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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 2022 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

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 2022 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 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	4	75,510	62,665
Cost of sales		<u>(52,901)</u>	<u>(44,117)</u>
Gross profit		22,609	18,548
Other income	5	2,856	5,960
Selling expenses		(8,330)	(6,333)
Administrative and other operating expenses		(20,814)	(20,291)
Impairment loss on trade receivables	6(c)	(59)	(79)
Impairment loss on non-financial assets	6(c)	–	(1,135)
Finance costs	6(b)	(342)	(229)
Loss before income tax	6	(4,080)	(3,559)
Income tax credit	7	245	602
Loss and total comprehensive expense for the year		<u>(3,835)</u>	<u>(2,957)</u>
Loss per share attributable to equity owners of the Company			
– Basic and diluted	9	<u>(HK2.08 cents)</u>	<u>(HK1.61 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	18,654	12,789
Deposits paid for acquisition of property, plant and equipment	11	2,532	3,230
		<u>21,186</u>	<u>16,019</u>
Current assets			
Inventories		3,855	4,186
Trade and other receivables	11	6,002	5,197
Current tax recoverable		–	304
Cash and cash equivalents		57,946	62,047
		<u>67,803</u>	<u>71,734</u>
Current liabilities			
Trade and other payables	12	8,209	9,751
Lease liabilities		6,752	2,607
		<u>14,961</u>	<u>12,358</u>
Net current assets		<u>52,842</u>	<u>59,376</u>
Total assets less current liabilities		<u>74,028</u>	<u>75,395</u>
Non-current liabilities			
Lease liabilities		5,803	3,090
Deferred tax liabilities		507	752
		<u>6,310</u>	<u>3,842</u>
Net assets		<u>67,718</u>	<u>71,553</u>
EQUITY			
Share capital		1,840	1,840
Reserves		65,878	69,713
Total equity		<u>67,718</u>	<u>71,553</u>

NOTES

For the year ended 30 June 2022

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, and sale and distribution of food, daily necessities and utility 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 AND CHANGES IN ACCOUNTING POLICIES

3.1 Amended HKFRSs that are effective for annual periods beginning on 1 July 2021

In the current year, the Group has applied for the first time 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 2021:

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

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.

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 year.

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

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ 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 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 8 “Definition of Accounting Estimates”

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as “monetary amounts in the financial statements that are subject to measurement uncertainty”.

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The directors expect that the amendments have no 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 Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of apparel labels and packaging printing products	69,662	62,665
Sale of food, daily necessities and utility products	5,848	–
	<u>75,510</u>	<u>62,665</u>

Segment information

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

For the year ended 30 June 2022, 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 year ended 30 June 2021, 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 other than unallocated corporate expenses.

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:

	Printing	Food and daily	Total
	2022	2022	2022
	HK\$'000	HK\$'000	HK\$'000
Revenue			
– From external customers	69,662	5,848	75,510
– From other segments	348	–	348
Reportable segment revenue	70,010	5,848	75,858
Reportable segment loss	(350)	(2,455)	(2,805)
Interest income	77	–	77
Depreciation:			
– owned property, plant and equipment	2,696	288	2,984
– right-of-use assets	3,158	242	3,400
Finance costs	320	22	342
Gain on disposal of property, plant and equipment	1,020	–	1,020
Impairment loss on trade receivables	59	–	59
Write down of slow-moving inventories	583	–	583
	88,739	3,763	92,502
Reportable segment assets	88,739	3,763	92,502
Additions to non-current segment assets during the year	10,330	1,221	11,551
Reportable segment liabilities	(79,017)	(6,533)	(85,550)

Reconciliation of reportable segment revenue, results, assets and liabilities:

	2022 <i>HK\$'000</i>
Revenue	
Reportable segment revenue	75,858
Elimination of inter-segment revenue	<u>(348)</u>
Consolidated revenue	<u><u>75,510</u></u>
	2022 <i>HK\$'000</i>
Loss	
Reportable segment loss	(2,805)
Unallocated corporate expenses, net	<u>(1,275)</u>
Consolidated loss before income tax	<u><u>(4,080)</u></u>
	2022 <i>HK\$'000</i>
Assets	
Reportable segment assets	92,502
Unallocated head office and corporate assets	60,958
Eliminated upon consolidation	<u>(64,471)</u>
Consolidated total assets	<u><u>88,989</u></u>
Liabilities	
Reportable segment liabilities	(85,550)
Unallocated head office and corporate liabilities	(192)
Eliminated upon consolidation	<u>64,471</u>
Consolidated total liabilities	<u><u>(21,271)</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 location in which the customer is located.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (place of domicile)	16,737	9,887
South Korea	14,329	12,110
Vietnam	7,635	5,880
Taiwan	7,371	7,697
United States	6,018	4,512
Macau	5,298	4,992
China	5,156	6,021
El Salvador	3,415	2,443
Indonesia	3,216	3,150
Others	6,335	5,973
	<u>75,510</u>	<u>62,665</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 2022 and 2021.

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	1,020	–
Government subsidy (<i>note (a)</i>)	1,180	4,296
Compensation income (<i>note (b)</i>)	–	1,496
Interest income	77	147
Net exchange gain	441	–
Others	138	21
	<u>2,856</u>	<u>5,960</u>

Notes:

- (a) During the year ended 30 June 2022, the Group received funding support amounting to HK\$1,180,000 (2021: 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.
- (b) The amount represented the compensation received from the supplier in relation to the quality problem of machineries.

6. LOSS BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Staff costs (including directors' remuneration)		
Salaries, allowances and other benefits	25,119	24,783
Contributions to defined contribution retirement plans	833	834
	<u>25,952</u>	<u>25,617</u>
(b) Finance costs		
Interest on lease liabilities	342	229
	<u>342</u>	<u>229</u>
(c) Other items		
Depreciation:		
– owned property, plant and equipment	2,984	2,890
– right-of-use assets	3,400	1,417
	<u>6,384</u>	<u>4,307</u>
Auditor's remuneration	905	828
Cost of inventories recognised as an expense, including:	52,901	44,117
– write down of slow-moving inventories	583	446
Impairment loss on trade receivables (<i>note 11(b)</i>)	59	79
Impairment loss on non-financial assets (<i>note 10</i>)	–	1,135
Lease charges on short-term leases	4,508	6,605
Gain on disposal of property, plant and equipment	(1,020)	–
Marketing services fee	4,839	4,884
	<u>4,839</u>	<u>4,884</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 2022 and 2021 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:

	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
– Over-provision in respect of prior year	–	(130)
Deferred tax		
– Credit for the year	(245)	(472)
Total income tax credit	(245)	(602)

8. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the years ended 30 June 2022 and 2021.

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\$3,835,000 (2021: HK\$2,957,000) and the weighted average of 184,000,000 (2021: 184,000,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 30 June 2022 and 2021 equate the basic loss per share as the Group had no potential dilutive ordinary shares in issue during the years ended 30 June 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2022, additions of property, plant and equipment (excluding right-of-use assets) amounting to approximately HK\$1,980,000 (2021: HK\$211,000).

During the year ended 30 June 2022, the total additions to right-of-use assets included in property, plant and equipment amounting to approximately HK\$10,269,000 (2021: HK\$4,110,000).

During the year ended 30 June 2022, no impairment loss was recognised on property, plant and equipment (including right-of-use assets) and deposits paid for acquisition of property, plant and equipment.

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% and approximately 14%, respectively. The recoverable amounts of such assets as at 30 June 2021 were approximately HK\$12,026,000. As the recoverable amounts of such assets were lower than their carrying amounts, the impairment losses of HK\$896,000 and HK\$239,000 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables (note (a))	4,804	4,137
Less: loss allowance (note (b))	<u>(1,367)</u>	<u>(1,308)</u>
	3,437	2,829
 Deposits, prepayments and other receivables		
Deposits (note (c))	4,774	5,358
Prepayments	291	238
Other receivables	<u>32</u>	<u>2</u>
	5,097	5,598
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment, net of accumulated impairment loss of HK\$239,000 (2021: HK\$239,000)	<u>(2,532)</u>	<u>(3,230)</u>
 Current portion	 <u>6,002</u>	 <u>5,197</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 sale and distribution of food, daily necessities and utility products.

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.

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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	3,214	2,572
Over 3 months but within 6 months	210	246
Over 6 months but within 1 year	13	11
	3,437	2,829

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

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 July	1,308	1,229
Loss allowance recognised during the year	59	79
Balance at 30 June	1,367	1,308

(c) **Deposits**

The amounts mainly represent the deposits paid for acquisition of property, plant and equipment and rental and utilities deposits paid.

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	2,820	4,003
Marketing services fee payables	495	526
Receipts in advance	361	739
Accruals and other payables	4,533	4,483
	<u>8,209</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 invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	<u>2,820</u>	<u>4,003</u>

13. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding as at 30 June 2022 and 2021 not provided for are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted for property, plant and equipment	<u>211</u>	<u>503</u>

(b) Lease commitments

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	<u>-</u>	<u>4,310</u>

As at 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 "Leases".

14. EVENT AFTER THE REPORTING PERIOD

In July 2022, the construction of the office equipment was completed and available for use. The carrying amount of the deposit paid for acquisition of the property, plant and equipment amounted to HK\$2,532,000 was reclassified to property, plant and equipment at the same date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$75.5 million for the year ended 30 June 2022 (“FY 2022”), representing an increase of approximately 20.5% as compared with that for the year ended 30 June 2021 (“FY 2021”). The business segment for manufacturing and sale of apparel labels and packaging printing products recorded increment of revenue by approximately 11.2% to approximately HK\$69.7 million for FY 2022. Increase in revenue during the period is believed to be release of earlier conservative backlogs of sales orders by the customers. Since geopolitical tensions 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 segments. In addition, starting of new business segment (sale and distribution of food, daily necessities and utility products) in FY 2022 has contributed revenue of approximately HK\$5.8 million to the Group. It resulted in overall increase of approximately 20.5% in revenue of the Group for FY 2022 as compared with that for FY 2021.

While gross profit margin was maintained steady as approximately 29.9% for FY 2022 (for FY 2021: 29.6%), selling expenses increased mainly due to increase in freight charges during the pandemic period. Loss and total comprehensive expense for FY 2022 was approximately HK\$3.8 million (FY 2021: loss and total comprehensive expense approximately HK\$3.0 million).

OUTLOOK

The COVID-19 pandemic development remains the key source of uncertainty surrounding the economic outlook. The pandemic prevention policy and spreading of COVID-19 pandemic and international tension would be expected to be volatile and influence market confidence in the global economy. With all the challenging factors, it is believed that 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.

FINANCIAL REVIEW

Revenue

There was an increase in overall revenue over previous year. As disclosed in the note 4 to this announcement, revenue from manufacturing and sale of apparel labels and packaging printing products business increased by approximately HK\$7.0 million or 11.2% from approximately HK\$62.7 million for FY 2021 to approximately HK\$69.7 million for FY 2022 which is believed to be release the earlier conservative backlogs of sales orders by the customers. Also, revenue generated from the new business segment operations of sale and distribution of food, daily necessities and utility products contributed revenue of approximately HK\$5.8 million for FY 2022.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for FY 2022 was approximately 70.1%. While comparing with approximately 70.4% for FY 2021, there was a decrease of approximately 0.3 percentage point. Such decrease was mainly caused by decrease in average production costs.

As a result, the gross profit margins for FY 2022 increased by approximately 0.3 percentage point to approximately 29.9% (FY 2021: 29.6%). The gross profit for FY 2022 increased to approximately HK\$22.6 million (FY 2021: HK\$18.5 million).

Other income

Other income primarily comprises gain on disposal of property, plant and equipment, subsidy received from the Employment Support Scheme provided by the Hong Kong Government and interest income. Decrease in other income was mainly caused by subsidy received from the Employment Support Scheme decreased to HK\$1.2 million (FY 2021: HK\$4.3 million).

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing service fee. Selling expenses increased by approximately HK\$2.0 million to approximately HK\$8.3 million for FY 2022. 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\$0.5 million from approximately HK\$20.3 million to approximately HK\$20.8 million for FY 2022. The increase in administrative and other operating expenses was primarily 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 and staff costs.

Loss and total comprehensive expense

The Group recorded loss and total comprehensive expense of approximately HK\$3.8 million for FY 2022 as compared to loss and total comprehensive expense of approximately HK\$3.0 million for FY 2021. The major reasons for such change were primarily caused by increase of freight charges paid due to spread of COVID-19 disrupted transportation and supply chains, decrease of subsidy received from the Employment Support Scheme and commencement of new business which incurred extra professional fee and staff costs.

Liquidity and financial information

As at 30 June 2022, the total amount of cash and cash equivalents of the Group was approximately HK\$57.9 million, representing a decrease of approximately HK\$4.1 million as compared with that as at 30 June 2021. Such decrease was mainly caused by commencement of new business which incurred extra professional fee and staff costs. 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 2022.

As at 30 June 2022, the current ratio (current assets/current liabilities) was 4.53 times (2021: 5.80 times) and the quick ratio ((current assets-inventories)/current liabilities) was 4.27 times (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 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 2022. And there was no outstanding share options granted as at 30 June 2022.

Commitment

The contractual commitment of the Group was primarily related to the purchase of office equipment. Relevant commitment was shown under note 13 of this announcement.

Pledge of assets

As at 30 June 2022, the Group had not pledged any assets (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 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 2022.

EVENTS AFTER REPORTING DATE

Save as disclosed in this announcement, there were no other material subsequent events after FY 2022 and up to the date of this announcement.

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 30 June 2022 was approximately HK\$9.9 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 30 June 2022:

Use of Net Proceeds	Intended use	Actual use of	Unused	Expected time for
	of proceeds	proceeds		
	<i>HK\$ million</i>	up to 30 June 2022 <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	4.0	–	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>4.0</u>	<u>9.9</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 30 June 2022, the Group had 78 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. During the year, the Company has complied with the relevant provisions of the Code (“**Code Provisions**”), save for the deviations disclosed below.

Code provision C.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 2022.

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 2022.

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 2022 as set out in the preliminary 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 2022. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the preliminary announcement.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections. The Board proposes to take this opportunity to update the memorandum and articles of association of the Company (the “**Memorandum and Articles**”) with regards to the updates in Listing Rules and the applicable laws as well as for housekeeping purposes. The Board proposes to seek the approval of Shareholders by way of a special resolution at the 2022 annual general meeting (the “**Special Resolution**”) for the amendment and adoption of a new set of Memorandum and Articles. Prior to the passing of the Special Resolution, the existing Memorandum and Articles shall remain valid. After the proposed amendments to the Memorandum and Articles come into effect, the full text of the new set of Memorandum and Articles will be published on the websites of the Company and the Stock Exchange (www.hkexnews.hk). A circular of the annual general meeting of the Company containing, inter alia, full details of the proposed amendments to the Memorandum and Articles, together with a notice of the annual general meeting of the Company and related proxy form, will be despatched to shareholders of the Company in due course.

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 2022.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2022 annual general meeting of the Company, the register of members of the Company will be closed from Tuesday, 29 November 2022 to Friday, 2 December 2022, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 November 2022.

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 2022 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, 23 September 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.