

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HANG SANG (SIU PO) INTERNATIONAL HOLDING COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3626)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Director(s)**”) of Hang Sang (Siu Po) International Holding Company Limited (the “**Company**”) hereby announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2020 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

| | Note | 2020 HK\$'000 | 2019 HK\$'000 (Note) |
|---|------|------------------------------|----------------------------|
| Revenue | 4 | 65,093 | 82,170 |
| Cost of sales | | <u>(45,284)</u> | <u>(53,430)</u> |
| Gross profit | | 19,809 | 28,740 |
| Other income | 5 | 1,344 | 1,525 |
| Selling expenses | | (6,083) | (6,591) |
| Administrative and other operating expenses | | (21,331) | (22,199) |
| Impairment losses on trade and other receivables | 6(c) | (789) | (60) |
| Impairment loss on property, plant and equipment | 6(c) | (2,900) | – |
| Finance costs | 6(b) | (178) | – |
| (Loss)/Profit before income tax | 6 | (10,128) | 1,415 |
| Income tax credit | 7 | 412 | 250 |
| (Loss)/Profit and total comprehensive (expense)/income for the year | | <u>(9,716)</u> | <u>1,665</u> |
| (Loss)/Earnings per share attributable to equity owners of the Company | | | |
| – Basic and diluted | 9 | <u>(HK5.28 cents)</u> | <u>HK0.90 cents</u> |

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

| | Note | 2020 HK\$'000 | 2019 HK\$'000 (Note) |
|---|------|----------------------|----------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 13,023 | 17,062 |
| Deposits paid for acquisition of property, plant and equipment | 11 | <u>2,770</u> | <u>2,680</u> |
| | | <u>15,793</u> | <u>19,742</u> |
| Current assets | | | |
| Inventories | | 3,380 | 3,555 |
| Trade and other receivables | 11 | 6,037 | 9,323 |
| Current tax recoverable | | 1,742 | 1,308 |
| Cash and cash equivalents | | <u>56,519</u> | <u>69,062</u> |
| | | <u>67,678</u> | <u>83,248</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 5,367 | 8,021 |
| Lease liabilities | 13 | <u>602</u> | <u>–</u> |
| | | <u>5,969</u> | <u>8,021</u> |
| Net current assets | | <u>61,709</u> | <u>75,227</u> |
| Total assets less current liabilities | | <u>77,502</u> | <u>94,969</u> |
| Non-current liabilities | | | |
| Lease liabilities | 13 | 1,768 | – |
| Deferred tax liabilities | | <u>1,224</u> | <u>1,543</u> |
| | | <u>2,992</u> | <u>1,543</u> |
| Net assets | | <u><u>74,510</u></u> | <u><u>93,426</u></u> |
| EQUITY | | | |
| Share capital | | 1,840 | 1,840 |
| Reserves | | <u>72,670</u> | <u>91,586</u> |
| Total equity | | <u><u>74,510</u></u> | <u><u>93,426</u></u> |

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 year ended 30 June 2020

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") and is beneficially owned by Mr Fung Man Wai Samson and Mr Fung Man Kam (the "Controlling Shareholders"). 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.

The consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), which is also the functional currency of the Company and its subsidiaries, unless otherwise stated.

2. BASIS OF PREPARATION

The annual consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of the consolidated financial statements have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs, changes in accounting policies and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

New and amended HKFRSs that are effective for annual periods beginning on or after 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 consolidated 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. 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.

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 as a lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets 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.

The weighted average of the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 7% per annum.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

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

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

| | <i>HK\$'000</i> |
|--|-----------------|
| 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 | <u>(2,367)</u> |

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|--|--|
| HKFRS 17 | Insurance Contracts ³ |
| Amendments to HKFRS 3 | Definition of a Business ⁷ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ⁸ |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture ⁶ |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions ² |
| Amendments to HKAS 1 | Classification of liabilities as Current or Non-current ⁵ |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ¹ |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use ⁴ |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ⁴ |
| Amendments to HKFRSs | Annual Improvements to HKFRS Standards 2018-2020 ⁴ |

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

² Effective for annual periods beginning on or after 1 June 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective date not yet determined

⁷ 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

⁸ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. These new and amended HKFRSs are not expected to have a material 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 Directors. The Directors 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:

| | 2020 | 2019 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Sale of apparel labels and packaging printing products | 65,093 | 82,170 |

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 location in which the customer is located.

| | 2020 | 2019 |
|-------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Hong Kong (place of domicile) | 14,680 | 19,251 |
| South Korea | 11,336 | 13,264 |
| Vietnam | 8,632 | 12,422 |
| Taiwan | 8,100 | 9,829 |
| China | 5,395 | 5,970 |
| United States | 4,916 | 7,504 |
| Macau | 2,997 | 2,049 |
| Indonesia | 2,766 | 2,382 |
| Bangladesh | 1,787 | 2,893 |
| Others | 4,484 | 6,606 |
| | 65,093 | 82,170 |

All property, plant and equipment and deposits paid for acquisition of property, plant and equipment of the Group ("specified non-current assets") are physically located in Hong Kong.

Major customers

There is no single external customer contributed more than 10% of the total revenue to the Group's revenue for the years ended 30 June 2020 and 2019.

5. OTHER INCOME

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Interest income | 785 | 444 |
| Commission income | 199 | 215 |
| Net exchange gain | 248 | 802 |
| Others | 112 | 64 |
| | <u>1,344</u> | <u>1,525</u> |

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> <i>(Note)</i> |
|---|-------------------------|--|
| (a) Staff costs (including directors' remuneration) | | |
| Salaries, allowances and other benefits | 25,341 | 27,284 |
| Contributions to defined contribution retirement plans | 881 | 939 |
| | <u>26,222</u> | <u>28,223</u> |
| (b) Finance costs | | |
| Interest on lease liabilities | 178 | – |
| | <u>178</u> | <u>–</u> |
| (c) Other items | | |
| Lease charges: | | |
| – plant and machinery held under operating leases | – | 862 |
| – premises held under operating leases | – | 8,132 |
| – short-term leases and leases with lease term shorter than twelve months as at initial application of HKFRS 16 | 8,151 | – |
| | <u>8,151</u> | <u>–</u> |
| | <u>8,151</u> | <u>8,994</u> |
| Depreciation: | | |
| – owned property, plant and equipment | 3,507 | 3,573 |
| – right-of-use assets | 647 | – |
| | <u>4,154</u> | <u>3,573</u> |

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> (Note) |
|--|-------------------------|-----------------------------------|
| Auditor's remuneration | 850 | 900 |
| Cost of inventories | 45,284 | 53,430 |
| Impairment loss on trade receivables (note 11(b)) | 150 | 60 |
| Impairment loss on other receivables (note 11(c)) | 639 | – |
| Impairment loss on property, plant and equipment (note 10) | 2,900 | – |
| Loss on disposal of property, plant and equipment | 1 | – |
| Marketing services fee | 4,969 | 5,475 |
| Prepayment written off | 949 | – |
| | <u> </u> | <u> </u> |

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 CREDIT

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.

No provision for Hong Kong Profits Tax has been made as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the year ended 30 June 2020.

The provision for Hong Kong Profits Tax for the year ended 30 June 2019 was calculated at 16.5% of the estimated assessable profits for the year, except for a subsidiary of the Company which was a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%.

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-----------------------------------|-----------------------------------|
| Current tax – Hong Kong Profits Tax | | |
| – Provision for the year | – | 438 |
| – Over-provision in respect of prior year | (93) | (32) |
| | <u> </u> | <u> </u> |
| | (93) | 406 |
| Deferred tax | | |
| – Reversal for the year | (319) | (656) |
| | <u> </u> | <u> </u> |
| Total income tax credit | <u> </u> (412) | <u> </u> (250) |

8. DIVIDENDS

(a) Dividends payable to equity owners of the Company attributable to the year:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Final dividend proposed after the end of the reporting period of HK\$Nil (2019: HK5.00 cents) per ordinary share | <u>–</u> | <u>9,200</u> |

(b) Dividends payable to equity owners of the Company attributable to the previous financial year, approved and paid during the year:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year of HK5.00 cents (2019: HK5.00 cents) per ordinary share | <u>9,200</u> | <u>9,200</u> |

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity owners of the Company of HK\$9,716,000 (2019: profit attributable to equity owners of the Company of HK\$1,665,000) and the weighted average of 184,000,000 (2019: 184,000,000) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 30 June 2020 and 2019 equate the basic (loss)/earnings per share as the Group had no potential dilutive ordinary shares in issue during the years ended 30 June 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2020, additions of property, plant and equipment (excluding right-of-use assets) amounted to approximately HK\$130,000 (2019: HK\$503,000). Property, plant and equipment with net book value of approximately HK\$1,000 (2019: HK\$Nil) were disposed of during the year ended 30 June 2020.

During the year ended 30 June 2020, 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 re-measures 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\$583,000 as an adjustment to the right-of-use assets.

During the year ended 30 June 2020, the Group recorded losses. As a result, the management assessed the recoverable amounts of the non-current assets of the Group which refer to the current market situation and estimated cash flow of the Group as basis and an impairment loss of approximately HK\$2,900,000 has been recognised. The recoverable amounts were determined based on value-in-use. Key inputs to the determination of the recoverable amounts includes revenue growth rate and discount rate, the pre-tax discount rate used to determine the recoverable amounts is approximately 11.4%.

11. TRADE AND OTHER RECEIVABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables (note (a)) | 4,297 | 5,739 |
| Less: loss allowance (note (b)) | <u>(1,229)</u> | <u>(1,079)</u> |
| | 3,068 | 4,660 |
| Deposits, prepayments and other receivables | | |
| Other receivables | 931 | 741 |
| Less: loss allowance (note (c)) | <u>(825)</u> | <u>(186)</u> |
| | 106 | 555 |
| Deposits | 4,880 | 5,000 |
| Prepayments | <u>753</u> | <u>1,788</u> |
| | 5,739 | 7,343 |
| Less: non-current portion | | |
| Deposits paid for acquisition of property, plant and equipment | <u>(2,770)</u> | <u>(2,680)</u> |
| Current portion | 6,037 | 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:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------------|-------------------------|-------------------------|
| Within 3 months | 1,877 | 4,020 |
| Over 3 months but within 6 months | 1,018 | 556 |
| Over 6 months but within 1 year | 173 | 65 |
| Over 1 year | <u>–</u> | <u>19</u> |
| | 3,068 | 4,660 |

(b) Loss allowance of trade receivables

The movement in the loss allowance of trade receivables is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Balance at 1 July | 1,079 | 1,019 |
| Loss allowance recognised during the year | <u>150</u> | <u>60</u> |
| Balance at 30 June | <u><u>1,229</u></u> | <u><u>1,079</u></u> |

(c) Loss allowance of other receivables

The movement in the loss allowance of other receivables is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Balance at 1 July | 186 | 186 |
| Loss allowance recognised during the year | <u>639</u> | <u>–</u> |
| Balance at 30 June | <u><u>825</u></u> | <u><u>186</u></u> |

12. TRADE AND OTHER PAYABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------|--------------------------------|-------------------------|
| Trade payables | 917 | 2,858 |
| Marketing services fee payables | 284 | 373 |
| Receipts in advance | 380 | 634 |
| Accruals and other payables | <u>3,786</u> | <u>4,156</u> |
| | <u><u>5,367</u></u> | <u><u>8,021</u></u> |

The following is an ageing analysis of trade payables, based on invoice date, at the end of the reporting period:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------------|--------------------------------|-------------------------|
| Within 3 months | 917 | 2,788 |
| Over 3 months but within 6 months | <u>–</u> | <u>70</u> |
| | <u><u>917</u></u> | <u><u>2,858</u></u> |

13. LEASE LIABILITIES

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

| | 2020 | |
|--------------------------------------|--|--|
| | Present value of the minimum lease payments <i>HK\$'000</i> | Total minimum lease payments <i>HK\$'000</i> |
| Within 1 year | <u>602</u> | <u>752</u> |
| After 1 year but within 2 years | 644 | 752 |
| After 2 years but within 5 years | <u>1,124</u> | <u>1,220</u> |
| | <u>1,768</u> | <u>1,972</u> |
| | <u><u>2,370</u></u> | <u>2,724</u> |
| Less: total future interest expenses | | <u>(354)</u> |
| Present value of lease liabilities | | <u><u>2,370</u></u> |

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 30 June 2019 has not been restated. Details for transitions to HKFRS 16 are set out in note 3 of this announcement.

During the year ended 30 June 2020, the total cash outflows for the leases are HK\$8,909,000.

14. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding as at 30 June 2020 not provided for are as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Contracted for office equipment | <u>211</u> | <u>301</u> |

In November 2018, the Group has signed a purchase agreement for an office equipment amounted to HK\$320,000. As at 30 June 2020, 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 30 June 2020, 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 (2019: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

| | 2020 | 2019 |
|---------------------------------|---------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| Within 1 year | 5,645 | 7,039 |
| After 1 year but within 5 years | <u>–</u> | <u>1,802</u> |
| | <u>5,645</u> | <u>8,841</u> |

As at 30 June 2020, 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. EVENTS AFTER THE REPORTING PERIOD

- (a) The outbreak of Coronavirus Disease 2019 (“COVID-19”) epidemic in early 2020 has led to a series of precautionary and control measures implemented across the globe and caused disruptions to global supply chains and international trade. It may have certain impacts on the Group’s business operations. The Group will pay close attention to the development of the outbreak of COVID-19 and evaluate its impact on the financial position and operating results of the Group. It is expected that the effect of the outbreak of COVID-19 would be reflected in the financial year ending 30 June 2021.
- (b) The Group applied for the first tranche of the Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. In July 2020, the Group received the subsidy amounted to HK\$2,133,000 as compensation to the Group’s staff costs for June to August 2020.

16. COMPARATIVE FIGURES

Certain comparative figures in the consolidated financial statements have been reclassified to conform with the current year’s presentation. Also, 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

During the year, the business and operations of the Group were mainly on 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.

The ongoing China-United States trade disputes and the COVID-19 epidemic continued to affect the global economy for the current year. In this severe operating environment, the performance of the Group has inevitably been affected. The Group recorded revenue of approximately HK\$65.1 million for the year ended 30 June 2020 ("FY 2020"), representing a decrease of approximately 20.8% as compared with that for the year ended 30 June 2019 ("FY 2019"). Gross profit margin was approximately 30.4% for FY 2020 which was approximately 4.6 percentage point lower than that for FY 2019. Loss and total comprehensive expense for the FY 2020 was approximately HK\$9.7 million (FY 2019: profit and total comprehensive income HK\$1.7 million).

OUTLOOK

The COVID-19 epidemic has spread to a global pandemic since its outbreak in early 2020, and there is no sign that the epidemic will be brought under control in the short term. In addition, the turmoil between China and the United States has become more intense and the outlook of the global economy is still uncertain. With all the unfavorable 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. It decreased by approximately HK\$17.1 million or 20.8% from approximately HK\$82.2 million for FY 2019 to approximately HK\$65.1 million for FY 2020. Such decrease was primarily due to the outbreak of COVID-19 and uncertainties of global economies.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for FY 2020 was approximately 69.6%. While comparing with 65.0% for FY 2019, there was increase of approximately 4.6 percentage point. Such increase was mainly caused by increase in average production costs.

As a result, the gross profit margins for FY 2020 decreased by approximately 4.6 percentage point to approximately 30.4% (FY 2019: 35.0%). And the gross profit for FY 2020 decreased to approximately HK\$19.8 million (FY 2019: HK\$28.7 million).

Other income

Other income primarily comprises commission income, net exchange gain and interest income. Decrease in other income was mainly caused by decrease in net exchange gain due to the exchange rate movements between United States dollars (“USD”) and Hong Kong dollars (“HK\$”).

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing services fees. Selling expenses decreased by approximately HK\$0.5 million to HK\$6.1 million for FY 2020. Such decrease was mainly caused by decrease of marketing expenses paid for sales and marketing purpose due to implementation of stringent cost controls.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise salaries, office rental, utilities, professional fee, depreciation and other miscellaneous administrative expenses. There was decrease in administrative and other operating expenses by approximately HK\$0.9 million to HK\$21.3 million for FY 2020. The decrease in administrative and other operating expenses was primarily due to implementation of stringent cost controls in professional fee and staff costs.

Loss/profit and total comprehensive expense/income

The Group recorded loss and total comprehensive expense of approximately HK\$9.7 million for FY 2020 as compared to profit and total comprehensive income of approximately HK\$1.7 million for FY 2019. The major reasons for such change were primarily decrease in revenue and gross profit, increase of impairment losses on trade and other receivables and impairment loss on property, plant and equipment.

Liquidity and financial information

As at 30 June 2020, the total amount of cash and cash equivalents of the Group was approximately HK\$56.5 million, representing a decrease of approximately HK\$12.5 million as compared with that as at 30 June 2019. Such decrease was mainly caused by the decrease in cash inflow from operating activities as revenue decreased. 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. There was no bank and other borrowings as at 30 June 2019 and 2020.

As at 30 June 2020, the current ratio (current assets/current liabilities) was 11.34 times (2019: 10.38 times) and the quick ratio ((current assets-inventories)/current liabilities) was 10.77 times (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 year. 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 reserves. The shares of the Company were first 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 FY 2020. And there was no outstanding share options granted as at 30 June 2020. Details of the share option scheme were set out in the Annual Report 2019 dated 20 September 2019.

Commitments

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

Pledge of assets

As at 30 June 2020, the Group had not pledged any assets (2019: HK\$Nil).

Exposure to foreign exchange risk

The Group mainly carries out of its transactions in USD and 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 of the Group does not expect any significant movements in the USD/HK\$ exchange rate and considers the Group is not exposed 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 consolidated financial statements. The management of the Group 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 30 June 2020.

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 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 30 June 2020, 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 30 June 2020:

| Use of Net Proceeds | Intended use of proceeds <i>HK\$ million</i> | Actual use of proceeds up to 30 June 2020 <i>HK\$ million</i> | Unused amount <i>HK\$ million</i> | Expected time for utilisation |
|--|--|---|---|--------------------------------------|
| 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 | On or before 30 June 2021 |
| 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 30 June 2020, the Group had 80 full time management, administrative and operation staff in Hong Kong (as at 30 June 2019: 85). There is no significant change in the Group’s emolument policies. On top of basic salaries, bonuses may be paid by reference to the Group’s performance as well as individual’s performance. Other staff benefits, such as contributions to Mandatory Provident Fund retirement benefits scheme, medical insurance and other relevant insurance for employees who are employed by 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. During the year, the Company has 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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during FY 2020.

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 the management the internal control, systems of risk management, auditing and financial reporting matters of the Group. The audit committee has reviewed the annual results of the Group for FY 2020.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY 2020 as set out in this announcement have been agreed by the Group’s auditor, Grant Thornton Hong Kong Limited (the “Auditor”), based on the amounts set out in the Group’s consolidated financial statements for FY 2020. The work performed by the Auditor 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 the Auditor on this preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float from the Listing Date to 30 June 2020.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2020 annual general meeting of the Company, the register of members of the Company will be closed from Tuesday, 1 December 2020 to Friday, 4 December 2020, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 30 November 2020.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 2020 Annual Report will be despatched to the shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our loyal shareholders, suppliers and customers for their continuous support to the Group. I would also like to extend my gratitude and appreciation to our management and all staff for their hard work and dedication throughout the year.

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, 25 September 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.