, being current assets over current liabilities, was approximately 4.3 times as at 31 December 2019, which decreased from approximately 6.5 times as at 30 June 2019, mainly driven by an increase in lease liabilities upon the adoption of HKFRS 16.

As at 31 December 2019, the Group had approximately HK$209.9 million total cash and cash equivalents with no restricted cash. For the amount of cash and bank balances of HK$26.8 million, approximately HK$8.9 million was denominated in HK Dollars, approximately HK$4.6 million was denominated in US Dollars, and approximately HK$13.3 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$183.1 million of fixed time deposits and wealth management products with maturity within 12 months. For the fixed time deposits and wealth management products, approximately HK$23.5 million was denominated in HK Dollars, approximately HK$155.4 million was denominated in US Dollars, and the remaining was denominated in Renminbi.

As at 31 December 2019 and 30 June 2019, 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 2019 and 30 June 2019.

During the period, the Group recorded over HK$13.1 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 2019 and 30 June 2019.

EVENT AFTER THE REPORTING PERIOD

The recent outbreak and the spread of novel coronavirus has had an adverse impact on market sentiments and posed challenging situation to all the industries of the society. The Group will keep monitoring the impact of the situation on the operation of the Group and will take all possible and reasonable measures to mitigate and limit the impact on our Group's operation.

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 2019, we had 656 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$15.9 million and approximately HK$15.7 million for the six months ended 31 December 2019 and 2018, 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 cent per share (2018: HK1 cent) in cash. The proposed dividend is expected to be distributed on Wednesday, 18 March 2020 to shareholders whose names appear on the Register of Members of the Company on Friday, 6 March 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 4 March 2020 to Friday, 6 March 2020, 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, 3 March 2020.

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.

As at 31 December 2019, the Group had used approximately HK$37.9 million for equipment upgrades on the improvement of the production process, approximately HK$8.3 million for general working capital and approximately HK$0.2 million for the consultation of the upgrade of enterprise resources planning ("**ERP**") system. During the year, 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**").

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 2019 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 2019 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 2019 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 2019 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 2019.

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. Ho Yuk Chi. 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 2019 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 2019, 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 2020

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. Ho Yuk Chi as independent non-executive directors.