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 2019

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 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

		Six months ended 31 December	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
			(Note)
Revenue	*4*	**40,108**	42,436
Cost of sales		**(24,439)**	(25,961)
Gross profit		**15,669**	16,475
Other income	*5*	**866**	815
Selling expenses		**(3,271)**	(3,578)
Administrative and other operating expenses		**(10,854)**	(10,285)
Finance costs	*6(a)*	**(88)**	–
Profit before income tax	*6*	**2,322**	3,427
Income tax expense	*7*	**(543)**	(408)
Profit and total comprehensive income for the period		**1,779**	3,019
Earnings per share attributable to equity owners of the Company			
– basic and diluted	*9*	**HK0.97 cents**	HK1.64 cents

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	As at 31 December 2019 HK$'000 (Unaudited)	As at 30 June 2019 HK$'000 (Audited) (Note)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**17,845**	17,062
Deposits paid for acquisition of property, plant and equipment	11	**2,770**	2,680
		20,615	19,742
Current assets			
Inventories		**4,149**	3,555
Trade and other receivables	11	**10,115**	9,323
Current tax recoverable		**717**	1,308
Cash and cash equivalents		**63,339**	69,062
		78,320	83,248
Current liabilities			
Trade and other payables	12	**8,723**	8,021
Lease liabilities	13	**578**	–
		9,301	8,021
Net current assets		**69,019**	75,227
Total assets less current liabilities		**89,634**	94,969
Non-current liabilities			
Deferred tax liabilities		**1,495**	1,543
Lease liabilities	13	**2,134**	–
		3,629	1,543
Net assets		**86,005**	93,426
EQUITY			
Share capital		**1,840**	1,840
Reserves		**84,165**	91,586
Total equity		**86,005**	93,426

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

NOTES

For the six months ended 31 December 2019

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 interim financial report (the "Interim Financial Report") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Report is presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2019, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2020 and they should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2019. Details of any changes in accounting policies are set out in note 3 to this announcement.

The preparation of the Interim Financial Report 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 Report 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 2019. The Interim Financial Report 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 Report 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 AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

3.1 New and amended HKFRSs adopted as at 1 July 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 16 "Leases" ("HKFRS 16") is relevant to the Group's financial statements.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16

HKFRS 16 replaces HKAS 17 "Leases" ("HKAS 17") along with three interpretations (HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC) – Int 4"), HK(SIC) Int – 15 "Operating Leases-Incentives" and HK(SIC) Int – 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes in accounting policies for HKFRS 16 are set out below:

The Group as a lessee

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve month or less.

On the condensed consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) – Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) – Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 July 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than twelve months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average of the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 7%.

The following table reconciles the operating lease commitments as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	HK$'000
Operating lease commitments as at 30 June 2019 (note 14(b))	8,841
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases with remaining lease term ending on or before 30 June 2020	(6,264)
	2,577
Less: discounted using incremental borrowing rate as at 1 July 2019	(210)
Total lease liabilities recognised under HKFRS 16 as at 1 July 2019	2,367
Classified as:	
Lease liabilities – current	633
Lease liabilities – non-current	1,734
	2,367

The following table summarises the impact of transition to HKFRS 16 on the Group's condensed consolidated statement of financial position as at 1 July 2019:

	HK$'000
Increase in right-of-use assets presented in property, plant and equipment	2,303
Decrease in accruals related to previous operating lease presented in trade and other payables	64
Increase in lease liabilities	(2,367)

3.2 Issued but not yet effective HKFRSs

In the current period, the HKICPA has issued a number of new and amended HKFRSs but not yet effective and which have not been adopted in this announcement. These developments include the following which may be relevant to the Group.

Amendments to HKFRS 3	Definition of a business[3]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective date not yet determined

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

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. Revenue are generally recognised at a point in time when the customers obtain control of the promised goods in the contract. 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of apparel labels and packaging printing products	**40,108**	42,436

Geographical information

The following table sets out information about the geographical location of the Group's revenue. The geographical location of revenue is based on the country in which the customer is located.

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong (place of domicile)	**9,614**	10,804
South Korea	**7,308**	7,433
Vietnam	**5,391**	5,467
Taiwan	**4,617**	4,667
United States	**3,388**	3,962
China	**2,301**	2,106
Macau	**1,978**	1,117
Indonesia	**1,576**	1,164
El Salvador	**1,116**	1,035
Others	**2,819**	4,681
	40,108	42,436

5. OTHER INCOME

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**471**	125
Commission income	**135**	122
Net exchange gain	**245**	528
Others	**15**	40
	866	815

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Note)
(a) Finance costs		
Interest on lease liabilities	**88**	–
(b) Other items		
Depreciation:		
– owned property, plant and equipment	**1,750**	1,774
– right-of-use assets	**329**	–
Marketing services fee	**2,663**	2,981
Impairment loss on trade receivables	**98**	11
Impairment loss on other receivables	**450**	–
Lease charges:		
– plant and machinery held under operating leases	**–**	433
– premises held under operating leases	**–**	4,004
– short-term leases and leases with lease term shorter than twelve months as at initial application of HKFRS 16	**4,127**	–

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

7. INCOME TAX EXPENSE

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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the six months ended 31 December 2019 and 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

Taxation in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	**591**	710
Deferred taxation	**(48)**	(302)
Total income tax expense	**543**	408

8. DIVIDENDS

During the current period, a final dividend of HK5.00 cents (six months ended 31 December 2018: HK5.00 cents) per ordinary share, amounting to HK$9,200,000 (six months ended 31 December 2018: HK$9,200,000) in respect of the year ended 30 June 2019 was declared and paid (six months ended 31 December 2018: HK$9,200,000).

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: 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$1,779,000 (six months ended 31 December 2018: HK$3,019,000) and the weighted average of 184,000,000 (six months ended 31 December 2018: 184,000,000) ordinary shares.

Diluted earnings per share for the six months ended 31 December 2019 and 2018 equate the basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the six months ended 31 December 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, additions of property, plant and equipment (excluding right-of-use assets) amounted to approximately HK$3,000 (six months ended 31 December 2018: HK$402,000).

The Group has obtained the right-of-use in relation to the machinery through the tenancy agreements. The leases typically run on an initial period of five years. The Group makes fixed payments during the contract period.

During the six months ended 31 December 2019, the Group entered into a modified contract with a lessor to extend the lease for two years and revised the monthly rental. As the modification does not add the right to use one or more underlying assets, it is not accounted for as a separate lease. Accordingly, the Group remeasures the existing lease liabilities including the lease payments for the extended period as well as the revised monthly rental using a revised discount rate. The difference between the carrying amount of the modified lease liability and the lease liability immediately before the modification of HK$558,000 as an adjustment to the right-of-use assets.

As at 31 December 2019, the carrying amount of the Group's right-of-use assets in relation to the machinery are HK$2,532,000 (1 July 2019: HK$2,303,000).

11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Trade receivables *(note (a))*	**6,614**	5,739
Less: loss allowance	**(1,177)**	(1,079)
	5,437	4,660
Deposits, prepayments and other receivables		
Deposits	**5,120**	5,000
Prepayments	**2,107**	1,788
Other receivables, net of loss allowance	**221**	555
	7,448	7,343
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment (*note (b)*)	**(2,770)**	(2,680)
Current portion	**10,115**	9,323

(a) Trade receivables

The Group's credit terms 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 loss allowance, is as follows:

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Within 3 months	**5,259**	4,020
Over 3 months but within 6 months	**156**	556
Over 6 months but within 1 year	**22**	65
Over 1 year	**–**	19
	5,437	4,660

(b) Deposits paid for acquisition of property, plant and equipment

As at 31 December 2019 and 30 June 2019, the amount represented deposits paid for acquisition of office equipment. The related capital commitments are set out in note 14(a) to this announcement.

12. TRADE AND OTHER PAYABLES

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Trade payables	**3,462**	2,858
Marketing services fee payables	**542**	373
Receipts in advance	**606**	634
Accruals and other payables	**4,113**	4,156
	8,723	8,021

Payment terms granted by suppliers ranged from 1 to 3 months from the invoice date of the relevant purchases.

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

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Within 3 months	**3,462**	2,788
Over 3 months but within 6 months	**–**	70
	3,462	2,858

13. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	As at 31 December 2019	
	Present value of the minimum lease payments *HK$'000* **(Unaudited)**	**Total minimum lease payments** *HK$'000* **(Unaudited)**
Within 1 year	**578**	**752**
After 1 year but within 2 years	**617**	**752**
After 2 years but within 5 years	**1,517**	**1,677**
	2,134	**2,429**
	2,712	**3,181**
Less: total future interest expenses		**(469)**
Present value of lease liabilities		**2,712**

During the six months ended 31 December 2019, the total cash outflows for the leases are HK$4,428,000.

14. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding as at 31 December 2019 not provided for are as follows:

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Contracted for office equipment	**211**	301

In November 2018, the Group has signed a purchase agreement for an office equipment amounted to HK$320,000. As at 31 December 2019, a deposit of HK$250,000 was paid.

In March 2017, the Group has signed a purchase agreement for an office equipment amounted to HK$1,500,000. As at 31 December 2019, a deposit of HK$1,359,000 was paid.

(b) Lease commitments

At the end of the reporting period, the lease commitments for short-term leases (30 June 2019: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Within 1 year	**2,613**	7,039
After 1 year but within 5 years	**–**	1,802
	2,613	8,841

As at 31 December 2019, the Group leases a number of properties which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

As at 30 June 2019, 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, 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.

15. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Escalated US-Mainland trade tensions and synchronised global economic slowdown remained challenging for the six months ended 31 December 2019. It resulted in a decrease of the revenue of approximately 5.5% for the six months ended 31 December 2019 while comparing with corresponding six months period for 2018. Gross margin slightly increased by approximately 0.3 percentage point to approximately 39.1% for the six months ended 31 December 2019 (six months ended 31 December 2018: 38.8%).

OUTLOOK

The global economy has been in a synchronised slowdown due to the growth momentum of major economies has moderated further. Although US-Mainland trade tensions have eased somewhat of late, there may still be twists and turns in US-Mainland trade relations. Together with the outbreak of the new coronavirus, it will certainly bring myriad challenges to the global economy in the coming year. With all the unfavourable factors and more prudent and conservative business strategies adopted by the clients, the Group will continue to enhance its sales effort, the quality of its production and its internal controls, and will strive to implement stringent cost controls to cope with the challenging global market conditions.

In order to diversify the Group's business foundation and maximise the interests of the Group and the shareholders, the Group will continue to explore for suitable and appropriate business opportunities.

FINANCIAL REVIEW

Revenue

Our Group generated revenue mainly from the sale of apparel labels and packaging printing products. The Group's revenue decreased by approximately HK$2.3 million or 5.5% from approximately HK$42.4 million for the six months ended 31 December 2018 to approximately HK$40.1 million for the six months ended 31 December 2019. Such decrease was primarily due to placing orders by customers cautiously in light of the uncertainties of the global economy.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for the six months ended 31 December 2019 was approximately 60.9%. While comparing with same period for 2018 of 61.2%, there was slightly decrease in cost of materials of approximately 0.3 percentage points.

As a result, the gross profit margin for the six months ended 31 December 2019 increased by approximately 0.3 percentage point to approximately 39.1% (six months ended 31 December 2018: 38.8%). The gross profit for the six months ended 31 December 2019 decreased to approximately HK$15.7 million (six months ended 31 December 2018: HK$16.5 million).

Other income

Other income mainly comprises commission income, net exchange gain and interest income. Increase in other income for the six months ended 31 December 2019 as compared to corresponding period in 2018 was mainly caused by increase in interest income and commission income.

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing service fee. Selling expenses decreased by approximately HK$0.3 million to HK$3.3 million for the six months ended 31 December 2019 as compared to the corresponding period in 2018. Such decrease was mainly caused by decrease of marketing expenses paid for sales and marketing purpose.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise salaries, office rental, utilities, professional fee, depreciation and other miscellaneous administrative expenses. Administrative and other operating expenses represent approximately 27.1% and 24.2% of the total revenue for the six months ended 31 December 2019 and 2018, respectively. The increase in administrative and other operating expenses was primarily due to more impairment loss on trade and other receivables incurred during the period in 2019.

Profit and total comprehensive income

Profit and total comprehensive income decreased by approximately HK$1.2 million to approximately HK$1.8 million for the six months ended 31 December 2019 as compared with the same period in 2018. The decreases in net profit was primarily due to decrease of revenue and gross profit.

Liquidity and Financial Information

As at 31 December 2019, the total amount of cash and cash equivalents of the Group was decreased to approximately HK$63.3 million, a decrease of approximately HK$5.7 million compared with that as at 30 June 2019. There was no bank and other borrowings as at 30 June 2019 and 31 December 2019.

The financial resources remained under stringent control with prudently and precisely managed in order to ensure that it maintains sufficient reserves of cash.

As at 31 December 2019, the current ratio (current assets/current liabilities) was 8.42 times (30 June 2019: 10.38 times) and the quick ratio ((current assets-inventories)/current liabilities) was 7.97 times (30 June 2019: 9.94 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, there was no share options granted during the six months ended 31 December 2019. And there was no outstanding share options granted as at 31 December 2019.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office, factory premises and warehouses and purchase of office equipment. The relevant commitments was shown under note 14 of this announcement.

Pledge of assets

As at 31 December 2019, the Group had not pledged any assets (30 June 2019: HK$Nil).

Exposure to foreign exchange risk

The Group mainly carries out of its transactions in United States dollars ("USD") and Hong Kong dollars ("HK$") and mainly of its bank balances, trade and other receivables and trade and other payables are denominated in USD and HK$. As HK$ is pegged to USD, the management does not expect any significant movements in the USD/HK$ exchange rate and considers that 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. The Management will closely monitor the changes of the rate of exchange and government policies from time to time.

Material contingent liabilities

The Group is not aware of any material contingent liabilities as at 31 December 2019.

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 from the Company's listing were approximately HK$36,100,000 (the "Net Proceeds") and as at 31 December 2019, the unutilised balance of net proceeds of HK$13,900,000.

The Net Proceeds from the Company's listing have been and will be utilised in accordance with the intended uses as disclosed in the prospectus dated 30 April 2016 (the "Prospectus") of the Company and subsequent change in use of proceeds announcement issued by the Company dated 20 September 2019 (the "Announcement"). The table below sets out the intended uses and actual application of the net proceeds as at 31 December 2019:

Use of Net Proceeds	**Change of use of proceeds**	**Actual use of proceeds up to 31 December 2019**	**Unused Amount**	**Expected time for utilisation**
	HK$ million	*HK$ million*	*HK$ million*	
Continuous upgrading of our ERP system	0.1	0.1	–	N/A
Working capital and general corporate purpose	5.3	5.3	–	N/A
Development of potential projects through acquisition or cooperation	13.9	–	13.9	Under evaluation
Total	19.3	5.4	13.9	

The business objectives, future plans and planned use of proceeds as stated in the Prospectus, the announcement of offer price and allotment results dated 17 May 2016 (the "Allotment Results") and the Announcement were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus, the Allotment Results and the Announcement while the proceeds were applied based on the actual development of the Group's business, the actual situation and the industry. The Directors will constantly evaluate the Group's business objective and may change or modify plans against the changing market condition and technology development to ascertain the business growth of the Group. The Directors will also take a cautious approach continually when considering using the proceeds and closely monitor the changes of the market conditions and technology development from time to time.

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

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2019, the Group had 84 (30 June 2019: 85) 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 months ended 31 December 2019, 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.

CHANGES SINCE 31 DECEMBER 2019

There was no important event affecting the Group which have occurred since 31 December 2019.

AUDIT COMMITTEE

The audit committee 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 report for the six months ended 31 December 2019.

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 six months ended 31 December 2019.

REVIEW OF INTERIM RESULTS

The interim financial report for the six months ended 31 December 2019 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, 21 February 2020

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.