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## 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 2020

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 2020, together with the comparative figures for the corresponding period in 2019 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

		Six months ended 31 December	
		2020	2019
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	4	<b>30,077</b>	40,108
Cost of sales		<u>(19,835)</u>	<u>(24,439)</u>
<b>Gross profit</b>		<b>10,242</b>	15,669
Other income	5	<b>4,415</b>	866
Selling expenses		<b>(3,239)</b>	(3,271)
Administrative and other operating expenses		<b>(9,902)</b>	(10,306)
Impairment losses on trade and other receivables	6(c)	<b>(59)</b>	(548)
Impairment loss on property, plant and equipment	6(c)	<b>(498)</b>	–
Finance costs	6(b)	<b>(83)</b>	(88)
<b>Profit before income tax</b>	6	<b>876</b>	2,322
Income tax credit/(expense)	7	<b>249</b>	(543)
<b>Profit and total comprehensive income for the period</b>		<b><u>1,125</u></b>	<u>1,779</u>
<b>Earnings per share attributable to equity owners of the Company</b>			
– Basic and diluted	9	<b><u>HK0.61 cents</u></b>	<u>HK0.97 cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	As at 31 December 2020 <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	10,653	13,023
Deposits paid for acquisition of property, plant and equipment	11	2,770	2,770
		<u>13,423</u>	<u>15,793</u>
<b>Current assets</b>			
Inventories		4,623	3,380
Trade and other receivables	11	6,702	6,037
Current tax recoverable		854	1,742
Cash and cash equivalents		61,765	56,519
		<u>73,944</u>	<u>67,678</u>
<b>Current liabilities</b>			
Trade and other payables	12	8,460	5,367
Lease liabilities		606	602
		<u>9,066</u>	<u>5,969</u>
<b>Net current assets</b>		<u>64,878</u>	61,709
<b>Total assets less current liabilities</b>		<u>78,301</u>	<u>77,502</u>
<b>Non-current liabilities</b>			
Lease liabilities		1,612	1,768
Deferred tax liabilities		1,054	1,224
		<u>2,666</u>	<u>2,992</u>
<b>Net assets</b>		<u><u>75,635</u></u>	<u><u>74,510</u></u>
<b>EQUITY</b>			
Share capital		1,840	1,840
Reserves		73,795	72,670
<b>Total equity</b>		<u><u>75,635</u></u>	<u><u>74,510</u></u>

## **NOTES**

*For the six months ended 31 December 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"). 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 2020, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2021 and they should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2020. 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 2020. 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

#### 3.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 July 2020

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

#### 3.2 Issued but not yet effective HKFRSs

At the date of authorisation of this announcement, 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 and related amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>6</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective date not yet determined

<sup>5</sup> Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>6</sup> Effective for annual periods beginning on or after 1 June 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Sale of apparel labels and packaging printing products	<u>30,077</u>	<u>40,108</u>

#### 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
South Korea	5,993	7,308
Hong Kong (place of domicile)	5,450	9,614
Taiwan	3,457	4,617
Macau	3,123	1,978
China	2,346	2,301
Vietnam	2,288	5,391
United States	2,146	3,388
El Salvador	1,495	1,116
Indonesia	1,393	1,576
Others	<u>2,386</u>	<u>2,819</u>
	<u>30,077</u>	<u>40,108</u>

## 5. OTHER INCOME

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest income	105	471
Commission income	–	135
Government subsidy ( <i>note</i> )	4,296	–
Net exchange gain	–	245
Others	14	15
	<u>4,415</u>	<u>866</u>

*Note:*

During the six months ended 31 December 2020, the Group received funding support amounting to HK\$4,296,000 from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the ESS, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 6. PROFIT BEFORE INCOME TAX

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

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>(a) Staff costs (including directors’ remuneration)</b>		
Salaries, allowances and other benefits	11,825	12,068
Contributions to defined contribution retirement plans	396	430
	<u>12,221</u>	<u>12,498</u>
<b>(b) Finance costs</b>		
Interest on lease liabilities	83	88
<b>(c) Other items</b>		
Depreciation:		
– owned property, plant and equipment	1,771	1,750
– right-of-use assets	313	329
	<u>2,084</u>	<u>2,079</u>
Marketing services fee	2,507	2,663
Impairment loss on trade receivables	59	98
Impairment loss on other receivables	–	450
Impairment loss on property, plant and equipment	498	–
Loss on disposal of property, plant and equipment	–	1
Lease charges on short-term leases and leases with lease term shorter than twelve months as at initial application of HKFRS 16	3,811	4,127
	<u>3,811</u>	<u>4,127</u>

## 7. INCOME TAX (CREDIT)/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.

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 six months ended 31 December 2020.

The provision for Hong Kong Profits Tax for the six months ended 31 December 2019 was calculated at 16.5% of the estimated assessable profits for the period, 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 condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax		
– Provision for the period	–	591
– Over-provision in respect of prior year	(79)	–
	<u>(79)</u>	<u>591</u>
Deferred tax		
– Reversal for the period	(170)	(48)
	<u>(170)</u>	<u>(48)</u>
<b>Total income tax (credit)/expense</b>	<b><u>(249)</u></b>	<b><u>543</u></b>

## 8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: HK\$Nil).

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

## 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\$1,125,000 (six months ended 31 December 2019: HK\$1,779,000) and the weighted average of 184,000,000 (six months ended 31 December 2019: 184,000,000) ordinary shares.

Diluted earnings per share for the six months ended 31 December 2020 and 2019 equate the basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the six months ended 31 December 2020 and 2019.

## 10. PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment for the period/year are set out below:

	<b>As at 31 December 2020 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2020 HK\$'000 (Audited)</b>
<b>Net carrying amount</b>		
At the beginning of the period/year	<b>13,023</b>	19,365
Additions	<b>74</b>	130
Modification of lease term	<b>138</b>	583
Disposals	<b>–</b>	(1)
Depreciation	<b>(2,084)</b>	(4,154)
Impairment loss	<b>(498)</b>	(2,900)
	<hr/> <b>10,653</b> <hr/>	<hr/> 13,023 <hr/>
At the end of the period/year	<b>10,653</b>	13,023

### Notes:

- (a) During the six months ended 31 December 2020, the Group entered into a modified contract with a lessor to extend the lease for two years (six months ended 31 December 2019: 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\$138,000 (six months ended 31 December 2019: HK\$558,000) as an adjustment to the right-of-use assets.
- (b) Due to the deteriorated economic environment and uncertain outlook of the Group's business following the outbreak of the COVID-19 pandemic, 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. As a result, an impairment loss of approximately HK\$498,000 has been recognised during the six months ended 31 December 2020 (six months ended 31 December 2019: HK\$Nil). The recoverable amounts of such assets as at 31 December 2020 were approximately HK\$13,423,000 (as at 30 June 2020: HK\$15,793,000) which 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 12.4% (as at 30 June 2020: 11.4%).

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.

As at 31 December 2020, the carrying amount of the Group's right-of-use assets in relation to the machinery are HK\$1,582,000 (as at 30 June 2020: HK\$1,831,000).



## 11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
<b>Trade receivables</b> (note (a))	5,331	4,297
Less: loss allowance (note (b))	<u>(1,288)</u>	<u>(1,229)</u>
	<u>4,043</u>	<u>3,068</u>
<b>Deposits, prepayments and other receivables</b>		
Other receivables	882	931
Less: loss allowance (note (c))	<u>(825)</u>	<u>(825)</u>
	57	106
Deposits	4,880	4,880
Prepayments	<u>492</u>	<u>753</u>
	5,429	5,739
<b>Less: non-current portion</b>		
Deposits paid for acquisition of property, plant and equipment	<u>(2,770)</u>	<u>(2,770)</u>
<b>Current portion</b>	<u><u>6,702</u></u>	<u><u>6,037</u></u>

### (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 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Within 3 months	3,993	1,877
Over 3 months but within 6 months	49	1,018
Over 6 months but within 1 year	<u>1</u>	<u>173</u>
	<u><u>4,043</u></u>	<u><u>3,068</u></u>

**(b) Loss allowance of trade receivables**

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

	As at <b>31 December</b> <b>2020</b> <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Audited)
Balance at the beginning of the period/year	1,229	1,079
Loss allowance recognised during the period/year	<u>59</u>	<u>150</u>
Balance at the end of the period/year	<u><b>1,288</b></u>	<u><b>1,229</b></u>

**(c) Loss allowance of other receivables**

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

	As at <b>31 December</b> <b>2020</b> <b>Stage 3</b> <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 Stage 3 <i>HK\$'000</i> (Audited)
Balance at the beginning of the period/year	825	186
Loss allowance recognised during the period/year	<u>–</u>	<u>639</u>
Balance at the end of the period/year	<u><b>825</b></u>	<u><b>825</b></u>

**12. TRADE AND OTHER PAYABLES**

	As at <b>31 December</b> <b>2020</b> <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Audited)
Trade payables	2,920	917
Marketing services fee payables	844	284
Receipts in advance	818	380
Accruals and other payables	<u>3,878</u>	<u>3,786</u>
	<u><b>8,460</b></u>	<u><b>5,367</b></u>

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:

	<b>As at 31 December 2020 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2020 HK\$'000 (Audited)</b>
Within 3 months	<u><u>2,920</u></u>	<u><u>917</u></u>

### 13. COMMITMENTS

#### (a) Capital commitments

Capital commitments of the Group outstanding as at 31 December 2020 not provided for are as follows:

	<b>As at 31 December 2020 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2020 HK\$'000 (Audited)</b>
Contracted for office equipment	<u><u>211</u></u>	<u><u>211</u></u>

In November 2018, the Group has signed a purchase agreement for an office equipment amounted to HK\$320,000. As at 31 December 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 31 December 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 are as follows:

	<b>As at 31 December 2020 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2020 HK\$'000 (Audited)</b>
Within 1 year	<u><u>2,472</u></u>	<u><u>5,645</u></u>

As at 31 December 2020 and 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.

### 14. COMPARATIVE FIGURES

Certain comparative figures in this announcement have been reclassified to conform with the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

The ongoing Coronavirus (“**COVID-19**”) epidemic and differences between China and the United States on various fronts (including trade and technology issues) continued to affect the global economy. In this severe operating environment, the performance of the Group has inevitably been affected. The Group recorded revenue of approximately HK\$30.1 million for the period ended 31 December 2020 (“**Period 2020**”), representing a decrease of approximately 25.0% as compared with the period ended 31 December 2019 (“**Period 2019**”). Gross profit margin was approximately 34.1% for Period 2020 which was approximately 5.0 percentage point lower than Period 2019. Profit and total comprehensive income for the Period 2020 was approximately HK\$1.1 million (Period 2019: profit and total comprehensive income approximately HK\$1.8 million).

### OUTLOOK

The COVID-19 epidemic is still spreading in many places around the world and the situation is volatile. Whether the epidemic can be alleviated and contained would depend on when effective vaccines are rolled out and the speed at which they could be widely adopted. Meanwhile, as differences between China and the United States on various fronts (including trade and technology issues) remain, the bilateral relationship would likely be volatile and influenced by market confidence in the global economy. Moreover, geopolitical tensions 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, 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 suitable and appropriate business opportunities in due course.

### FINANCIAL REVIEW

#### Revenue

Our Group generated revenue mainly from the sale of apparel labels and packaging printing products. It decreased by approximately HK\$10.0 million or 25.0% from approximately HK\$40.1 million for Period 2019 to approximately HK\$30.1 million for Period 2020. Such decrease was primarily due to the outbreak of COVID-19 and uncertainties of global economy.

## **Cost of sales and gross profit**

Cost of sales over the total revenue of the Group for Period 2020 was approximately 65.9%. While comparing with 60.9% for Period 2019, there was increase of approximately 5.0 percentage points. Such increase was mainly caused by increase in average production costs.

As a result, the gross profit margin for Period 2020 decreased by approximately 5.0 percentage point to approximately 34.1% (Period 2019: 39.1%), and the gross profit for Period 2020 decreased to approximately HK\$10.2 million (Period 2019: HK\$15.7 million).

## **Other income**

Other income primarily comprises government subsidy and interest income. Increase in other income was mainly caused by the Group received the funding supporting approximately HK\$4.3 million from the Employment Support Scheme provided by the Hong Kong Government for Period 2020.

## **Selling expenses**

Selling expenses primarily consist of freight charges, transportation and marketing service fee. Selling expenses decreased by approximately HK\$0.1 million to HK\$3.2 million for Period 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\$0.4 million to HK\$9.9 million for Period 2020. The decrease in administrative and other operating expenses was primarily due to implementation of stringent cost controls in professional fee and staff costs.

## **Profit and total comprehensive income**

The Group recorded profit and total comprehensive income of approximately HK\$1.1 million for Period 2020 as compared to profit and total comprehensive income of approximately HK\$1.8 million for Period 2019. The major reasons for such change were primarily decrease in revenue and gross profit and offset by increase in other income which was mainly due to the government subsidy under the Employment Support Scheme.

## **Liquidity and Financial Information**

As at 31 December 2020, the total amount of cash and cash equivalents of the Group was approximately HK\$61.8 million, representing an increase of approximately HK\$5.3 million as compared with that as at 30 June 2020. Such increase was mainly caused by the increase in cash inflow from operating activities as received the funding support from the Hong Kong Government. 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 2020 and 31 December 2020.

As at 31 December 2020, the current ratio (current assets/current liabilities) was 8.16 times (30 June 2020: 11.34 times) and the quick ratio ((current assets-inventories)/current liabilities) was 7.65 times (30 June 2020: 10.77 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 2020. And there was no outstanding share options granted as at 31 December 2020.

### **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 13 of this announcement.

### **Pledge of assets**

As at 31 December 2020, the Group had not pledged any assets (30 June 2020: 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 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 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 and as at 31 December 2020, the unutilized balance of net proceeds of approximately 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 2020:

Use of Net Proceeds	Intended use	Actual use	Unused	Expected
	of proceeds	of proceeds		
	HK\$ million	up to 31 December 2020 HK\$ million	HK\$ million	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
<b>Total</b>	<b>19.3</b>	<b>5.4</b>	<b>13.9</b>	

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 2020, the Group had 78 full time management, administrative and operation staff in Hong Kong (as at 30 June 2020: 80). 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. The Company has, throughout the Period 2020, 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 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 Period 2020.

## **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 Period 2020.

## **REVIEW OF INTERIM RESULTS**

The interim financial report for Period 2020 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](http://www.hkex.com.hk) and the Company's website at [www.hangsangpress.com](http://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, 26 February 2021

*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.*