HANG SANG (SIU PO) INTERNATIONAL HOLDING COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3626)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Director(s)**") of Hang Sang (Siu Po) International Holding Company Limited (the "**Company**") hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2016, together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016

		Six months ended 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**50,932**	60,108
Cost of sales		**(29,743)**	(29,670)
Gross profit		**21,189**	30,438
Other income	*5*	**425**	650
Selling expenses		**(4,427)**	(3,948)
Administrative and other operating expenses		**(10,823)**	(21,576)
Profit before income tax	*6*	**6,364**	5,564
Income tax expense	*7*	**(1,201)**	(3,104)
Profit and total comprehensive income for the period		**5,163**	2,460
Earnings per share attributable to equity owners of the Company			
– basic and diluted	*9*	**HK2.81 cents**	HK1.78 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	As 31 December 2016 HK$'000 (Unaudited)	As 30 June 2016 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**9,880**	10,488
Current assets			
Inventories		**5,849**	4,889
Trade and other receivables	*11*	**17,293**	17,261
Current tax recoverable		**114**	–
Cash and cash equivalents		**60,995**	62,900
		84,251	85,050
Current liabilities			
Trade and other payables	*12*	**10,005**	9,382
Current tax liabilities		**–**	7,060
		10,005	16,442
Net current assets		**74,246**	68,608
Total assets less current liabilities		**84,126**	79,096
Non-current liabilities			
Deferred tax liabilities		**1,384**	1,517
Net assets		**82,742**	77,579
EQUITY			
Share capital		**1,840**	1,840
Reserves		**80,902**	75,739
Total equity		**82,742**	77,579

NOTES

For the six months ended 31 December 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 October 2015 as an exempted company with limited liability. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Block C, 5/F, Gee Hing Chang Industrial Building, No. 16 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 May 2016.

The parent and ultimate holding company of the Company is HSSP Limited, a company incorporated in the British Virgin Islands (the "BVI"). The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacturing and sale of apparel labels and packaging printing products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Statements has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2016, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2017 and it should be read in conjunction with the consolidated financial statements for the year ended 30 June 2016. Details of any changes in accounting policies are set out in Note 3 to this announcement.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 30 June 2016. The condensed consolidated Interim Financial Statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Interim Financial Statements is unaudited, but has been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied, for the first time the following amended HKFRSs issued by HKICPA, which are relevant to the Group and effective for the annual financial periods beginning on 1 July 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Presentation of Financial Statements: Disclosure Initiative

The adoption of the amended HKFRSs has no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new or amended HKFRSs that are not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

All of the Group's revenue and operating profit are generated from manufacturing and sale of apparel labels and packaging printing products net of any trade discounts. The chief operating decision maker has been identified as the Board of the Company. The Board regards the Group's business of manufacturing and sales of apparel labels and packaging printing products as a whole to make decision about resources allocation and reviews the overall results of the Group. Accordingly, no business segment analysis information is presented.

The amount of revenue recognised is as follows:

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of apparel labels and packaging printing products	**50,932**	60,108

5. OTHER INCOME

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**1**	1
Commission income	**358**	617
Others	**66**	32
	425	650

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**992**	1,138
Net exchange loss	**50**	37
Marketing services fee	**3,762**	3,268
Impairment loss on trade and other receivables	**120**	–
Listing expenses	**–**	13,177
Operating lease charges:		
– plant and machinery	**277**	225
– premises	**3,677**	3,508

7. INCOME TAX EXPENSE

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax-Hong Kong Profits Tax	**1,334**	3,260
Deferred taxation	**(133)**	(156)
Total income tax expense	**1,201**	3,104

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong Profits Tax has been provided at the rate of 16.5% for the six months ended 31 December 2016 (2015: 16.5%) on the estimated assessable profits for the period.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2016 (2015: HK$Nil).

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity owners of the Company of HK$5,163,000 (2015: HK$2,460,000) and the weighted average of 184,000,000 ordinary shares (2015: 138,000,000 shares in issue during the period, as if the reorganisation and capitalisation issue as detailed in the Company's annual financial statements for the year ended 30 June 2016 had been effective since 1 July 2014).

Diluted earnings per share for the six months ended 31 December 2016 and 2015 equate the basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the six months ended 31 December 2016 and 2015.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2016, additions of property, plant and equipment amounted to approximately HK$384,000 (2015: HK$Nil).

11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2016	As at 30 June 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**9,084**	11,522
Less: allowance for doubtful debts	**(832)**	(712)
	8,252	10,810
Deposits, prepayments and other receivables		
Deposits	**4,711**	4,045
Prepayments	**2,805**	689
Other receivables	**1,525**	1,717
	9,041	6,451
	17,293	17,261

The Group's credit terms of granted to customers generally ranged from 0 to 2 months. The Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgement and experience of the management.

The ageing analysis of trade receivables, based on the invoice date, net of allowance for doubtful debts is as follows:

	As at 31 December 2016	As at 30 June 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**6,732**	9,000
Over 3 months but within 6 months	**937**	1,137
Over 6 months but within 1 year	**281**	602
Over 1 year	**302**	71
	8,252	10,810

12. TRADE AND OTHER PAYABLES

	As at 31 December 2016	As at 30 June 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**4,874**	4,269
Marketing services fee payables	**1,260**	1,523
Receipt in advance	**384**	261
Accruals and other payables	**3,487**	3,329
	10,005	9,382

The ageing analysis of trade payables, based on the invoice date, are as follows:

	As at 31 December 2016	As at 30 June 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**4,874**	4,266
Over 3 months but within 6 months	**–**	3
	4,874	4,269

13. COMMITMENTS

(a) Capital commitments

	As at 31 December 2016	As at 30 June 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted for:		
Plant and machinery	**7,094**	7,332

As at December 2016, the Group has signed purchase agreements for items of plant and machinery totalling approximately HK$9,315,000 (30 June 2016: Euro1,073,000 equivalents to approximately HK$9,227,000) and deposits totalling approximately HK$2,221,000 (30 June 2016: Euro215,000 equivalents to approximately HK$1,895,000) were paid upon signing these agreements.

(b) Operating lease commitments

At the reporting date, the total future minimum lease payments payable by the Group under those non-cancellable operating leases are as follows:

	As at 31 December 2016	As at 30 June 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**7,443**	7,443
After 1 year but within 5 years	**3,724**	7,396
	11,167	14,839

The Group leases a number of properties, and items of plant and machinery under operating lease arrangements which run for an initial period of 1 to 5 years (30 June 2016: 1 to 5 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective lessors. None of the leases include contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued its principal business in the manufacturing and sale of apparel labels and packaging printing products to customers which comprised mainly garment manufacturers and garment related accessories trading companies. Most of the sales of the Group's products was ultimately used as labels on or packaging materials for finished garments of the garment brand companies.

Due to uncertainties of the global economics, especially related to international political events apparently arising in 2016, consumption was adversely affected. Customers placed orders to the Group more cautiously than before. It resulted in a drop of revenue of approximately 15.3 % for the six months period ended 31 December 2016 while comparing with corresponding six months period for 2015.

Gross profit margin dropped approximately 9.0 percentage point to approximately 41.6% for the six months period ended 31 December 2016 (2015: 50.6%), which was mainly caused by increase of cost of materials and increase of rental for production facilities and warehouse.

The Group's unaudited profit attributable to equity holders for the six months ended 31 December 2016 was approximately HK$5.2 million, with an increase of approximately HK$2.7 million in profit as compared with the same period last year. The increase was mainly due to the decrease in the administrative and other operating expenses of the Company for the six months ended 31 December 2016 caused by one-off listing expenses of approximately HK$13 million incurred during the corresponding period for 2015.

OUTLOOK

Political uncertainties is expected to continue to affect global economics for 2017. With the recent changes in global political landscapes in major countries such as Britain's exit from the EU, the possible regulatory changes raised by the new presidency in the US. Possible changes caused by new leadership in HK, France, Korea, German in 2017. Worldwide market are expected to face radical and unpredictable changes. All these factors create hardship to the Group's business.

Nevertheless, the Group will continue to strive for diversifying its business, including but not limit to research and development of the know-how of the application of heat transfer technology, expansion of sales and marketing team, reinforcing internal controls and implementing stringent control over the cost in order to achieve a stable growth and control of cost of the Group. Meanwhile, the Group will look for new business opportunities from time to time to strengthen its market position.

FINANCIAL REVIEW

Revenue

Our Group generated revenue mainly from the sale of apparel labels and packaging printing products. It decreased by approximately HK$9.2 million or 15.3% from approximately HK$60.1 million for the six months ended 31 December 2015 to approximately HK$50.9 million for the six months ended 31 December 2016. Such decrease was primarily due to placing orders by customers cautiously.

Cost of sales and Gross profit

Cost of sales over the total revenue of the Group for the six months ended 31 December 2016 was approximately 58.4%. While comparing with same period for 2015 of 49.4%, there was increase of approximately 9.0 percentage points. Such increase was caused by increase in average purchase price of raw materials in general and increase of rental for production facilities and warehouse.

As a result, the gross profit margins for the six months period ended 31 December 2016 decreased by approximately 9.0 percentage points to approximately 41.6% (2015: 50.6%). And the gross profit amount for the six months period ended 31 December 2016 decreased to approximately HK$21,189,000 (2015: HK$30,438,000).

Other income

Other income primarily comprises commission income for the Group's referrals of businesses to a company which is also a customer of our Group in Sri Lanka and interest income.

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing service fee. Selling expenses represent approximately 6.6% and 8.7% of the revenue for the six months ended 31 December 2015 and 2016, respectively.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise salaries, office rental and utilities, depreciation, listing expenses and other miscellaneous administrative expenses. Administrative and other operating expenses represent approximately 35.9% and 21.2% of the total revenue for the six months ended 31 December 2015 and 2016, respectively. The decrease in administrative and other operating expenses was primarily due to the absence of the one-off listing expenses which were incurred during the corresponding period in 2015.

Profit and total comprehensive income

Profit and total comprehensive income increased by approximately HK$2.7 million to approximately HK$5.2 million for the six months ended 31 December 2016 as compared with the same period last year. The increases in net profit was primarily due to the absence of the professional expenses and listing expense incurred during the corresponding period in 2015.

Liquidity and financial information

As at 31 December 2016, the total amount of cash and cash equivalents of the Group was approximately HK$61.0 million, a decrease of approximately HK$1.9 million compared with that as at 30 June 2016. There was no bank and other borrowings as at 30 June 2016 and 31 December 2016.

As at 31 December 2016, the current ratio (current assets/current liabilities) was 8.42 times (30 June 2016: 5.17 times) and the quick ratio ((current assets – inventories)/current liabilities)) was 7.84 times (30 June 2016: 4.88 times).

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. The Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital Structure

The capital of the Company comprises ordinary shares and other reserves. The shares of the Company were listed on the Stock Exchange on 18 May 2016. There has been no change in the capital structure of the Company since that date.

Share option

A share option scheme was adopted on 26 April 2016, whereby the Board may, at its absolute discretion, grant options to any eligible participants including directors and employees of the Group to subscribe for shares in the Company. Details of the share option scheme were set out in the prospectus of the Company dated 30 April 2016.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouses. The Group's operating lease commitments amounted to approximately HK$11.2 million as at 31 December 2016 (30 June 2016: approximately HK$14.8 million). The Group has capital commitments of HK$7.1 million as at 31 December 2016 (30 June 2016: HK$7.3 million).

Pledge of assets

At the end of the reporting period, the Group had not pledged any assets (30 June 2016: HK$Nil).

Exposure to foreign exchange risk

The Group carries out certain of its transactions in USD and certain of its bank balances are denominated in USD. As HK$ is pegged to USD, the management does not expect any significant movements in the USD/HK$ exchange rate and considers the Group does not expose to significant currency risk.

The Group does not hedge its foreign currency risks with USD as the rate of exchange between HK$ and USD is controlled within a tight range. Permanent changes in foreign exchange rates would have an impact on condensed consolidated financial statements.

Material contingent liabilities

The Group is not aware of any material contingent liabilities as at 31 December 2016.

Use of proceeds

The Company's shares have been listed on the Main Board of the Stock Exchange since 18 May 2016. The receipts of proceeds, net of listing expenses (including underwriting fee), including both recognised in the condensed consolidated statement of profit or loss and other comprehensive income and deducted from the share premium (the "Net Proceeds") from the Company's listing were approximately HK$36,100,000. In accordance with the proposed applications set out in the section headed "Net Proceeds from the Share Offer" of the announcement of offer price and allotment results dated 17 May 2016 (the "Allotment Results"), the Net Proceeds were applied by the Group from the Listing Date up to 31 December 2016 as follows:

Use of Net Proceeds	Planned use of proceeds as stated in the Allotment Results	Actual use of proceeds from the date of listing up to 31 December 2016	Unused Amount
	HK$ million	*HK$ million*	*HK$ million*
Acquisition of one set of six-colour offset printing machine	15.6	2.4	13.2
Expansion of our sales and marketing team	4.2	1.0	3.2
Research and development of the know-how of the application of heat transfer technology	8.8	–	8.8
Upgrade of our ERP system	3.0	0.6	2.4
Expansion and/or upgrading of production facilities or development of potential projects through acquisition or cooperation	3.8	–	3.8
Working capital and general corporate purpose	0.7	–	0.7
Total	36.1	4.0	32.1

The unutilised amounts of the Net Proceeds will be applied in the manner consistent with that mentioned in the Allotment Results. The Directors are not aware of any material change to the planned use of Net Proceeds as at the date of this announcement.

The unused Net Proceeds have been placed as bank balances with licensed bank in Hong Kong as at the date of this announcement.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2016, the Group had 101 (30 June 2016: 101) full time management, administrative and operation staff in Hong Kong.

The Group provides competitive remuneration packages with attractive discretionary bonus to employees. The Group regularly reviews its remuneration packages in light of the overall development of the Group as well as the market conditions. In addition, the Group has adopted a share option scheme for eligible employees (including directors) to provide incentives to those with outstanding performance and contribution to the Group.

CORPORATE GOVERNANCE

The Board considers that good corporate governance of the Company is crucial to safeguard the interests of the shareholders of the Company and to enhance the performance of the Group. The Board and management of the Company are committed to enhancing corporate governance standard, in compliance with all relevant provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") as stated in Appendix 14 to the Listing Rules. The Company has, throughout the six month ended 31 December 2016, complied with the relevant provisions of the Code ("Code Provisions"), save for the deviations disclosed below.

Code provision A.2.1 of the Code provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Fung Man Wai Samson is the chairman and chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive directors.

The Board will continue to review and further improve the Company's corporate governance practices and standards, so as to ensure that its business activities and decision-making processes are regulated in a proper and prudent manner.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 26 April 2016 with written terms of reference in compliance with the Code, and currently comprises three independent non-executive Directors, namely Dr. LOKE Yu, Ms. FUNG Po Yee and Ms. SUNG Ting Yee. It is principally responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing with management the internal control, systems of risk management, auditing and financial reporting matters of the Group. The Audit Committee has reviewed the unaudited condensed interim consolidated financial information for the six months ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company, nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 31 December 2016.

REVIEW OF INTERIM RESULTS

The interim financial report for the period ended 31 December 2016 is unaudited, but has been reviewed by Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.hangsangpress.com. The Interim Report will be despatched to the shareholders and published on the aforesaid websites in due course.

By order of the Board
Hang Sang (Siu Po) International Holding Company Limited
Fung Man Wai Samson
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 24 February 2017

As at the date of this announcement, the executive Directors of the Company are Mr Fung Man Wai Samson, Mr Fung Man Kam and Mr Fung Kar Chue Alexander, and the independent non-executive Directors of the Company are Dr Loke Yu, Ms Fung Po Yee and Ms Sung Ting Yee.