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 2023

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 2023 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 2023

	Note	**2023** ***HK$'000***	2022 *HK$'000*
Revenue	*4*	**54,414**	75,510
Cost of sales		**(45,016)**	(52,901)
Gross profit		**9,398**	22,609
Other income	*5*	**2,852**	2,856
Selling expenses		**(7,054)**	(8,330)
Administrative and other operating expenses		**(21,678)**	(20,814)
Impairment loss on trade receivables	*6(c)*	**(36)**	(59)
Impairment loss on non-financial assets	*6(c)*	**(9,112)**	–
Finance costs	*6(b)*	**(693)**	(342)
Loss before income tax	*6*	**(26,323)**	(4,080)
Income tax credit	*7*	**358**	245
Loss and total comprehensive expense for the year		**(25,965)**	(3,835)
Loss per share attributable to equity owners of the Company			
– Basic and diluted	*9*	**(HK14.11 cents)**	(HK2.08 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**7,250**	18,654
Deposits paid for acquisition of property, plant and equipment	*11*	**–**	2,532
		7,250	21,186
Current assets			
Inventories		**3,281**	3,855
Trade and other receivables	*11*	**7,114**	6,002
Cash and cash equivalents		**43,152**	57,946
		53,547	67,803
Current liabilities			
Trade and other payables	*12*	**8,951**	8,209
Lease liabilities		**7,019**	6,752
		15,970	14,961
Net current assets		**37,577**	52,842
Total assets less current liabilities		**44,827**	74,028
Non-current liabilities			
Lease liabilities		**2,925**	5,803
Deferred tax liabilities		**149**	507
		3,074	6,310
Net assets		**41,753**	67,718
EQUITY			
Share capital		**1,840**	1,840
Reserves		**39,913**	65,878
Total equity		**41,753**	67,718

NOTES

For the year ended 30 June 2023

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 (collectively referred to as 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

These 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 include the applicable disclosure requirements of 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 these consolidated financial statements have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and changes in accounting policies and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

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

3.1 Amended HKFRSs that are effective for annual periods beginning on 1 July 2022

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 2022:

Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[2]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective date not yet determined

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.

3.3 *New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism*

In June 2022, the Government of the Hong Kong SAR (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("**LSP**") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("**MPF**") scheme (also known as the "**offsetting mechanism**"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "**Transition Date**"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 "Employee Benefits" and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 30 June 2023.

In this preliminary announcement and in prior periods, consistent with the HKICPA guidance, the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the abovementioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this preliminary announcement is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

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:

	2023	2022
	HK$'000	*HK$'000*
Sale of apparel labels and packaging printing products	**45,398**	69,662
Sale of food, daily necessities and utility products	**9,016**	5,848
	54,414	75,510

Segment information

The chief operating decision maker is the Board of the Company. The Group has identified the following reportable segments for the years ended 30 June 2023 and 2022:

(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

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:

2023

	Printing *HK$'000*	**Food and daily necessities** *HK$'000*	**Total** *HK$'000*
Revenue			
– From external customers	**45,398**	**9,016**	**54,414**
– From other segment	**163**	**–**	**163**
Reportable segment revenue	**45,561**	**9,016**	**54,577**
Reportable segment loss	**(24,234)**	**(478)**	**(24,712)**
Interest income	**1,176**	**2**	**1,178**
Depreciation			
– owned property, plant and equipment	**2,437**	**443**	**2,880**
– right-of-use assets	**7,466**	**244**	**7,710**
Finance costs	**681**	**12**	**693**
Gain on early termination of lease	**494**	**–**	**494**
Impairment loss on trade receivables	**36**	**–**	**36**
Impairment loss on non-financial assets	**9,112**	**–**	**9,112**
Write down of slow-moving inventories	**628**	**–**	**628**

2022

	Printing	Food and daily necessities	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
– From external customers	69,662	5,848	75,510
– From other segment	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

2023

	Printing	**Food and daily necessities**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Reportable segment assets	**60,555**	**4,646**	**65,201**
Additions to non-current segment assets during the year	**8,837**	**517**	**9,354**
Reportable segment liabilities	**(75,957)**	**(7,844)**	**(83,801)**

2022

	Printing	Food and daily necessities	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	88,739	3,763	92,502
Additions to non-current segment assets during the year	10,330	1,919	12,249
Reportable segment liabilities	(79,017)	(6,533)	(85,550)

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

	2023	2022
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**54,577**	75,858
Elimination of inter-segment revenue	**(163)**	(348)
Consolidated revenue	**54,414**	75,510

	2023	2022
	HK$'000	*HK$'000*
Loss		
Reportable segment loss	**(24,712)**	(2,805)
Unallocated corporate expenses, net	**(1,611)**	(1,275)
Consolidated loss before income tax	**(26,323)**	(4,080)

	2023	2022
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**65,201**	92,502
Unallocated head office and corporate assets	**60,517**	60,958
Eliminated upon consolidation	**(64,921)**	(64,471)
Consolidated total assets	**60,797**	88,989
Liabilities		
Reportable segment liabilities	**(83,801)**	(85,550)
Unallocated head office and corporate liabilities	**(164)**	(192)
Eliminated upon consolidation	**64,921**	64,471
Consolidated total liabilities	**(19,044)**	(21,271)

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.

	2023	2022
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**16,940**	16,737
South Korea	**8,266**	14,329
Vietnam	**6,753**	7,635
United States	**6,144**	6,018
Taiwan	**5,470**	7,371
China	**3,920**	5,156
Indonesia	**1,690**	3,216
India	**1,599**	1,624
Bangladesh	**986**	1,488
Macau	**843**	5,298
El Salvador	**616**	3,415
Others	**1,187**	3,223
	54,414	75,510

All 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 2023 and 2022.

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**–**	1,020
Gain on early termination of lease	**494**	–
Government subsidy *(note)*	**592**	1,180
Interest income	**1,183**	77
Net exchange gain	**454**	441
Others	**129**	138
	2,852	2,856

Note:

During the year ended 30 June 2023, the Group received funding support amounting to HK$592,000 (2022: HK$1,180,000) 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/(crediting):

	2023	2022
	HK$'000	*HK$'000*
(a) Staff costs (including directors' remuneration) *(note (i))*		
Salaries, allowances and other benefits *(note (ii))*	**25,481**	25,119
Contributions to defined contribution retirement plans	**861**	833
	26,342	25,952
(b) Finance costs		
Interest on lease liabilities	**693**	342
(c) Other items		
Depreciation *(note (i))*:		
– owned property, plant and equipment	**2,880**	2,984
– right-of-use assets	**7,710**	3,400
	10,590	6,384
Auditor's remuneration	**978**	900
Cost of inventories recognised as an expense, *(note (i))* including:	**45,016**	52,901
– write down of slow-moving inventories	**628**	583
Impairment loss on trade receivables *(note 11(b))*	**36**	59
Impairment loss on non-financial assets	**9,112**	–
Gain on early termination of lease	**(494)**	–
Gain on disposal of property, plant and equipment	**–**	(1,020)
Lease charges on short-term leases *(note (i))*	**232**	4,508
Marketing services fee	**4,630**	4,839
Subcontracting charges *(note (i))*	**2,777**	5,148

Note:

(i) For the year ended 30 June 2023, cost of inventories includes HK$13,341,000 (2022: HK$13,229,000) relating to staff costs, HK$6,666,000 (2022: HK$3,276,000) relating to depreciation, HK$2,777,000 (2022: HK$5,148,000) relating to subcontracting charges and HK$Nil (2022: HK$4,030,000) relating to short-term lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) For the year ended 30 June 2023, the directors' quarters have been recognised as lease liabilities and corresponding right-of-use asset. The depreciation and lease payments in respect of the relevant right-of-use asset and lease liabilities amounted to HK$1,818,000 (2022: HK$1,824,000) and HK$1,920,000 (2022: HK$1,920,000), respectively.

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 2023 and 2022 as the Group had no estimated assessable profits arising in Hong Kong.

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

	2023	2022
	HK$'000	*HK$'000*
Deferred tax		
– Recognised in profit or loss	**(358)**	(245)
Total income tax credit	**(358)**	(245)

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 30 June 2023 and 2022.

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$25,965,000 (2022: HKD3,835,000) and the weighted average of 184,000,000 (2022: 184,000,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 30 June 2023 and 2022 equate the basic loss per share as the Group had no potential dilutive ordinary shares in issue during the years ended 30 June 2023 and 2022.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2023, the total additions to right-of-use assets included in property, plant and equipment amounting to approximately HK$2,401,000 (2022: HK$10,269,000).

During the year ended 30 June 2023, the Group terminated an existing lease contract in relation to office equipment of right-of-use assets included in property, plant and equipment with carrying amount of approximately HK$1,056,000.

During the year ended 30 June 2023, the Group entered into lease modification contracts with lessors to revise the terms of the tenancy agreements. As the lease modification does not add the right to use one or more underlying assets, it is not accounted for as a separate lease.

During the year ended 30 June 2023, the Group recorded operating losses due to uncertainty in global economic outlook and persistent geo-political and economic tensions between China and the United States, which results in customers placing orders with a cautious approach. As a result, the management conducted an impairment review together with the assistance of an independent valuer, and assessed the recoverable amounts of non-financial assets from both cash-generating unit of printing segment (the "**Printing CGU**") and the cash-generating unit of food and daily necessities segment (the "**Food CGU**") which refer to the current market situation and estimated cash flow of the Group as basis. The recoverable amounts of such assets were determined based on value-in-use calculations. Key inputs to the determination of the recoverable amounts of the Printing CGU and Food CGU include revenue growth rates and discount rates.

The CGUs were tested for impairment as there are indications that the assets' carrying amount may not be recoverable. The revenue growth rates and pre-tax discount rate used to determine the recoverable amounts of Printing CGU are ranging from 2.7% to 4.9% and approximately 15%, respectively. The recoverable amounts of such assets as at 30 June 2023 were approximately HK$5,762,000. As the recoverable amounts of such assets in the Printing CGU are lower than their carrying amounts, the impairment losses of HK$9,112,000 was recognised on property, plant and equipment (including right-of-use assets). The Food CGU was also separately assessed and no impairment loss was recognised on property, plant and equipment (including right-of-use assets) as at 30 June 2023.

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

As at 30 June 2023 and 2022, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		**Depreciation**		**Impairment**	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Office equipment	**999**	1,343	**514**	479	**1,175**	–
Leased properties	**3,683**	10,526	**7,196**	2,921	**3,781**	–
	4,682	11,869	**7,710**	3,400	**4,956**	–

11. TRADE AND OTHER RECEIVABLES

	2023 *HK$'000*	2022 *HK$'000*
Trade receivables *(note (a))*	**5,642**	4,804
Less: loss allowance *(note (b))*	**(1,403)**	(1,367)
	4,239	3,437
Deposits, prepayments and other receivables		
Deposits *(note (c))*	**2,314**	4,774
Other receivables	**197**	32
Prepayments	**364**	291
	2,875	5,097
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment, net of accumulated impairment loss of HK$Nil (2022: HK$239,000)	**–**	(2,532)
Current portion	**7,114**	6,002

(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:

	2023 *HK$'000*	2022 *HK$'000*
Within 3 months	**4,113**	3,214
Over 3 months but within 6 months	**62**	210
Over 6 months but within 1 year	**64**	13
	4,239	3,437

(b) Loss allowance of trade receivables

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

	2023	2022
	HK$'000	*HK$'000*
Balance at 1 July	**1,367**	1,308
Loss allowance recognised during the year	**36**	59
Balance at 30 June	**1,403**	1,367

(c) Deposits

The amounts mainly represent rental and utilities deposits paid (2022: deposits paid for acquisition of property, plant and equipment and rental and utilities deposits paid).

12. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables *(note)*	**2,911**	2,820
Marketing services fee payables	**772**	495
Receipts in advance	**271**	361
Accruals and other payables	**4,997**	4,533
	8,951	8,209

Note:

Payment terms granted by suppliers ranged from 1 to 3 months from the invoice date of the relevant purchases.

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

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**2,911**	2,820

13. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding as at 30 June 2023 and 2022 not provided for are as follows:

	2023	2022
	HK$'000	*HK$'000*
Contracted for property, plant and equipment	**–**	211

(b) Lease commitments

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**253**	–

As at 30 June 2023, the Group leases a property which is qualified to be accounted for under short-term lease exemption under HKFRS 16 "Leases".

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of approximately HK$54.4 million for the year ended 30 June 2023 ("**FY 2023**"), representing a decrease of approximately 27.9% as compared with that for the year ended 30 June 2022 ("**FY 2022**"). The revenue of business segment for manufacturing and sale of apparel labels and packaging printing products dropped by approximately 34.8% to approximately HK$45.4 million for FY 2023. The Group's printing customers place orders in cautious approach due to uncertainty in global economic outlook and persistent geo-political and economic tensions between China and the United States. The revenue of business segment for sale and distribution of food, daily necessities and utility products increased by approximately 54.2% to approximately HK$9.0 million as the fact that this segment was just into business in mid 2021 and it took time to accumulate customer base. As a result, there was an overall decrease in revenue of the Group in FY 2023 of approximately 27.9% as compared with FY 2022.

Gross profit margin decreased to approximately 17.3% for FY 2023 (for FY 2022: 29.9%). Loss and total comprehensive expense for FY 2023 was approximately HK$26.0 million (FY 2022: loss and total comprehensive expense approximately HK$3.8 million).

OUTLOOK

Geopolitical tensions and slowing growth in advanced economies will continue to weigh on external demand and the tightening financial environment remains a key source of economic uncertainties. 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 a decrease in overall revenue for FY 2023. Revenue from manufacturing and sale of apparel labels and packaging printing products business decreased by approximately HK$24.3 million or 34.8% from approximately HK$69.7 million for FY 2022 to approximately HK$45.4 million for FY 2023, which was mainly the result of the Group's printing customers placing orders in cautious approach due to uncertainty in global economic outlook and persistent geo-political and economic tensions between China and the United States. Revenue from sale and distribution of food, daily necessities and utility products business increased by approximately HK$3.2 million or 54.2% from approximately HK$5.8 million for FY 2022 to approximately HK$9.0 million for FY 2023, mainly due to the fact that this segment was just into business in mid 2021 and it took time to accumulate customer base.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for FY 2023 was approximately 82.7%. As compared with approximately 70.1% for FY 2022, there was an increase of approximately 12.6 percentage point. Such increase was mainly attributable to absorption of fixed production overhead with respect to decrease in revenue.

As a result, the gross profit margins for FY 2023 decreased by approximately 12.6 percentage point to approximately 17.3% (FY 2022: 29.9%). The gross profit for FY 2023 decreased to approximately HK$9.4 million (FY 2022: HK$22.6 million).

Other income

Other income primarily comprises of subsidy from the Employment Support Scheme provided by the Hong Kong Government and interest income. There was no significant changes in other income. The Group did not record gain on disposal of property, plant and equipment in FY 2023. However the Group received more interest income generated from time deposit in bank.

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing service fee. Selling expenses decreased by approximately HK$1.3 million to approximately HK$7.1 million for FY 2023. Such decrease was mainly caused by the decrease in freight charges and sales commission paid due to decreased sales.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise of salaries, utilities, professional fee, depreciation and other miscellaneous administrative expenses. There was a slight increase in administrative and other operating expenses, primarily due to the increase of depreciation on property, plant and equipment.

Loss and total comprehensive expense

The Group recorded loss and total comprehensive expense of approximately HK$26.0 million for FY 2023 as compared to loss and total comprehensive expense of approximately HK$3.8 million for FY 2022. The major reasons were primarily attributable to (i) decrease in revenue and gross profit; and (ii) impairment loss on the Group's non-financial assets. The Group's printing segment customers placing orders with a cautious approach due to uncertainty in global economic outlook and persistent geo-political and economic tensions between China and the United States.

Liquidity and financial information

As at 30 June 2023, the total amount of cash and cash equivalents of the Group was approximately HK$43.2 million, representing a decrease of approximately HK$14.8 million as compared with that as at 30 June 2022. Such decrease was mainly caused by the decrease in overall revenue and cash receipts during the FY 2023, which results in the decrease in cash inflow from operating activities. 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 2023 and 2022.

As at 30 June 2023, the current ratio (current assets/current liabilities) was 3.35 times (FY 2022: 4.53 times) and the quick ratio ((current assets-inventories)/current liabilities) was 3.15 times (FY 2022: 4.27 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 of 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 2023. And there was no outstanding share options granted as at 30 June 2023.

Commitments

The contractual commitment of the Group was related to rental and the lease of property. Commitments were shown under note 13 of this announcement.

Pledge of assets

As at 30 June 2023, the Group had not pledged any assets (FY 2022: HK$Nil).

Exposure to foreign exchange risk

The Group mainly carries out its transactions in United States dollars ("**USD**") and Hong Kong dollars ("**HK$**") and majority of its bank balances, trade and other receivables and trade and other payables are denominated in USD and HK$. 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. Consistent 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 2023.

EVENTS AFTER REPORTING DATE

There were no material subsequent events occurred after FY 2023 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 2023 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, 24 September 2021 and 21 December 2022 (the "**Announcements**"). The table below sets out the intended uses and actual application of the net proceeds as at 30 June 2023:

Use of Net Proceeds	**Intended use of proceeds**	**Actual use of proceeds up to 30 June 2023**	**Unused Amount**	**Expected time for utilisation**
	HK$ million	*HK$ million*	*HK$ million*	
Development of potential projects	9.9	–	9.9	On or before 31 December 2023

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 2023, the Group had 68 full time management, administrative and operation staff in Hong Kong (as at 30 June 2022: 78). 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 2023.

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive Directors, namely Dr. LOKE Yu, Ms. FUNG Po Yee and Dr. 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 2023.

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 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "**Auditor**"), to the amounts set out in the Group's consolidated financial statements for FY 2023. 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.

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 2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2023 annual general meeting of the Company, the register of members of the Company will be closed from Tuesday, 28 November 2023 to Friday, 1 December 2023, 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 Shops 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, 27 November 2023.

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 2023 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, 22 September 2023

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 Dr Sung Ting Yee.