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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 2021 AND CHANGE IN USE OF PROCEEDS

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 2021 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 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	4	62,665	65,093
Cost of sales		<u>(44,117)</u>	<u>(45,284)</u>
Gross profit		18,548	19,809
Other income	5	5,960	1,344
Selling expenses		(6,333)	(6,083)
Administrative and other operating expenses		(20,291)	(21,331)
Impairment losses on trade and other receivables	6(c)	(79)	(789)
Impairment loss on non-financial assets	6(c)	(1,135)	(2,900)
Finance costs	6(b)	(229)	(178)
Loss before income tax	6	(3,559)	(10,128)
Income tax credit	7	602	412
Loss and total comprehensive expense for the year		<u>(2,957)</u>	<u>(9,716)</u>
Loss per share attributable to equity owners of the Company			
– Basic and diluted	9	<u>(HK1.61 cents)</u>	<u>(HK5.28 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2021*

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	12,789	13,023
Deposits paid for acquisition of property, plant and equipment	<i>11</i>	3,230	2,770
		16,019	15,793
Current assets			
Inventories		4,186	3,380
Trade and other receivables	<i>11</i>	5,197	6,037
Current tax recoverable		304	1,742
Cash and cash equivalents		62,047	56,519
		71,734	67,678
Current liabilities			
Trade and other payables	<i>12</i>	9,751	5,367
Lease liabilities		2,607	602
		12,358	5,969
Net current assets		59,376	61,709
Total assets less current liabilities		75,395	77,502
Non-current liabilities			
Lease liabilities		3,090	1,768
Deferred tax liabilities		752	1,224
		3,842	2,992
Net assets		71,553	74,510
EQUITY			
Share capital		1,840	1,840
Reserves		69,713	72,670
Total equity		71,553	74,510

NOTES

For the year ended 30 June 2021

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 and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 July 2020

In the current year, the Group has applied for the first time the "Amendments to References to Conceptual Framework in HKFRS Standards" and the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 July 2020:

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
Amendment to HKFRS 16	COVID-19-Related Rent Concessions

Other than as noted below, the adoption of the 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.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments clarify the definition of material and state that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The application of these amendments has had no impact on the Group’s consolidated financial statements.

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 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ²
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁵

- ¹ Effective for annual periods beginning on or after 1 January 2021
- ² Effective for annual periods beginning on or after 1 January 2022
- ³ Effective for annual periods beginning on or after 1 January 2023
- ⁴ Effective date not yet determined
- ⁵ 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
- ⁶ Effective for annual periods beginning on or after 1 April 2021

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. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 “Making Materiality Judgements” to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The directors expect that the amendments have no other material impact on the 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 regard 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sale of apparel labels and packaging printing products	<u>62,665</u>	<u>65,093</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 location in which the customer is located.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
South Korea	12,110	11,336
Hong Kong (place of domicile)	9,887	14,680
Taiwan	7,697	8,100
China	6,021	5,395
Vietnam	5,880	8,632
Macau	4,992	2,997
United States	4,512	4,916
Indonesia	3,150	2,766
El Salvador	2,443	1,651
Others	5,973	4,620
	<u>62,665</u>	<u>65,093</u>

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 2021 and 2020.

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Commission income	–	199
Compensation income (<i>note (a)</i>)	1,496	–
Government subsidy (<i>note (b)</i>)	4,296	–
Interest income	147	785
Net exchange gain	–	248
Others	21	112
	<u>5,960</u>	<u>1,344</u>

Notes:

- (a) The amount represented the compensation received from the supplier in relation to the quality problem of machineries.
- (b) During the year ended 30 June 2021, 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. LOSS BEFORE INCOME TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Staff costs (including directors’ remuneration)		
Salaries, allowances and other benefits	24,783	25,341
Contributions to defined contribution retirement plans	834	881
	<u>25,617</u>	<u>26,222</u>
(b) Finance costs		
Interest on lease liabilities	229	178

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(c) Other items		
Lease charges on short-term leases	<u>6,605</u>	<u>8,151</u>
Depreciation:		
– owned property, plant and equipment	2,890	3,507
– right-of-use assets	<u>1,417</u>	<u>647</u>
	<u>4,307</u>	<u>4,154</u>
Auditor's remuneration	828	850
Cost of inventories recognised as an expense, including:	44,117	45,284
– write down for slow-moving inventories	446	–
Impairment loss on trade receivables (<i>note 11(b)</i>)	79	150
Impairment loss on other receivables (<i>note 11(c)</i>)	–	639
Impairment loss on non-financial assets (<i>note 10</i>)	1,135	2,900
Loss on disposal of property, plant and equipment	–	1
Marketing services fee	4,884	4,969
Prepayment written off	–	949
	<u><u> </u></u>	<u><u> </u></u>

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 for the years ended 30 June 2021 and 2020 as the Hong Kong incorporated companies within the Group either had no estimated assessable profits in Hong Kong or the estimated assessable profits are wholly absorbed by tax losses brought forward from previous years.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– Over-provision in respect of prior year	(130)	(93)
Deferred tax		
– Credit for the year	<u>(472)</u>	<u>(319)</u>
Total income tax credit	<u><u>(602)</u></u>	<u><u>(412)</u></u>

8. DIVIDENDS

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

The directors of the Company do not recommend the payment of a final dividend for the years ended 30 June 2021 and 2020.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$Nil (2020: HK5.00 cents) per ordinary share	—	9,200

9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to equity owners of the Company of HK\$2,957,000 (2020: HK\$9,716,000) and the weighted average of 184,000,000 (2020: 184,000,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 30 June 2021 and 2020 equate the basic loss per share as the Group had no potential dilutive ordinary shares in issue during the years ended 30 June 2021 and 2020.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2021, additions of property, plant and equipment (excluding right-of-use assets) amounting to approximately HK\$211,000 (2020: HK\$130,000). Property, plant and equipment with net book value of HK\$Nil (2020: approximately HK\$1,000) were disposed of during the year ended 30 June 2021.

During the year ended 30 June 2021, the Group entered into a modified contract with a lessor to extend the lease for two years (2020: 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\$648,000 (2020: HK\$583,000) as an adjustment to the right-of-use assets.

During the year ended 30 June 2021, the total additions to right-of-use assets included in property, plant and equipment amounting to approximately HK\$4,110,000 (2020: HK\$Nil).

During the year ended 30 June 2021, the Group recorded operating losses due to the deteriorated global economic environment following the outbreak of the COVID-19 pandemic. As a result, the management conducted an impairment review and assessed the recoverable amounts of non-financial assets from the cash-generating unit which refer to the current market situation and estimated cash flow of the Group as basis. The recoverable amounts of such assets were determined on value-in-use calculations. Key inputs to the determination of the recoverable amounts of such assets includes revenue growth rate and discount rate. The revenue growth rate and pre-tax discount rate used to determine the recoverable amounts are ranging from 0% to 9.5% (2020: 0% to 8%) and approximately 14% (2020: 11%), respectively. The recoverable amounts of such assets as at 30 June 2021 were approximately HK\$12,026,000 (2020: HK\$15,793,000). As the recoverable amounts of such assets are lower than their carrying amounts, the impairment losses of HK\$896,000 (2020: HK\$2,900,000) and HK\$239,000 (2020: HK\$Nil) were recognised on property, plant and equipment (including right-of-use assets) and deposits paid for acquisition of property, plant and equipment, respectively.

11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (note (a))	4,137	4,297
Less: loss allowance (note (b))	<u>(1,308)</u>	<u>(1,229)</u>
	2,829	3,068
Deposits, prepayments and other receivables		
Other receivables	2	931
Less: loss allowance (note (c))	<u>–</u>	<u>(825)</u>
	2	106
Deposits	5,358	4,880
Prepayments	<u>238</u>	<u>753</u>
	5,598	5,739
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment, net of accumulated impairment loss of HK\$239,000 (2020: HK\$Nil) (note 10)	<u>(3,230)</u>	<u>(2,770)</u>
Current portion	<u>5,197</u>	<u>6,037</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	2,572	1,877
Over 3 months but within 6 months	246	1,018
Over 6 months but within 1 year	<u>11</u>	<u>173</u>
	<u>2,829</u>	<u>3,068</u>

(b) Loss allowance of trade receivables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at 1 July	1,229	1,079
Loss allowance recognised during the year	<u>79</u>	<u>150</u>
Balance at 30 June	<u><u>1,308</u></u>	<u><u>1,229</u></u>

(c) Loss allowance of other receivables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at 1 July	825	186
Loss allowance recognised during the year	–	639
Amount written off during the year	<u>(825)</u>	<u>–</u>
Balance at 30 June	<u><u>–</u></u>	<u><u>825</u></u>

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	4,003	917
Marketing services fee payables	526	284
Receipts in advance	739	380
Accruals and other payables	<u>4,483</u>	<u>3,786</u>
	<u><u>9,751</u></u>	<u><u>5,367</u></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 invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	<u><u>4,003</u></u>	<u><u>917</u></u>

13. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding as at 30 June 2021 not provided for are as follows:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Contracted for property, plant and equipment	<u>503</u>	<u>211</u>

(b) Lease commitments

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Within 1 year	<u>4,310</u>	<u>5,645</u>

As at 30 June 2021 and 2020, the Group leases a number of properties which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 30 June 2021 (“FY 2021”), the business and operations of the Group were mainly manufacturing and sale of apparel labels and packaging printing products to customers which are mainly garment manufacturers and garment related accessories trading companies. Most of the Group’s products sold were ultimately used as labels on or packaging materials for finished garments of the garment brand companies.

As the Coronavirus (“COVID-19”) epidemic raged on, the pace of economic recovery would be uneven across economies and subject to high uncertainty, with economic performance hinging particularly on the development of the COVID-19 epidemic. In this severe operating environment, the performance of the Group has inevitably been affected. The Group recorded revenue of approximately HK\$62.7 million for FY 2021, representing a decrease of approximately 3.7% as compared with that for the year ended 30 June 2020 (“FY 2020”). Gross profit margin was approximately 29.6% for FY 2021 which was approximately 0.8 percentage point lower than that for FY 2020. Loss and total comprehensive expense for the FY 2021 was approximately HK\$3.0 million (FY 2020: approximately HK\$9.7 million).

OUTLOOK

The volatile COVID-19 epidemic situation remains a key source of uncertainty surrounding the global economic outlook. Moreover, the persistently tense politico-economic relation between China and United States, geopolitical tensions and the outlook of the global economy are still uncertain. With all the unfavorable factors and more prudent and conservative business strategies adopted by clients, the Group will continue to enhance its sales effort, production quality and internal controls, and will strive to implement stringent cost controls to cope with the challenging global market conditions.

In order to strengthen and diversify the Group’s business foundation and maximise the interests of the Company and its shareholders, the Group started a new business in relation to trading and online distribution of food, daily necessities and utility products in the third quarter of 2021. In addition, the Group will continue to explore for any 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\$2.4 million or 3.7% from approximately HK\$65.1 million for FY 2020 to approximately HK\$62.7 million for FY 2021. Such decrease was primarily due to the outbreak of COVID-19 and uncertainties of global economies impacted the Group’s clients to place orders more conservatively.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for FY 2021 was approximately 70.4%. While comparing with approximately 69.6% for FY 2020, there was slight increase of approximately 0.8 percentage point. Such increase was mainly caused by increase in average production costs.

As a result, the gross profit margins for FY 2021 decreased slightly by approximately 0.8 percentage point to approximately 29.6% (FY 2020: 30.4%). The gross profit for FY 2021 also decreased to approximately HK\$18.5 million (FY 2020: HK\$19.8 million).

Other income

Other income primarily comprises government subsidy, compensation income and interest income. Increase in other income was mainly attributable to the funding support of approximately HK\$4.3 million received by the Group from the Employment Support Scheme under the Anti-epidemic Fund for FY 2021.

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing services fees. Selling expenses increased by approximately HK\$0.3 million to HK\$6.3 million for FY 2021. Such increase was mainly caused by increase of average freight charge.

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 of approximately HK\$1.0 million to HK\$20.3 million for FY 2021. The decrease in administrative and other operating expenses was primarily due to implementation of stringent cost controls in miscellaneous administrative expenses.

Loss and total comprehensive expense

The Group recorded loss and total comprehensive expense of approximately HK\$3.0 million for FY 2021 as compared to approximately HK\$9.7 million for FY 2020. The major reasons for such change were primarily increase in other income, decrease in administrative and other operating expenses and decrease in impairment losses, which were partially offset by decrease in revenue and gross profit.

Liquidity and financial information

As at 30 June 2021, the total amount of cash and cash equivalents of the Group was approximately HK\$62.0 million, representing an increase of approximately HK\$5.5 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 the Group received the funding support from the Employment Support Scheme. 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 2021.

As at 30 June 2021, the current ratio (current assets/current liabilities) was 5.80 times (2020: 11.34 times) and the quick ratio ((current assets-inventories)/current liabilities) was 5.47 times (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 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 2021. And there was no outstanding share options granted as at 30 June 2021.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouses and purchase of office equipment. Relevant commitments were shown under note 13 of this announcement.

Pledge of assets

As at 30 June 2021, the Group had not pledged any assets (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 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 2021.

EVENTS AFTER REPORTING DATE

There were no material subsequent events after FY 2021 and up to the date of this announcement.

USE OF PROCEEDS AND CHANGE IN 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\$36.1 million (the “**Net Proceeds**”) and the unutilised balance of net proceeds as at 30 June 2021 was approximately HK\$13.9 million. In respect of the use of proceeds 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 Board has resolved to change the use of the unutilised Net Proceeds.

Details of the utilised Net Proceeds up to 30 June 2021 and the proposed change of use of proceeds are summarised as below:

Use of Net Proceeds	Planned use of Net Proceeds as stated in the Announcement <i>HK\$ million</i>	Utilised Net Proceeds up to 30 June 2021 <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2021 <i>HK\$ million</i>	Proposed change of use of proceeds <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	–	N/A
Development of trading and distribution business in relation to food, daily necessities and utility products	–	–	–	4.0	On or before 30 June 2022
Development of potential projects	–	–	–	9.9	On or before 31 December 2022
Total	<u>19.3</u>	<u>5.4</u>	<u>13.9</u>	<u>13.9</u>	

The principal activities of the Group is manufacturing and sale of apparel labels and packaging printing products. In order to strengthen the Group's business foundation and to maximise the interests of the Company and its shareholders, the Group from time to time explores for suitable and appropriate opportunities to diversify the Group's business.

The entire globe is undergoing an unprecedented challenge of COVID-19 which has affected global economy as well as lifestyle and consumption style of individuals. Ongoing increase in demand for high quality food, daily necessities and utility products is expected to be a market trend. To capture such potential market, the Group performed market assessment in mid 2021 and set up online platform for distribution and trading of high quality food, daily necessities and utility products in the third quarter of 2021. There was positive feedback from the market.

To better use the unutilised Net Proceeds, the Company decides to reallocate the use of net proceeds from development of potential projects through acquisition or cooperation in approximately HK\$13.9 million to (i) approximately HK\$4.0 million for development of trading and distribution business in relation to food, daily necessities and utility products; and (ii) approximately HK\$9.9 million for development of potential projects.

The Board considered the impact of the proposed change in the use of the proceeds on the Group's business and believes that, in view of the Group's operation and business development, the reallocation of the unutilised Net Proceeds will facilitate efficient allocation of financial resources and strengthen the future development of the Group, and it is appropriate and in the interests of the Company and its shareholders as a whole. The Board will continuously assess the plans for the use of Net Proceeds to cope with the changing market conditions and strive for better performance for the Group. At the same time, the Group will continue to seek opportunities to develop other potential projects.

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 2021, the Group had 80 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. 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 2021.

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 2021.

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 2021 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 2021. 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 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2021 annual general meeting of the Company, the register of members of the Company will be closed from Tuesday, 30 November 2021 to Friday, 3 December 2021, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 November 2021.

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 2021 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, 24 September 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.