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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 2021

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 2021, together with the comparative figures for the corresponding period in 2020 as follows:

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

For the six months ended 31 December 2021

		Six months ended 31 December	
		2021	2020
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	4	<b>39,864</b>	30,077
Cost of sales		<b>(25,754)</b>	(19,835)
<b>Gross profit</b>		<b>14,110</b>	10,242
Other income	5	<b>1,179</b>	4,415
Selling expenses		<b>(3,686)</b>	(3,239)
Administrative and other operating expenses		<b>(10,062)</b>	(9,902)
Impairment loss on trade receivables	6(c)	<b>(11)</b>	(59)
Impairment loss on property, plant and equipment	6(c)	<b>–</b>	(498)
Finance costs	6(b)	<b>(134)</b>	(83)
<b>Profit before income tax</b>	6	<b>1,396</b>	876
Income tax credit	7	<b>17</b>	249
<b>Profit and total comprehensive income for the period</b>		<b>1,413</b>	1,125
<b>Earnings per share attributable to equity owners of the Company</b>			
– Basic and diluted	9	<b>HK0.77 cents</b>	HK0.61 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	11,851	12,789
Deposits paid for acquisition of property, plant and equipment	11	2,531	3,230
		<u>14,382</u>	<u>16,019</u>
<b>Current assets</b>			
Inventories		4,855	4,186
Trade and other receivables	11	7,415	5,197
Current tax recoverable		–	304
Cash and cash equivalents		61,893	62,047
		<u>74,163</u>	<u>71,734</u>
<b>Current liabilities</b>			
Trade and other payables	12	10,434	9,751
Lease liabilities		2,675	2,607
		<u>13,109</u>	<u>12,358</u>
<b>Net current assets</b>		<u>61,054</u>	<u>59,376</u>
<b>Total assets less current liabilities</b>		<u>75,436</u>	<u>75,395</u>
<b>Non-current liabilities</b>			
Lease liabilities		1,735	3,090
Deferred tax liabilities		735	752
		<u>2,470</u>	<u>3,842</u>
<b>Net assets</b>		<u><u>72,966</u></u>	<u><u>71,553</u></u>
<b>EQUITY</b>			
Share capital		1,840	1,840
Reserves		71,126	69,713
<b>Total equity</b>		<u><u>72,966</u></u>	<u><u>71,553</u></u>

## NOTES

*For the six months ended 31 December 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"). 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, and sale and distribution of food, daily necessities and utility 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 2021, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2022 and they should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2021. 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 2021. The Interim Financial Report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

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

#### 3.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 July 2021

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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 Accounting policy newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

##### ***Revenue recognition***

##### *Sale and distribution of food, daily necessities and utility products*

Revenue is generally recognised at a point in time when the customers obtain possession of and control of the promised goods in a contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

It is the Group's policy to sell its products to the customers with a right of return within a specified period. The Group would estimate the sales return at the time of sale at a portfolio level (expected value method) based on its historical experience and recognised refund liability for the products expected to be returned as "refund liabilities" included in "trade and other payables". When customers exercise their right to recover the product, the Group recognised "right to recover returned products" included in "inventories" and a corresponding adjustment to cost of sales. No contract liability and right to recover returned products are recognised as insignificant amount of returns are expected based on accumulated experience.

### 3.3 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>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 <sup>1</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective date not yet determined

<sup>4</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

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 condensed 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 condensed consolidated financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

##### Revenue

All of the Group's revenue and operating profit are generated from manufacturing and sale of apparel labels and packaging printing products, and sale and distribution of food, daily necessities and utility 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 amount of revenue recognised is as follows:

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sale of apparel labels and packaging printing products	37,434	30,077
Sale of food, daily necessities and utility products	2,430	–
	<u>39,864</u>	<u>30,077</u>

##### Segment information

The chief operating decision maker is the Board of the Company.

For the six months ended 31 December 2021, the Group setup a subsidiary that is engaged in sale and distribution of food, daily necessities and utility products. As a result, the basis of segmentation is changed and the Group has identified the following reportable segments:

- (a) Printing – manufacturing and sales of apparel labels and packaging printing products
- (b) Food and daily necessities – sale and distribution of food, daily necessities and utility products

For the six months ended 31 December 2020, the Board regarded 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 reviewed the overall results of the Group. Accordingly, no business segment analysis information was presented.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the finance costs, depreciation of property, plant and equipment and right-of-use assets, interest income, gain on disposal of property, plant and equipment, impairment loss on trade receivables and write down for slow-moving inventories attributable to those segments.

All assets are allocated to reportable segments other than unallocated head office and corporate assets; and all liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities.

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segments:

	<b>Six months ended 31 December</b>		
	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>Printing</b>	<b>Food and</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>daily necessities</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from external customers	<u>37,434</u>	<u>2,430</u>	<u>39,864</u>
Reportable segment profit/(loss)	<u>3,256</u>	<u>(1,180)</u>	<u>2,076</u>
	<b>As at 31 December</b>		
	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>Printing</b>	<b>Food and</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>daily necessities</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Reportable segment assets	<u>86,962</u>	<u>3,528</u>	<u>90,490</u>
Reportable segment liabilities	<u>(71,447)</u>	<u>(5,037)</u>	<u>(76,484)</u>

Reconciliation of reportable segment profit or loss, assets and liabilities:

	<b>Six months ended 31 December 2021 HK\$'000 (Unaudited)</b>
<b>Profit</b>	
Reportable segment profit	2,076
Unallocated corporate expenses, net	<u>(680)</u>
Consolidated profit before income tax	<u>1,396</u>

As at  
31 December  
2021  
**HK\$'000**  
(Unaudited)

**Assets**

Reportable segment assets	90,490
Unallocated head office and corporate assets	59,194
Eliminated upon consolidation	<u>(61,139)</u>
 Consolidated total assets	 <u><u>88,545</u></u>

**Liabilities**

Reportable segment liabilities	76,484
Unallocated head office and corporate liabilities	234
Eliminated upon consolidation	<u>(61,139)</u>
 Consolidated total liabilities	 <u><u>15,579</u></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.

	<b>Six months ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Hong Kong (place of domicile)	8,482	5,450
South Korea	8,185	5,993
Macau	3,644	3,123
United States	3,351	2,146
Taiwan	3,234	3,457
Vietnam	3,159	2,288
El Salvador	2,352	1,495
Indonesia	1,937	1,393
China	1,838	2,346
India	904	459
United Arab Emirates	678	527
Others	<u>2,100</u>	<u>1,400</u>
	<u><u>39,864</u></u>	<u><u>30,077</u></u>



## 5. OTHER INCOME

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	28	105
Gain on disposal of property, plant and equipment	1,020	–
Government subsidy ( <i>note</i> )	–	4,296
Others	131	14
	<u>1,179</u>	<u>4,415</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/(crediting):

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(a) Staff costs (including directors’ remuneration)</b>		
Salaries, allowances and other benefits	11,653	11,825
Contributions to defined contribution retirement plans	423	396
	<u>12,076</u>	<u>12,221</u>
<b>(b) Finance costs</b>		
Interest on lease liabilities	134	83

	<b>Six months ended 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(c) Other items</b>		
Depreciation:		
– owned property, plant and equipment	1,483	1,771
– right-of-use assets	1,272	313
	<u>2,755</u>	<u>2,084</u>
Cost of inventories recognised as an expense, including:	25,754	19,835
– write down for slow-moving inventories	434	–
Marketing services fee	2,496	2,507
Impairment loss on trade receivables	11	59
Impairment loss on property, plant and equipment	–	498
Gain on disposal of property, plant and equipment	(1,020)	–
Lease charges on short-term leases	2,683	3,811
	<u>2,683</u>	<u>3,811</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 six months ended 31 December 2021 and 2020 as the Group had no estimated assessable profits arising in Hong Kong or the estimated assessable profits are wholly absorbed by tax losses brought forward from previous years.

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

	<b>Six months ended 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax – Hong Kong Profits Tax		
– Over-provision in respect of prior year	–	(79)
Deferred tax		
– Credit for the period	(17)	(170)
	<u>(17)</u>	<u>(170)</u>
<b>Total income tax credit</b>	<u>(17)</u>	<u>(249)</u>

## 8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: HK\$Nil).

## 9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity owners of the Company of HK\$1,413,000 (six months ended 31 December 2020: HK\$1,125,000) and the weighted average of 184,000,000 (six months ended 31 December 2020: 184,000,000) ordinary shares.

Diluted earnings per share for the six months ended 31 December 2021 and 2020 equate the basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the six months ended 31 December 2021 and 2020.

## 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 2021 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2021 HK\$'000 (Audited)</b>
<b>Net carrying amount</b>		
At the beginning of the period/year	<b>12,789</b>	13,023
Additions	<b>1,817</b>	211
Modification of lease term	–	648
Entering into a new lease	–	4,110
Depreciation	<b>(2,755)</b>	(4,307)
Impairment loss	–	(896)
	<hr/>	<hr/>
At the end of the period/year	<b><u>11,851</u></b>	<b><u>12,789</u></b>

During the six months ended 31 December 2021, items of plant and equipment with carrying amount of HK\$nil were sold, resulting in a gain on disposal of HK\$1,020,000.

The Group has obtained the right-of-use in relation to certain machinery through the tenancy agreements. The leases typically run on an initial period of two to five years (as at 30 June 2021: two to five years). The Group makes fixed payments during the contract period.

As at 31 December 2021, the carrying amounts of the Group's right-of-use assets in relation to the office equipment and leased properties (as at 30 June 2021: office equipment and leased properties) are HK\$1,582,000 (as at 30 June 2021: HK\$1,822,000) and HK\$2,146,000 (as at 30 June 2021: HK\$3,178,000), respectively.

## 11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
<b>Trade receivables</b> ( <i>note (a)</i> )	<b>6,220</b>	4,137
Less: loss allowance ( <i>note (b)</i> )	<u>(1,319)</u>	<u>(1,308)</u>
	<u><b>4,901</b></u>	<u>2,829</u>
<b>Deposits, prepayments and other receivables</b>		
Other receivables	<b>9</b>	2
Deposits	<b>4,676</b>	5,358
Prepayments	<u><b>360</b></u>	<u>238</u>
	<b>5,045</b>	5,598
<b>Less: non-current portion</b>		
Deposits paid for acquisition of property, plant and equipment, net of accumulated impairment loss of HK\$239,000 (as at 30 June 2021: HK\$239,000)	<u><b>(2,531)</b></u>	<u>(3,230)</u>
<b>Current portion</b>	<u><u><b>7,415</b></u></u>	<u><u>5,197</u></u>

### (a) Trade receivables

The Group allows credit periods ranging from 0 to 2 months to its customers derived from sales of apparel labels and packaging printing products, whereas credit periods ranging from 0 to 1 month to its customers from trading of food, daily necessities and utility products.

The Group usually reaches an agreement on the payment term of the customer by taking into account of factors such as, among other things, the credit history of the customer, which varies on a case-by-case basis that requires the judgement and experience of the management.

For online distribution of food, daily necessities and utility products, receipts in advance are required before the relevant goods are delivered.

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

	<b>As at 31 December 2021 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2021 HK\$'000 (Audited)</b>
Within 3 months	4,767	2,572
Over 3 months but within 6 months	134	246
Over 6 months but within 1 year	—	11
	<u>4,901</u>	<u>2,829</u>

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

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

	<b>As at 31 December 2021 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2021 HK\$'000 (Audited)</b>
Balance at the beginning of the period/year	1,308	1,229
Loss allowance recognised during the period/year	<u>11</u>	<u>79</u>
Balance at the end of the period/year	<u>1,319</u>	<u>1,308</u>

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

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

	<b>As at 31 December 2021 Stage 3 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2021 Stage 3 HK\$'000 (Audited)</b>
Balance at the beginning of the period/year	—	825
Amount written off during the period/year	<u>—</u>	<u>(825)</u>
Balance at the end of the period/year	<u>—</u>	<u>—</u>

## 12. TRADE AND OTHER PAYABLES

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Trade payables	4,196	4,003
Marketing services fee payables	1,102	526
Receipts in advance	737	739
Accruals and other payables	4,399	4,483
	<u>10,434</u>	<u>9,751</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:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Within 3 months	<u>4,196</u>	<u>4,003</u>

## 13. COMMITMENTS

### (a) Capital commitments

Capital commitments of the Group outstanding as at 31 December 2021 and 30 June 2021 not provided for are as follows:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Contracted for office equipment	<u>444</u>	<u>503</u>

**(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 2021 HK\$'000 (Unaudited)</b>	As at 30 June 2021 HK\$'000 (Audited)
Within 1 year	<b><u>1,717</u></b>	<b><u>4,310</u></b>

As at 31 December 2021 and 30 June 2021, 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

The Group recorded revenue of approximately HK\$39.9 million for the six months ended 31 December 2021 (“**Period 2021**”), representing an increase of approximately 32.5% as compared with the period six months ended 31 December 2020 (“**Period 2020**”). The business segment for manufacturing and sale of apparel labels and packaging printing products recorded increment of revenue by approximately 24.3% to approximately HK\$37.4 million. Since China-US trade war and outbreak of novel coronavirus disease (“**COVID-19**”), customers placed orders in cautious approach due to uncertainties of the market and global situation, which has caused significant impact to business of the segment. Increase in revenue during the period is believed to be release of sales orders by the customers. In addition, starting of new business segment (sale and distribution of food, daily necessities and utility products) in Period 2021 has contributed revenue of approximately HK\$2.4 million to the Group. It resulted in overall increase in revenue of the Group in Period 2021 of approximately 32.5% by comparing with Period 2020.

While gross profit margin was maintained steady as approximately 35.4% for Period 2021 (for Period 2020: 34.1%). Profit and total comprehensive income for the Period 2021 was approximately HK\$1.4 million (Period 2020: profit and total comprehensive income approximately HK\$1.1 million).

### OUTLOOK

The COVID-19 pandemic development across the world remains the key source of uncertainty surrounding the economic outlook. The spread of COVID-19 variant cases across the world disrupted transportation and supply chains. The development in China-US relations and geopolitical tensions would expected to be volatile and influence market confidence in the global economy. With all the challenging factors, it is believed prudent and conservative business strategies will continue to be adopted by the customers. 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 and strengthen 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

There was an increase in overall revenue over previous year. As disclosed in the note 4 to this announcement, manufacturing and sale of apparel labels and packaging printing products business increased by approximately HK\$7.3 million or 24.3% from HK\$30.1 million to approximately HK\$37.4 million which as described above the Group’s printing clients release of sales orders in Period 2021 and also included revenue generated from the new business segment operations of a sale and distribution of food, daily necessities and utility products which has contributed revenue of approximately HK\$2.4 million.



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

Cost of sales over the total revenue of the Group for Period 2021 was approximately 64.6%. While comparing with approximately 65.9% for Period 2020, there was decrease of approximately 1.3 percentage points. Such decrease was mainly caused by decrease in average production costs.

As a result, the gross profit margin for Period 2021 increased by approximately 1.3 percentage point to approximately 35.4% which maintain stable (Period 2020: 34.1%), and the gross profit for Period 2021 increased to approximately HK\$14.1 million (Period 2020: HK\$10.2 million).

## **Other income**

Other income primarily comprises gain on disposal of property, plant and equipment and interest income. Decrease in other income was mainly caused by non-occurrence of one-off subsidy received for Period 2021 (Period 2020: HK\$4.3 million) from the Employment Support Scheme provided by the Hong Kong Government.

## **Selling expenses**

Selling expenses primarily consist of freight charges, transportation and marketing service fee. Selling expenses increased by approximately HK\$0.4 million to approximately HK\$3.7 million for Period 2021. Such increase was mainly caused by increase of freight charges paid due to spread of COVID-19 disrupted transportation and supply chains.

## **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 an increase in administrative and other operating expenses by approximately HK\$0.2 million from approximately HK\$9.9 million to approximately HK\$10.1 million for Period 2021. The increase in administrative and other operating expenses was primarily due to commencement of the Group's new business of trading and distribution of food, daily necessities and utility products which incurred extra professional fee and staff costs.

## **Profit and total comprehensive income**

The Group recorded profit and total comprehensive income of approximately HK\$1.4 million for Period 2021 as compared to profit and total comprehensive income of approximately HK\$1.1 million for Period 2020. The major reasons for such change were primarily increase in revenue as described above the Group's printing clients release of sales orders for Period 2021 and also included revenue generated from the new operations of a sale and distribution of food, daily necessities and utility products.

## **Liquidity and Financial Information**

As at 31 December 2021, the total amount of cash and cash equivalents of the Group was approximately HK\$61.9 million, representing a decrease of approximately HK\$0.2 million as compared with that as at 30 June 2021. Such decrease was mainly caused by the decrease in cash inflow from operating activities mainly due to commencement of the Group's new business of sale and distribution of food, daily necessities and utility products which incurred extra professional fee, set up costs and staff costs in the Period 2021. 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 2021 and 31 December 2021.

As at 31 December 2021, the Group maintains prudence and stable ratios as the current ratio (current assets/current liabilities): 5.66 times (as at 30 June 2021: 5.80 times); the quick ratio ((current assets-inventories)/current liabilities): 5.29 times (as at 30 June 2021: 5.47 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 2021. And there was no outstanding share options granted as at 31 December 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. The relevant commitments was shown under note 13 of this announcement.

## **Pledge of assets**

As at 31 December 2021, the Group had not pledged any assets (as at 30 June 2021: 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 2021.

## USE OF PROCEEDS

The Company’s shares have been listed on the Main Board of the Stock Exchange since 18 May 2016. The receipts of proceeds, net of listing expenses (including underwriting fee), including both recognised in the condensed consolidated statement of profit or loss and other comprehensive income and deducted from the share premium from the Company’s listing were approximately HK\$36.1 million (the “**Net Proceeds**”) and the unutilised balance of net proceeds as at 31 December 2021 was approximately HK\$11.9 million.

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 and 24 September 2021 (the “**Announcements**”). The table below sets out the intended uses and actual application of the net proceeds as at 31 December 2021:

Use of Net Proceeds	Intended use	Actual use of	Unused	Expected time for
	of proceeds	proceeds		
	<i>HK\$ million</i>	31 December 2021 <i>HK\$ million</i>	<i>HK\$ million</i>	
Development of trading and distribution business in relation to food, daily necessities and utility products	4.0	2.0	2.0	On or before 30 June 2022
Development of potential projects	9.9	–	9.9	On or before 31 December 2022
Total	<u>13.9</u>	<u>2.0</u>	<u>11.9</u>	

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 Announcements 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 Announcements 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 2021, the Group had 80 full time management, administrative and operation staff in Hong Kong (as at 30 June 2021: 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 2021, 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 2021.

## **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 2021.

## **REVIEW OF INTERIM RESULTS**

The interim financial report for Period 2021 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, 25 February 2022

*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.*