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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 2022

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 2022, together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

		Six months ended 31 December	
		2022	2021
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	26,487	39,864
Cost of sales		(20,967)	(25,754)
Gross profit		5,520	14,110
Other income	5	1,345	1,179
Selling expenses		(3,201)	(3,686)
Administrative and other operating expenses		(10,709)	(10,062)
Impairment loss on trade receivables	6(c)	(69)	(11)
Impairment loss on non-financial assets	6(c)	(3,946)	–
Finance costs	6(b)	(335)	(134)
(Loss)/Profit before income tax	6	(11,395)	1,396
Income tax credit	7	385	17
(Loss)/Profit and total comprehensive (expense)/ income for the period		(11,010)	1,413
(Loss)/Earnings per share attributable to equity owners of the Company			
– Basic and diluted	9	(HK5.98 cents)	HK0.77 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	12,039	18,654
Deposits paid for acquisition of property, plant and equipment	11	–	2,532
		<u>12,039</u>	<u>21,186</u>
Current assets			
Inventories		4,728	3,855
Trade and other receivables	11	5,984	6,002
Cash and cash equivalents		52,775	57,946
		<u>63,487</u>	<u>67,803</u>
Current liabilities			
Trade and other payables	12	9,962	8,209
Lease liabilities		5,868	6,752
		<u>15,830</u>	<u>14,961</u>
Net current assets		<u>47,657</u>	<u>52,842</u>
Total assets less current liabilities		<u>59,696</u>	<u>74,028</u>
Non-current liabilities			
Lease liabilities		2,866	5,803
Deferred tax liabilities		122	507
		<u>2,988</u>	<u>6,310</u>
Net assets		<u>56,708</u>	<u>67,718</u>
EQUITY			
Share capital		1,840	1,840
Reserves		54,868	65,878
Total equity		<u>56,708</u>	<u>67,718</u>

NOTES

For the six months ended 31 December 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 ("Mr Samson Fung") and Mr Fung Man Kam ("Mr David Fung") (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.

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 2022, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2023 and they should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2022. 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 2022. 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 Amended HKFRSs that are effective for annual periods beginning on 1 July 2022

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
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
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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 this Interim Financial Report, 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 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. New and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated interim 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sale of apparel labels and packaging printing products	23,029	37,434
Sale of food, daily necessities and utility products	3,458	2,430
	<u>26,487</u>	<u>39,864</u>

Segment information

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

The Group has identified the following reportable segments for the six months ended 31 December 2022 and 2021:

- (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:

	Six months ended 31 December 2022		
	Printing <i>HK\$'000</i> (Unaudited)	Food and daily necessities <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue			
– From external customers	23,029	3,458	26,487
– From inter-segment	113	–	113
Reportable segment revenue	23,142	3,458	26,600
Reportable segment loss	(9,607)	(844)	(10,451)
Interest income	523	–	523
Depreciation			
– owned property, plant and equipment	1,483	221	1,704
– right-of-use assets	3,656	121	3,777
Finance costs	329	6	335
Impairment loss on trade receivables	69	–	69
Impairment loss on non-financial assets	3,946	–	3,946
Write down of slow-moving inventories	511	–	511
	523	–	523
	1,483	221	1,704
	3,656	121	3,777
	329	6	335
	69	–	69
	3,946	–	3,946
	511	–	511
	523	–	523
	1,483	221	1,704
	3,656	121	3,777
	329	6	335
	69	–	69
	3,946	–	3,946
	511	–	511
	523	–	523
	1,483	221	1,704
	3,656	121	3,777
	329	6	335
	69	–	69
	3,946	–	3,946
	511	–	511
	523	–	523
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	523	–	523
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	3,656	121	3,777
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	69	–	69
	3,946	–	3,946
	511	–	511
	523	–	523
	1,483	221	1,704
	3,656	121	3,777
	329	6	335
	69	–	69
	3,946	–	3,946
	511	–	511
	523	–	523
	1,483	221	1,704
	3,656	121	3,777
	329	6	335
	69	–	69
	3,946	–	3,946
	511	–	511
	523	–	523
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	3,656	121	3,777
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	3,946	–	3,946
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	523	–	523
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	1,483	221	1,704
	3,656	121	3,777
	329	6	335
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	3,946	–	3,946
	511	–	511
	523	–	523
	1,483	221	1,704
	3,656	121	3,777
	329	6	335
	69	–	69
	3,946	–	3,946
	511	–	511
	523	–	523
	1,483	221	1,704
	3,656	121	

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

	As at 31 December 2022		
	Printing <i>HK\$'000</i> (Unaudited)	Food and daily necessities <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Reportable segment assets	75,554	4,306	79,860
– Additions to non-current segment assets during the period	280	–	280
Reportable segment liabilities	(75,067)	(7,906)	(82,973)
	As at 30 June 2022		
	Printing <i>HK\$'000</i> (Audited)	Food and daily necessities <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
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:

	Six months ended 31 December	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Revenue		
Reportable segment revenue	26,600	40,046
Elimination of inter-segment revenue	(113)	(182)
Consolidated revenue	26,487	39,864

Reconciliation of reportable segment revenue, results, assets and liabilities (continued):

	Six months ended 31 December	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
(Loss)/Profit		
Reportable segment (loss)/profit	(10,451)	2,076
Unallocated corporate expenses, net	<u>(944)</u>	<u>(680)</u>
Consolidated (loss)/profit before income tax	<u>(11,395)</u>	<u>1,396</u>
	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
Assets		
Reportable segment assets	79,860	92,502
Unallocated head office and corporate assets	59,997	60,958
Eliminated upon consolidation	<u>(64,331)</u>	<u>(64,471)</u>
Consolidated total assets	<u>75,526</u>	<u>88,989</u>
Liabilities		
Reportable segment liabilities	(82,973)	(85,550)
Unallocated head office and corporate liabilities	(176)	(192)
Eliminated upon consolidation	<u>64,331</u>	<u>64,471</u>
Consolidated total liabilities	<u>(18,818)</u>	<u>(21,271)</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 of revenue in which the customer is located.

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong (place of domicile)	7,826	8,482
South Korea	4,485	8,185
Vietnam	3,250	3,159
Taiwan	2,976	3,234
United States	2,613	3,351
Indonesia	1,054	1,937
China	1,124	1,838
India	903	904
El Salvador	591	2,352
Others	1,665	6,422
	<u>26,487</u>	<u>39,864</u>

Major customers

There is no single external customer contributed more than 10% of the total revenue to the Group's revenue for the six months ended 31 December 2022 and 2021.

5. OTHER INCOME

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest income	523	28
Gain on disposal of property, plant and equipment	–	1,020
Government subsidy (note (a))	593	–
Others	229	131
	<u>1,345</u>	<u>1,179</u>

Note:

- (a) During the six months ended 31 December 2022, the Group received funding support amounting to HK\$593,000 (six months ended 31 December 2021: HK\$Nil) 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)/PROFIT BEFORE INCOME TAX

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

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including directors' remuneration)		
Salaries, allowances and other benefits	11,898	11,653
Contributions to defined contribution retirement plans	421	423
	<u>12,319</u>	<u>12,076</u>
(b) Finance costs		
Interest on lease liabilities	335	134
	<u>335</u>	<u>134</u>
(c) Other items		
Depreciation:		
– owned property, plant and equipment	1,704	1,483
– right-of-use assets	3,777	1,272
	<u>5,481</u>	<u>2,755</u>
Cost of inventories recognised as an expense, including:	20,967	25,754
– write down of slow-moving inventories	511	434
– subcontracting charges	1,556	2,533
Impairment loss on trade receivables	69	11
Impairment loss on non-financial assets	3,946	–
Lease charges on short-term leases	116	2,683
Marketing services fee	2,294	2,496
Gain on disposal of property, plant and equipment	–	(1,020)
	<u>–</u>	<u>(1,020)</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 2022 and 2021 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 expense represents:

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	–	–
Deferred tax		
– Credit for the period	<u>(385)</u>	<u>(17)</u>
Total income tax credit	<u>(385)</u>	<u>(17)</u>

8. DIVIDENDS

The directors do not recommend the payment of interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: HK\$Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity owners of the Company of HK\$11,010,000 (six months ended 31 December 2021: profit attributable to equity owners of the Company of HK\$1,413,000) and the weighted average of 184,000,000 (six months ended 31 December 2021: 184,000,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the six months ended 31 December 2022 and 2021 equate the basic (loss)/earnings per share as the Group had no potential dilutive ordinary shares in issue during the six months ended 31 December 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

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

	As at	As at
	31 December	30 June
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net carrying amount		
At the beginning of the period/year	18,654	12,789
Additions	280	1,980
Entering into a new lease	–	10,269
Transfer from deposits paid for acquisition of property, plant and equipment	2,532	–
Depreciation	(5,481)	(6,384)
Impairment loss	(3,946)	–
	<u>12,039</u>	<u>18,654</u>
At the end of the period/year	<u>12,039</u>	<u>18,654</u>

During the six months ended 31 December 2022, 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 and assessed the recoverable amounts of cash-generating units and made reference to the current market situation and estimated cash flow of the cash-generating units. 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 cash-generating units include revenue growth and discount rates. The revenue growth rate and pre-tax discount rate used to determine the recoverable amounts are ranging from 2.7% p.a. to 13.5% p.a. and approximately 15% p.a., respectively. The recoverable amounts of such assets as at 31 December 2022 were approximately HK\$10,194,000.

As the recoverable amounts of such assets are lower than their carrying amounts, impairment loss of HK\$3,946,000 was recognised on property, plant and equipment (including right-of-use assets) for the period ended 31 December 2022.

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

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 2022: two to five years). The Group makes fixed payments during the contract period.

As at 31 December 2022, the carrying amounts of the Group's right-of-use assets in relation to the office equipment and leased properties (as at 30 June 2022: office equipment and leased properties) are HK\$846,000 (as at 30 June 2022: HK\$1,343,000) and HK\$5,048,000 (as at 30 June 2022: HK\$10,526,000), respectively.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Trade receivables (note (a))	4,528	4,804
Less: loss allowance (note (b))	<u>(1,436)</u>	<u>(1,367)</u>
	3,092	3,437
Deposits, prepayments and other receivables		
Deposits (note (c))	2,250	4,774
Prepayments	396	291
Other receivables	<u>246</u>	<u>32</u>
	2,892	5,097
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment, net of accumulated impairment loss of HK\$Nil (as at 30 June 2022: HK\$239,000)	<u>–</u>	<u>(2,532)</u>
Current portion	<u>5,984</u>	<u>6,002</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. For online distribution of food, daily necessities and utility products, receipts in advance are required before the relevant goods are delivered.

The Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgement and experience of the management.

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

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Within 3 months	3,051	3,214
Over 3 months but within 6 months	33	210
Over 6 months but within 1 year	8	13
	<u>3,092</u>	<u>3,437</u>

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

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

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Balance at the beginning of the period/year	1,367	1,308
Loss allowance recognised during the period/year	69	59
	<u>1,436</u>	<u>1,367</u>

(c) **Deposits**

The amounts mainly represent the deposits paid for acquisition of property, plant and equipment and rental and utilities deposits paid. During the six months ended December 2022, the deposits paid for acquisition of property, plant and equipment have been transferred to property, plant and equipment.

12. TRADE AND OTHER PAYABLES

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Trade payables (note (a))	3,592	2,820
Marketing services fee payables	1,086	495
Receipts in advance	207	361
Accruals and other payables	5,077	4,533
	<u>9,962</u>	<u>8,209</u>

(a) Trade payables

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 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Within 3 months	<u>3,592</u>	<u>2,820</u>

13. CAPITAL COMMITMENTS

Capital commitments of the Group outstanding as at 31 December 2022 and 30 June 2022 not provided for are as follows:

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Contracted for property, plant and equipment	<u>–</u>	<u>211</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$26.5 million for the six months ended 31 December 2022 (“**Period 2022**”), representing a decrease of approximately 33.6% as compared with the six months ended 31 December 2021 (“**Period 2021**”). The revenue of business segment for manufacturing and sale of apparel labels and packaging printing products dropped by approximately 38.5% to approximately HK\$23.0 million. Since the uncertainty surrounding the global economic outlook, the persistently tense politico-economic relation between China and United States and geopolitical tensions, customers placed orders in cautious approach, which has caused significant impact to business of the segment. The revenue of business segment for sale and distribution of food, daily necessities and utility products increased by approximately 42.3% to approximately HK\$3.5 million as this segment just started business in mid of 2021. As a result, there was an overall decrease in revenue of the Group in Period 2022 of approximately 33.6% as compared with Period 2021.

While gross profit margin decreased to approximately 20.8% for Period 2022 (for Period 2021: 35.4%), loss and total comprehensive expense for the Period 2022 was approximately HK\$11.0 million (Period 2021: profit and total comprehensive income approximately HK\$1.4 million).

OUTLOOK

Geopolitical tensions, weaken global economic growth momentum together with tightened financial conditions remains the key sources of uncertainty surrounding the economic outlook. 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 a decrease in overall revenue over the corresponding period in 2021. Manufacturing and sale of apparel labels and packaging printing products business decreased by approximately HK\$14.4 million or 38.5% from HK\$37.4 million to approximately HK\$23.0 million which as mainly result by the Group's printing customers placed orders in cautious approach due to uncertainties of the market and global situation. For sale and distribution of food, daily necessities and utility products business increased by approximately HK\$1.1 million or 42.3% to approximately HK\$3.5 million due to the fact that this segment just started business in mid of 2021.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for Period 2022 was approximately 79.2%. While comparing with approximately 64.6% for Period 2021, there was increase of approximately 14.6 percentage points. Such increase was mainly attributable to absorption of fixed production overhead with respect to decrease in revenue.

As a result, the gross profit margin for Period 2022 decreased by approximately 14.6 percentage points to approximately 20.8% (Period 2021: 35.4%), and the gross profit for Period 2022 decreased to approximately HK\$5.5 million (Period 2021: HK\$14.1 million).

Other income

Other income primarily comprises subsidy from the Employment Support Scheme provided by the Hong Kong Government and interest income. Increase in other income was mainly caused by one-off government subsidy received and the benefit from increased fixed bank deposit interest rates.

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing service fee. Selling expenses decreased by approximately HK\$0.5 million to approximately HK\$3.2 million for Period 2022. Such decrease was mainly caused by decrease in freight charges and sales commission paid due to sales decreased.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise salaries, utilities, professional fee, depreciation and other miscellaneous administrative expenses. There was an increase in administrative and other operating expenses of approximately HK\$0.6 million from approximately HK\$10.1 million to approximately HK\$10.7 million for Period 2022. The increase in administrative and other operating expenses was primarily due to increase of depreciation on property, plant and equipment.

(Loss)/profit and total comprehensive (expense)/income

The Group recorded loss and total comprehensive expense of approximately HK\$11.0 million for Period 2022 as compared to profit and total comprehensive income of approximately HK\$1.4 million for Period 2021. The major reasons for such change were primarily decrease in revenue and impairment loss on the Group's non-financial assets as a result of the Group's printing customers placed orders in cautious approach due to uncertainties of the market and global situation, persistently tense politico-economic relation between China and United States and geopolitical tensions.

Liquidity and Financial Information

As at 31 December 2022, the total amount of cash and cash equivalents of the Group was approximately HK\$52.8 million, representing a decrease of approximately HK\$5.2 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 Period 2022, 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 2022 and 31 December 2022.

As at 31 December 2022, the Group maintains prudence and stable ratios as the current ratio (current assets/current liabilities): 4.01 times (as at 30 June 2022: 4.53 times); the quick ratio ((current assets-inventories)/current liabilities): 3.71 times (as at 30 June 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 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 2022. And there was no outstanding share options granted as at 31 December 2022.

Commitments

The contractual commitments of the Group were primarily related to purchase of office equipment. The relevant commitments was shown under note 13 of this announcement.

Pledge of assets

As at 31 December 2022, the Group had not pledged any assets (as at 30 June 2022: 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 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 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 2022.

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 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 and update on expected timeline for use of proceeds announcement issued by the Company dated 21 December 2022 (the “**Announcements**”). The table below sets out the intended uses and actual application of the net proceeds as at 31 December 2022:

Use of Net Proceeds	Intended use of proceeds <i>HK\$ million</i>	Actual use of proceeds up to	Unused Amount <i>HK\$ million</i>	Expected time for utilisation
		31 December 2022 <i>HK\$ million</i>		
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 31 December 2022, the Group had 78 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. The Company has, throughout the Period 2022, 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 2022.

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 interim dividend for Period 2022.

REVIEW OF INTERIM RESULTS

The interim financial report for Period 2022 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 and the Company's website at 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, 24 February 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 Ms Sung Ting Yee.