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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 2023

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 2023, together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2023

		Six months ended 31 December	
		2023	2022
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	28,377	26,487
Cost of sales		(19,989)	(20,967)
Gross profit		8,388	5,520
Other income	5	912	1,345
Selling expenses		(2,949)	(3,201)
Administrative and other operating expenses		(9,415)	(10,709)
Impairment loss on trade receivables	6(c)	(57)	(69)
Impairment loss on non-financial assets	6(c)	–	(3,946)
Finance costs	6(b)	(271)	(335)
Loss before income tax	6	(3,392)	(11,395)
Income tax credit	7	5	385
Loss and total comprehensive expense for the period		(3,387)	(11,010)
Loss per share attributable to equity owners of the Company			
– Basic and diluted	9	(HK1.84 cents)	(HK5.98 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 December 2023*

		As at 31 December 2023 <i>HK\$'000</i> (Unaudited)	As at 30 June 2023 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	<u>5,873</u>	<u>7,250</u>
Current assets			
Inventories		3,863	3,281
Trade and other receivables	<i>11</i>	7,104	7,114
Cash and cash equivalents		<u>37,609</u>	<u>43,152</u>
		<u>48,576</u>	<u>53,547</u>
Current liabilities			
Trade and other payables	<i>12</i>	8,951	8,951
Lease liabilities		<u>4,902</u>	<u>7,019</u>
		<u>13,853</u>	<u>15,970</u>
Net current assets		<u>34,723</u>	<u>37,577</u>
Total assets less current liabilities		<u>40,596</u>	<u>44,827</u>
Non-current liabilities			
Lease liabilities		2,109	2,925
Deferred tax liabilities		<u>121</u>	<u>149</u>
		<u>2,230</u>	<u>3,074</u>
Net assets		<u><u>38,366</u></u>	<u><u>41,753</u></u>
EQUITY			
Share capital		1,840	1,840
Reserves		<u>36,526</u>	<u>39,913</u>
Total equity		<u><u>38,366</u></u>	<u><u>41,753</u></u>

NOTES

For the six months ended 31 December 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 ("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 2023, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2024 and they should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2023. 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 notes to the Interim Financial Report, including material accounting policy information. 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 2023. 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 2023

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

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Asset and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

(a) 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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements 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 HKAS 21	Lack of exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

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. Amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

(b) 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.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (the “Guidance”) that provides guidance on the accounting considerations relating to the offsetting mechanism and the impact arising from 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 the Interim Financial Report 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.

The Group has assessed the implications of the 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 the Interim Financial Report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the Guidance. The Group expects to adopt this guidance in its annual financial statements for the year ending 30 June 2024.

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sale of apparel labels and packaging printing products	20,271	23,029
Sale of food, daily necessities and utility products	8,106	3,458
	<u>28,377</u>	<u>26,487</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 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:

	Six months ended 31 December 2023		
	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	20,271	8,106	28,377
– From inter-segment	14	–	14
Reportable segment revenue	20,285	8,106	28,391
Reportable segment (loss)/profit	(2,987)	381	(2,606)
Interest income	692	3	695
Depreciation			
– owned property, plant and equipment	192	223	415
– right-of-use assets	1,711	128	1,839
Finance costs	257	14	271
Impairment loss on trade receivables	–	57	57
Write down of slow-moving inventories	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57
	731	–	731
	692	3	695
	192	223	415
	1,711	128	1,839
	257	14	271
	–	57	57

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

	As at 31 December 2023		
	Printing <i>HK\$'000</i> (Unaudited)	Food and daily necessities <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Reportable segment assets	55,635	5,094	60,729
– Additions to non-current segment assets during the period	843	34	877
Reportable segment liabilities	(72,769)	(7,910)	(80,679)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
	As at 30 June 2023		
	Printing <i>HK\$'000</i> (Audited)	Food and daily necessities <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
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)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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

	Six months ended 31 December	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Revenue		
Reportable segment revenue	28,391	26,600
Elimination of inter-segment revenue	(14)	(113)
	<u> </u>	<u> </u>
Consolidated revenue	28,377	26,487
	<u><u> </u></u>	<u><u> </u></u>

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

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Reportable segment loss	(2,606)	(10,451)
Unallocated corporate expenses, net	(786)	(944)
	<u>(3,392)</u>	<u>(11,395)</u>
Consolidated loss before income tax	<u>(3,392)</u>	<u>(11,395)</u>
	As at	As at
	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	60,729	65,201
Unallocated head office and corporate assets	58,490	60,517
Eliminated upon consolidation	(64,770)	(64,921)
	<u>54,449</u>	<u>60,797</u>
Consolidated total assets	<u>54,449</u>	<u>60,797</u>
Liabilities		
Reportable segment liabilities	(80,679)	(83,801)
Unallocated head office and corporate liabilities	(174)	(164)
Eliminated upon consolidation	64,770	64,921
	<u>(16,083)</u>	<u>(19,044)</u>
Consolidated total liabilities	<u>(16,083)</u>	<u>(19,044)</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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong (place of domicile)	11,706	7,826
South Korea	3,885	4,485
Vietnam	3,368	3,250
Taiwan	2,550	2,976
United States	1,920	2,613
China	1,404	1,124
Indonesia	231	339
Macau	875	1,054
India	712	903
El Salvador	64	591
Others	1,662	1,326
	<u>28,377</u>	<u>26,487</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 2023 and 2022.

5. OTHER INCOME

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income	700	523
Government subsidy (<i>note (a)</i>)	–	593
Others	212	229
	<u>912</u>	<u>1,345</u>

Note:

- (a) The Group received funding support of HK\$593,000 for the six months ended 31 December 2022 from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the ESS, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. The Group did not receive any funding support from the ESS for the six months ended 31 December 2023.

6. LOSS BEFORE INCOME TAX

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

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including directors' remuneration)		
Salaries, allowances and other benefits	10,593	11,898
Contributions to defined contribution retirement plans	411	421
	<u>11,004</u>	<u>12,319</u>
(b) Finance costs		
Interest on lease liabilities	271	335
	<u>271</u>	<u>335</u>
(c) Other items		
Depreciation:		
– owned property, plant and equipment	415	1,704
– right-of-use assets	1,839	3,777
	<u>2,254</u>	<u>5,481</u>
Cost of inventories recognised as an expense, including:	19,989	20,967
– write down of slow-moving inventories	731	511
– subcontracting charges	1,205	1,556
Impairment loss on trade receivables	57	69
Impairment loss on non-financial assets	–	3,946
Lease charges on short-term leases	117	116
Marketing services fee	2,205	2,294
	<u>2,205</u>	<u>2,294</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.

Hong Kong profits tax was calculated at rate of 16.5% for the six months ended 31 December 2023. No provision for Hong Kong Profits Tax has been made for the six months ended 31 December 2022 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	23	–
Deferred tax		
– Credit for the period	(28)	(385)
Total income tax credit	(5)	(385)

8. DIVIDENDS

The directors do not recommend the payment of interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: HK\$Nil).

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\$3,387,000 (six months ended 31 December 2022: HK\$11,010,000) and the weighted average of 184,000,000 (six months ended 31 December 2022: 184,000,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 31 December 2023 and 2022 equate the basic loss per share as the Group had no potential dilutive ordinary shares in issue during the six months ended 31 December 2023 and 2022.

10. PROPERTY, PLANT AND EQUIPMENT

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

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Net carrying amount		
At the beginning of the period/year	7,250	18,654
Additions	34	2,819
Entering into a new lease	–	2,401
Early termination of lease	–	(1,056)
Lease modification	843	4,134
Depreciation	(2,254)	(10,590)
Impairment loss	–	(9,112)
	<hr/> 5,873	<hr/> 7,250
At the end of the period/year	5,873	7,250

During the six months ended 31 December 2023, the Group recorded operating losses due to the 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 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 rates and pre-tax discount rate used to determine the recoverable amounts are ranging from 2.7% p.a. to 4.9% p.a. and approximately 15% p.a., respectively. As the recoverable amounts of such assets are greater than their carrying amounts, no impairment loss was recognised on property, plant and equipment (including right-of-use assets) for the period ended 31 December 2023.

The Group has obtained the right-of-use in relation to certain machinery and office through the tenancy agreements. The leases typically run on an initial period of two to five years (as at 30 June 2023: two to five years). The Group makes fixed payments during the contract period.

As at 31 December 2023, the carrying amounts of the Group's right-of-use assets in relation to the office equipment and leased properties (as at 30 June 2023: office equipment and leased properties) are HK\$882,000 (as at 30 June 2023: HK\$999,000) and HK\$2,805,000 (as at 30 June 2023: HK\$3,683,000), respectively.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 <i>HK\$'000</i> (Unaudited)	As at 30 June 2023 <i>HK\$'000</i> (Audited)
Trade receivables (note (a))	5,427	5,642
Less: loss allowance (note (b))	<u>(1,460)</u>	<u>(1,403)</u>
	3,967	4,239
Deposits, prepayments and other receivables		
Deposits (note (c))	2,212	2,314
Prepayments	412	364
Other receivables	<u>513</u>	<u>197</u>
	3,137	2,875
	7,104	7,114

(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 2023 <i>HK\$'000</i> (Unaudited)	As at 30 June 2023 <i>HK\$'000</i> (Audited)
Within 3 months	3,427	4,113
Over 3 months but within 6 months	439	62
Over 6 months but within 1 year	<u>101</u>	<u>64</u>
	3,967	4,239

(b) Loss allowance of trade receivables

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

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Balance at the beginning of the period/year	1,403	1,367
Loss allowance recognised during the period/year	<u>57</u>	<u>36</u>
Balance at the end of the period/year	<u>1,460</u>	<u>1,403</u>

(c) Deposits

The amounts mainly represent rental and utilities deposits paid.

12. TRADE AND OTHER PAYABLES

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Trade payables (note (a))	2,733	2,911
Marketing services fee payables	1,231	772
Receipts in advance	303	271
Accruals and other payables	<u>4,684</u>	<u>4,997</u>
	<u>8,951</u>	<u>8,951</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 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Within 3 months	2,476	2,911
Over 3 months but within 6 months	<u>257</u>	<u>–</u>
	<u>2,733</u>	<u>2,911</u>

13. LEASE COMMITMENTS

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

	As at 31 December 2023 <i>HK\$'000</i> (Unaudited)	As at 30 June 2023 <i>HK\$'000</i> (Audited)
Within 1 year	<u>–</u>	<u>253</u>

As at 31 December 2023, the Group have no property which is qualified to be accounted for under short-term lease exemption under HKFRS 16 “Leases”.

14. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2023:

(a) Disposal of asset

On 22 January 2024, a wholly-owned subsidiary of the Company (as the vendor) and the purchaser entered into an agreement, pursuant to which the vendor agreed to sell and the purchaser agreed to purchase the offset printing machine for a cash consideration of approximately HK\$4,080,000. The disposal was completed on 4 February 2024 and the Group recognised a net gain on disposal of HK\$4,080,000 in the profit or loss.

(b) Acquisition of 91% equity interests in Sky Honor Holdings Limited (the “Target Company”)

On 7 February 2024, a wholly-owned subsidiary of the Company (as the purchaser), entered into an agreement with the vendor to acquire 91% of the equity interests in the Target Company which is principally engaged in operates of a cafe by serving gourmet coffee and a variety of menu with western and Japanese style food in Hong Kong, for cash consideration of HK\$8,645,000 (the “Acquisition”). Upon the completion of Acquisition, the Target Company will become a subsidiary of the Company, of which its financial results will be consolidated into Group’s consolidated financial statements thereafter. Further details are set out in the announcement of the Company dated 7 February 2024.

On 20 February 2024, the purchaser and the vendor agreed to extend the completion date under the agreement to any date on or before 29 February 2024 (or such other date as the vendor and the purchaser may agree in writing).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$28.4 million for the six months ended 31 December 2023 (“**Period 2023**”), representing an increase of approximately 7.1% as compared with the six months ended 31 December 2022 (“**Period 2022**”). The revenue of business segment for manufacturing and sale of apparel labels and packaging printing products dropped by approximately 12% to approximately HK\$20.3 million. This decline was attributed to cautious ordering behaviour from customers due to uncertainties in the global economic outlook, strained politico-economic relations between China and the United States and geopolitical tensions. The revenue generated by the business segment for the sales and distribution of food, daily necessities, and utility products increased by approximately HK\$4.6 million or 134.4% from approximately HK\$3.5 million to approximately HK\$8.1 million. This growth was attributed to the accumulation of a customer base since the segment commenced operations in mid-2021. As a result, there was an overall an increase in revenue of the Group for Period 2023 of approximately 7.2% as compared with Period 2022.

Due to increase in revenue and decrease in the cost of sales, the Group’s gross profit margin increased to approximately 29.6% for Period 2023 (for Period 2022: 20.8%). Loss and total comprehensive expense for the Period 2023 was approximately HK\$3.4 million (Period 2022: loss and total comprehensive expense approximately HK\$11.0 million).

OUTLOOK

Geopolitical tensions and weaken global economic growth momentum impacted the global market continually. The global retail market, including the apparel market, was seriously affected. As a result, the demand for apparel labels and packaging printing products decreased correspondingly. The performance of the Group has inevitably been affected. 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.

On 7 February 2024, wholly-owned subsidiary of the Company (as purchaser) entered into an agreement to acquire 91% of the issued shares in Sky Honor Holdings Limited (“**the Acquisition**”). The Acquisition represents a valuable opportunity to extend the Group’s business footprints into food and beverage industry in Hong Kong, which is expected to contribute to the Group’s long-term growth and development. The Acquisition enables the Group to diversify its business, and the Group’s existing business of the sale and distribution of food products could be a concrete supply source for the café business of Sky Honor Holdings Limited. Through the Acquisition, the Group is able to obtain direct market information from customers of the Cafe, which enhance the Group’s business of the sale and distribution of food products.

FINANCIAL REVIEW

Revenue

There was an increase in overall revenue over the corresponding Period 2023 as compared to Period 2022. The business segment for manufacturing and sale of apparel labels and packaging printing products decreased by approximately HK\$2.7 million or 12.0% from approximately HK\$23.0 million to approximately HK\$20.3 million which as mainly result by the cautious ordering behaviour from customers due to uncertainties in the global economic outlook. For the business segment for the sales and distribution of food, daily necessities and utility products increased by approximately HK\$4.6 million or 134.4% from approximately HK\$3.5 million to approximately HK\$8.1 million due to the fact that this segment accumulated customer base since the segment commenced operations in mid-2021.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for Period 2023 was approximately 70.4%. While comparing with approximately 79.2% for Period 2022, there was decrease of approximately 8.8 percentage points. The decline in the cost of sales can primarily be attributed to the decrease in the depreciation of right-of-use assets and property, plant and equipment and the implementation of cost controls throughout the overall production process.

As a result, the gross profit margin for Period 2023 increase by approximately 8.8 percentage points to approximately 29.6% (Period 2022: 20.8%), and the gross profit for Period 2023 increased to approximately HK\$8.5 million (Period 2022: HK\$5.5 million).

Other income

Other income for Period 2023 primarily comprises interest income. Decrease in other income was mainly due to the absence of government subsidy during Period 2023.

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing service fee. Selling expenses decreased by approximately HK\$0.3 million to approximately HK\$2.9 million for Period 2023. 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 a decrease in these expenses of approximately HK\$1.3 million, declining from approximately HK\$10.7 million to approximately HK\$9.4 million for Period 2023. The decrease in administrative and other operating expenses was primarily due to a decrease in depreciation on property, plant, and equipment and right-of-use assets, as well as reductions in salaries and professional fees resulting from the implementation of cost controls.

Loss and total comprehensive expense

The Group recorded loss and total comprehensive expense of approximately HK\$3.4 million for Period 2023 as compared to loss and total comprehensive expense of approximately HK\$11.0 million for Period 2022. The major factors contributing to this change were primarily the increase in revenue from the sales and distribution of food, daily necessities, and utility products segment, as well as other income from interest income. Additionally, there was a decrease in the cost of sales, selling expenses, and administrative and other operating expenses due to the implementation of cost controls and absence of impairment on non-financial assets.

Liquidity and Financial Information

As at 31 December 2023, the total amount of cash and cash equivalents of the Group was approximately HK\$37.6 million, representing a decrease of approximately HK\$5.6 million as compared with that as at 30 June 2023. Such decrease was mainly caused by the decrease in net 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 31 December 2023.

As at 31 December 2023, the Group maintains prudence and stable ratios as the current ratio (current assets/current liabilities): 3.51 times (as at 30 June 2023: 3.35 times); the quick ratio ((current assets – inventories)/current liabilities): 3.23 times (as at 30 June 2023: 3.15 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 2023. And there was no outstanding share options granted as at 31 December 2023.

Commitments

The contractual commitments of the Group was related to rental and lease of property. The relevant commitments was shown under note 13 of this announcement.

Pledge of assets

As at 31 December 2023, the Group had not pledged any assets (as at 30 June 2023: 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 2023.

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 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 and 24 September 2021 and update on expected timeline for use of proceeds announcement issued by the Company dated 21 December 2022 and 29 December 2023 (the “**Announcements**”). The table below sets out the intended uses and actual application of the net proceeds as at 31 December 2023:

Use of Net Proceeds	Intended use of proceeds HK\$ million	Actual use of proceeds up to 31 December 2023 HK\$ million	Unused Amount HK\$ million	Expected time for utilisation
Development of potential projects	9.9	–	9.9 (<i>note</i>)	On or before 30 June 2024

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.

Note: Refer to the Note 14 EVENTS AFTER THE REPORTING PERIOD of this announcement and the Company’s announcement dated 7 February 2024, part of the unused Net Proceeds will used in the Acquisition.

EVENTS AFTER THE REPORTING PERIOD

Events took place subsequently to 31 December 2023 are set out under Note 14 EVENTS AFTER THE REPORTING PERIOD of this announcement.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2023, the Group had 64 full time management, administrative and operation staff in Hong Kong (as at 30 June 2023: 68). 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 (the “**Code**”) as stated in Appendix C1 to the Listing Rules. The Company has, throughout the Period 2023, 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 separate 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 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 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period 2023, 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 2023.

REVIEW OF INTERIM RESULTS

The interim financial report for Period 2023 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, 23 February 2024

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.