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 2020

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 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**311,835**	282,037
Cost of sales		**(197,148)**	(180,913)
Gross profit		**114,687**	101,124
Other income	*3*	**5,083**	3,641
Selling and distribution expenses		**(5,074)**	(4,586)
Administrative expenses		**(60,018)**	(58,973)
Other operating income/(expenses), net		**565**	(200)
Finance costs	*5*	**(1,493)**	–
PROFIT BEFORE TAX	*4*	**53,750**	41,006
Income tax expense	*6*	**(8,897)**	(8,754)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**44,853**	32,252
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		***HK cents***	*HK cents*
Basic and diluted	*8*	**9.34**	6.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**44,853**	32,252
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,150)**	(3,528)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(4,150)**	(3,528)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**40,703**	28,724

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020** *HK$'000*	30 June 2019 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**60,625**	54,197
Right-of-use assets		**17,789**	–
Intangible asset		**2,700**	2,700
Financial asset at fair value through profit or loss	*9*	**10,039**	–
Prepayments and deposits		**17,181**	6,764
Deferred tax assets		**3,773**	149
Total non-current assets		**112,107**	63,810
CURRENT ASSETS			
Inventories		**24,385**	25,061
Trade receivables	*10*	**61,922**	54,541
Prepayments, deposits and other receivables		**8,293**	12,187
Tax recoverable		**–**	272
Restricted cash		**–**	11,402
Cash and cash equivalents		**204,120**	174,651
Total current assets		**298,720**	278,114
CURRENT LIABILITIES			
Trade payables	*11*	**15,950**	16,003
Other payables and accruals		**31,024**	17,050
Lease liabilities		**11,422**	–
Tax payable		**21,393**	9,527
Total current liabilities		**79,789**	42,580
NET CURRENT ASSETS		**218,931**	235,534
TOTAL ASSETS LESS CURRENT LIABILITIES		**331,038**	299,344
NON-CURRENT LIABILITIES			
Lease liabilities		**7,853**	–
Deferred tax liability		**68**	130
Total non-current liabilities		**7,921**	130
Net assets		**323,117**	299,214
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,800**	4,800
Reserves		**318,317**	294,414
Total equity		**323,117**	299,214

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 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 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
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 to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 and amendment to HKFRS 16, the adoption of the above new and revised HKFRSs has had no significant financial effect on the Group's financial statements.

(a) 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 has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 July 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

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.

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 buildings. 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 the elective exemptions for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 July 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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 consolidated 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 statement of financial position.

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

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

Financial impact at 1 July 2019

The impact arising from the adoption of HKFRS 16 at 1 July 2019 was as follows:

	Increase *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 are as follows:

	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 ended 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

(b) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year ended 30 June 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 July 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$485,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 30 June 2020.

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**160,784**	198,076
Europe	**68,337**	13,442
United States of America	**39,690**	45,628
The People's Republic of China (the "PRC")	**20,867**	23,243
Others	**22,157**	1,648
	311,835	282,037

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

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
The PRC	**88,686**	53,561
Hong Kong	**4,174**	4,410
	92,860	57,971

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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**57,778**	52,852
Customer B	**87,252**	32,093
Customer C	**36,239**	37,574
Customer D	**–***	39,597
	181,269	162,116

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

3. REVENUE AND OTHER INCOME

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Revenue from contracts with customers	**311,835**	282,037

Revenue from contracts with customers
Disaggregated revenue information

	2020	2019
	HK$'000	*HK$'000*
Sale of products transferred at a point in time	**311,835**	282,037

	2020	2019
	HK$'000	*HK$'000*
Other income		
Interest income	**3,563**	3,640
Government grants *(note)*	**823**	–
COVID-19-related rent concessions	**485**	–
Others	**212**	1
	5,083	3,641

Note: Government grants have been received for upgrade of machinery in the PRC and support for research activities in Hong Kong. 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):

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold[#]	**197,148**	180,913
Depreciation of property, plant and equipment	**8,016**	9,608
Depreciation of right-of-use assets	**12,635**	–
Minimum lease payments under operating leases	**–**	12,151
Lease payments not included in the measurement of lease liabilities	**3,108**	–
Auditor's remuneration	**1,309**	1,337
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries***	**66,559**	58,425
Pension scheme contributions	**2,693**	4,642
	69,252	63,067
Foreign exchange differences, net*	**(559)**	158
Loss on disposal of items of property, plant and equipment*	**33**	42
Write-down of inventories**	**87**	668
Fair value gain on a financial asset at fair value through profit or loss*	**(39)**	–

Cost of inventories sold includes HK$69,505,000 (2019: HK$61,532,000) of employee benefit expense, depreciation, lease payments and write-down of inventories, 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 provision for redundancy cost of HK$10,304,000 (2019: Nil), which is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on lease liabilities	**1,493**	–

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% (2019: 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 effective for the year of assessment 2018/2019. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The People's Republic of China ("PRC") tax has been provided at the rate of 25% (2019: 25%) on the estimated assessable profits arising in the PRC.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**9,456**	6,116
Overprovision in prior years	**(68)**	(23)
Current – PRC		
Charge for the year	**3,278**	2,736
Deferred	**(3,769)**	(75)
Total tax charge for the year	**8,897**	8,754

7. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Interim – HK1.0 cent (2019: HK1.0 cent) per ordinary share	**4,800**	4,800
Proposed final – HK3.5 cents (2019: HK2.5 cents) per ordinary share	**16,800**	12,000
	21,600	16,800

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 amounts 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 (2019: 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 2020 and 2019 in respect of dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company	**44,853**	32,252

	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the years	**480,000,000**	480,000,000

	HK cents	*HK cents*
Earnings per share		
Basic and diluted	**9.34**	6.72

9. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Unlisted fund investment	**10,039**	–

The above investment was classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. The fair value of the unlisted fund investment is determined by its net asset value quoted by the investment administrator of the investment fund with reference to the underlying assets of the fund.

10. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**61,922**	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 the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**33,350**	24,865
1 to 2 months	**20,272**	21,551
2 to 3 months	**6,649**	6,816
Over 3 months	**1,651**	1,309
	61,922	54,541

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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**9,796**	8,780
1 to 2 months	**5,033**	7,013
2 to 3 months	**951**	183
Over 3 months	**170**	27
	15,950	16,003

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 (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, 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.

The printing industry is facing intense competition. Besides, the outbreak and spread of novel coronavirus ("COVID-19") clouded the economic landscape of the worldwide and China. Although the printing industry is not directly impacted, the spread of COVID-19 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 10.6% to approximately HK$311.8 million for the year ended 30 June 2020 compared to last year. The increase of the Group's revenue is mainly due to the increase in contribution from packaging and paper gift set printing services as a result of the optimisation of the order combination. The gross profit also increased by approximately 13.4% from approximately HK$101.1 million for the year ended 30 June 2019 to approximately HK$114.7 million for the year ended 30 June 2020, as a result of the increase in revenue and the steady raw material costs.

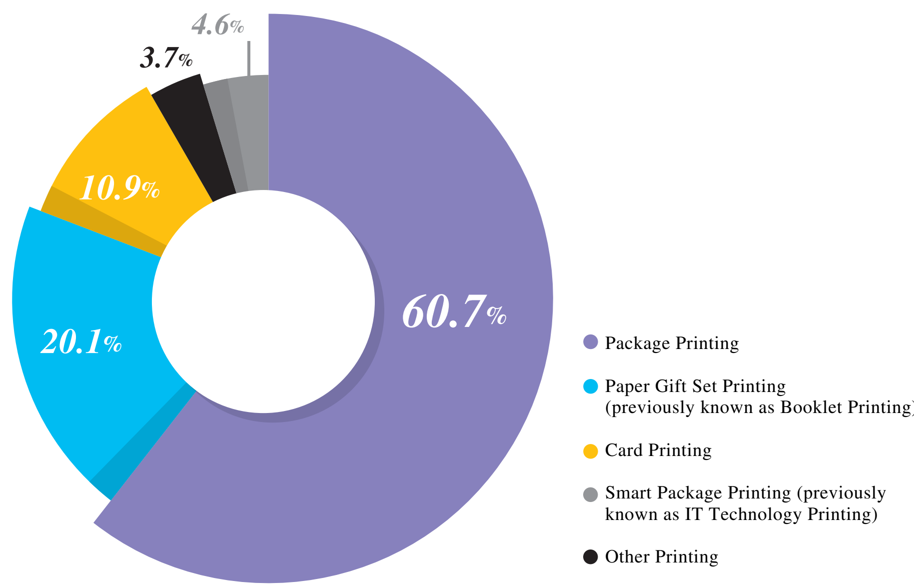
Following the increase in revenue and the steady paper costs, our gross profit margin also increase from approximately 35.9% during the year ended 30 June 2019 to approximately 36.8% during the year ended 30 June 2020. Our profit for the year increased by approximately HK$12.6 million from approximately HK$32.3 million for the year ended 30 June 2019 to approximately HK$44.9 million for the year ended 30 June 2020, as a result of the optimisation of the order combination and the stringent cost control policies placed by management. The net profit margin increased from approximately 11.4% for the year ended 30 June 2019 to approximately 14.4% for the year ended 30 June 2020.

Basic earnings per share for the year ended 30 June 2020 was HK9.34 cents, compared to a basic earnings per share of HK6.72 cents for the year ended 30 June 2019.

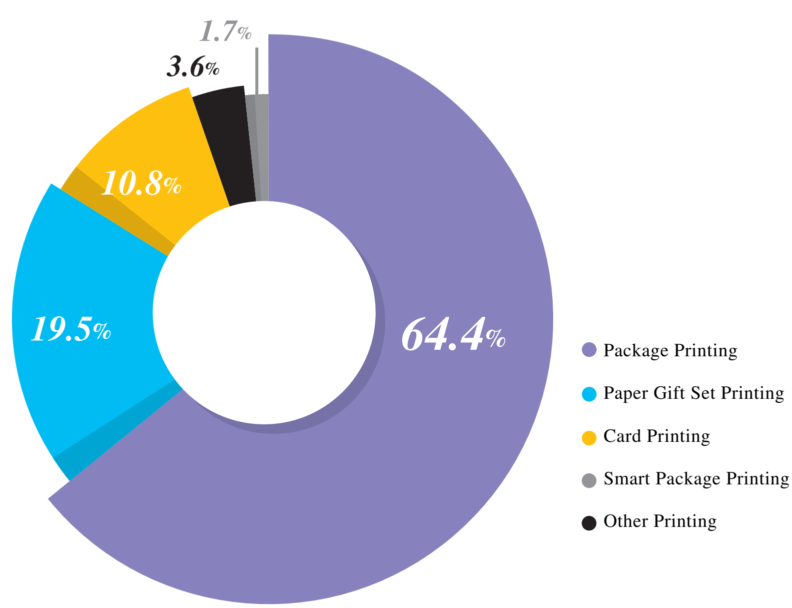
BUSINESS UNIT OVERVIEW

The Group comprises five key business units (2019: five).

Revenue contribution for the year ended 30 June 2020



Revenue contribution for the year ended 30 June 2019



Packaging printing

Packaging printing services cover, among others, corrugated boxes, gift boxes, card boxes and product boxes. For the year ended 30 June 2020, revenue from packaging printing increased by approximately 4.2% to approximately HK$189.3 million as compared to approximately HK$181.7 million for the year ended 30 June 2019. The increase in revenue from packaging printing was mainly due the Group has received more orders on packaging printing.

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 2020, revenue from paper gift set printing increased by approximately 13.8% to approximately HK$62.7 million as compared to approximately HK$55.1 million for the year ended 30 June 2019. 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 year ended 30 June 2020, revenue from card printing increased by approximately 11.5% to approximately HK$34.0 million as compared to 2019. The increase in revenue from card printing was mainly due to some new board games and new household products were launched during the current year, 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 year ended 30 June 2020, revenue from smart package printing increased by approximately 210.9% to approximately HK$14.3 million as compared to 2019. The increase in revenue from smart package printing was mainly because the Group had placed more resources 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 and red packets. For the year ended 30 June 2020, revenue from other printing increased by approximately 13.8% to approximately HK$11.5 million as compared to 2019.

OUTLOOK

The Year 2019/2020 was challenging due to the outbreak and spread of COVID-19, 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 10.6% to approximately HK$311.8 million for the year ended 30 June 2020 compared to approximately HK$282.0 million for the year ended 30 June 2019. The increase of the revenue is mainly due to the increase in revenue contribution from packaging and paper gift set printing as a result of the optimisation of the order combination.

Gross profit and gross profit margin

Gross profit increased by approximately 13.4% from approximately HK$101.1 million for the year ended 30 June 2019 to approximately HK$114.7 million for the year ended 30 June 2020, as a result of the optimisation of the order combination and the steady material costs.

Following the increase in revenue and the steady paper costs, our gross profit margin increased from approximately 35.9% during the year ended 30 June 2019 to approximately 36.8% during the year ended 30 June 2020.

Administrative expenses

Administrative expenses remained relatively stable of approximately HK$60.0 million and HK$59.0 million for the years ended 30 June 2020 and 2019.

Selling and distribution expenses

Selling and distribution expenses was approximately HK$5.1 million and approximately HK$4.6 million to the years ended 30 June 2020 and 2019 which mainly included salaries and freight charges. Selling and distribution expenses increased was mainly because of increase in the freight charges for delivering the finished goods to our customers.

Other operating income/(expenses), net

The Group recorded other operating income of approximately HK$0.6 million for the year ended 30 June 2020 and other operating expenses of approximately HK$0.2 million for the year ended 30 June 2019. The turnaround from other operating expenses to other operating income for the year ended 30 June 2020 was mainly due to the exchange gain arising from the depreciation of Renminbi against US Dollars during the year ended 30 June 2020.

Other income

Other income was approximately HK$3.6 million for the year ended 30 June 2019 and increased to approximately HK$5.1 million for the year ended 30 June 2020. The increase in the amount was mainly due to the increase in the amount of other income from the rent concessions and government grants because of the outbreak of COVID-19, during the current year.

Income tax expense

Income tax expense increased by approximately HK$0.1 million from approximately HK$8.8 million for the year ended 30 June 2019 to approximately HK$8.9 million for the year ended 30 June 2020. The effective tax rates for the year ended 30 June 2020 and 2019 are 16.6% and 21.3%, respectively.

Liquidity and capital resources

Our net assets amounted to approximately HK$323.1 million and approximately HK$299.2 million as at 30 June 2020 and 30 June 2019 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 2020, our cash and bank balances amounted to approximately HK$204.1 million (30 June 2019: approximately HK$186.1 million); and our net current assets were approximately HK$218.9 million (30 June 2019: approximately HK$235.5 million). The current ratio, being current assets over current liabilities, was approximately 3.7 and 6.5 as at 30 June 2020 and 30 June 2019.

As at 30 June 2020, the Group had approximately HK$204.1 million total cash on hand, of which approximately HK$22.0 million was denominated in Hong Kong Dollars, approximately HK$175.6 million was denominated in US Dollars, and approximately HK$6.5 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$188.4 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$18.0 million was denominated in Hong Kong Dollars, approximately HK$168.4 million was denominated in US Dollars and approximately HK$2.0 million was denominated in Renminbi.

As at 30 June 2020 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 30 June 2020 and 30 June 2019.

During the year, the Group recorded over HK$17.0 million in capital expenditure, which was mostly deployed for automation and equipment upgrades.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group did not have any material contingent liabilities and did not pledge any assets as at 30 June 2020 and 30 June 2019.

EVENT AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period up to the date of this announcement.

OUR EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, we had 738 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$29.6 million and approximately HK$29.3 million for the year ended 30 June 2020 and 2019, respectively. The Group has recorded a provision for redundancy cost amounted to approximately HK$10.3 million for the year ended 30 June 2020 (2019: Nil). 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 HK3.5 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 cent (2019: HK1 cent) per share paid in March 2020, will make a total dividend of HK4.5 cents (2019: HK3.5 cents) per share for the current year. The proposed final dividend is expected to be distributed on Monday, 21 December 2020 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 9 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 26 November 2020 to Tuesday, 1 December 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m., on Wednesday, 25 November 2020.

The Register of Members of the Company will be closed from Monday, 7 December 2020 to Wednesday, 9 December 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m., on Friday, 4 December 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.

Up to the date of this announcement, the Group had used approximately HK$42.1 million for equipment upgrades on the improvement of the production process, approximately HK$8.3 million for general working capital and approximately HK$0.2 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").

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	42.1	38.5	Expected to be fully utilised on or before 31 December 2022
Relocate Shenzhen Factory *(Note 2)*	25.0	31.0	–	31.0	Expected to be fully utilised on or before 31 March 2022
Upgrade ERP system *(Note 3)*	3.3	4.1	0.2	3.9	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	50.6	73.4	

Note 1: The Group has delayed the plan of relocation of the Shenzhen Factory as stated in Note 2 below, and hence we have also deferred the progress of purchasing Four Presses by stages. We have kept searching for upgrade of our machines in the market and utilised the relevant proceeds from the initial public offering of approximately HK$42.1 million up to the date of this announcement for purchase of press and related machines to improve the overall production efficiency. As we are undergoing the relocation plan to the new factory, we expect to fully utilise the relevant proceeds on or before 31 December 2022.

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

Note 3: As we cannot locate the service provider with the relevant experience in printing industry, we have delayed the progress of updating our ERP system. We have already utilised HK$0.2 million to an independent third party consultant to evaluate our existing ERP system, and we are searching for the suitable service provider. Therefore, we expect to fully utilise the relevant proceeds on or before 31 December 2022 after we have been relocated to our new factory.

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 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.

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 2020.

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 2020 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 2020. 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 2020.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors namely Mr. Ng Sze Yuen, Terry, Dr. Chu Po Kuen, Louis and Mr. Ho Yuk Chi. The audit committee of the Company has reviewed the final results for the year ended 30 June 2020 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 2020 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 2020. 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 2020 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 2020, 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, 22 September 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.