

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2019 AND CHANGE IN USE OF PROCEEDS

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 2019 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 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> <i>(Note)</i>
Revenue	4	82,170	106,864
Cost of sales		<u>(53,430)</u>	<u>(62,622)</u>
Gross profit		28,740	44,242
Other income	5	1,525	1,842
Selling expenses		(6,591)	(8,112)
Administrative and other operating expenses		<u>(22,259)</u>	<u>(22,901)</u>
Profit before income tax	6	1,415	15,071
Income tax credit/(expense)	7	<u>250</u>	<u>(2,359)</u>
Profit and total comprehensive income for the year		<u>1,665</u>	<u>12,712</u>
Earnings per share attributable to equity owners of the Company			
– basic and diluted	9	<u>HK0.90 cents</u>	<u>HK6.91 cents</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> <i>(Note)</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	17,062	20,132
Deposits paid for acquisition of property, plant and equipment	11	<u>2,680</u>	<u>2,255</u>
		19,742	22,387
Current assets			
Inventories		3,555	4,102
Trade and other receivables	11	9,323	15,383
Current tax recoverable		1,308	1,058
Cash and cash equivalents		<u>69,062</u>	<u>68,576</u>
		83,248	89,119
Current liabilities			
Trade and other payables	12	<u>8,021</u>	<u>8,346</u>
Net current assets		<u>75,227</u>	<u>80,773</u>
Total assets less current liabilities		<u>94,969</u>	<u>103,160</u>
Non-current liabilities			
Deferred tax liabilities		<u>1,543</u>	<u>2,199</u>
Net assets		<u>93,426</u>	<u>100,961</u>
EQUITY			
Share capital		1,840	1,840
Reserves		<u>91,586</u>	<u>99,121</u>
Total equity		<u>93,426</u>	<u>100,961</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

NOTES

For the year ended 30 June 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 October 2015 as an exempted company with limited liability. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Block C, 5/F., Gee Hing Chang Industrial Building, No. 16 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 May 2016.

The parent and ultimate holding company of the Company is HSSP Limited, a company incorporated in the British Virgin Islands (the "BVI") and is beneficially owned by Mr Fung Man Wai Samson and Mr Fung Man Kam (the "Controlling Shareholders"). The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacturing and sale of apparel labels and packaging printing products.

The consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), which is also the functional currency of the Company and its subsidiaries, unless otherwise stated.

2. BASIS OF PREPARATION

The annual consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of the consolidated financial statements have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs, changes in accounting policies and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

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

New and amended HKFRSs that are effective for annual periods beginning on or after 1 July 2018

In the current year, the Group has applied for the first time the following new and 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 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9 “Prepayment Features with Negative Compensation” which have been adopted at the same time as HKFRS 9 “Financial Instruments”.

HKFRS 9 “Financial Instruments”, including the amendments to HKFRS 9 “Prepayment Features with Negative Compensation” (“HKFRS 9”)

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”). It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit losses” (“ECL”) model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 July 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of HKFRS 9 has impacted the following areas:

Classification and measurement of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss (“FVTPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Cash and cash equivalents and trade and other receivables are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets are continued to be subsequently measured at amortised cost upon the application of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 July 2018 have not been impacted by the initial application of HKFRS 9.

Expected credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

For trade receivables, the Group applies a simplified approach of recognising lifetime ECL as these items do not have a significant financing component. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics such as past due status and credit risk ratings. For other financial assets, the Group measures on a 12-month ECL basis of recognising ECL if there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered that the adoption of HKFRS 9 does not have a significant impact on the Group’s financial statements.

HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”)

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 “Revenue” (“HKAS 18”), which covered revenue arising from sale of goods and rendering of services, and HKAS 11 “Construction Contracts” (“HKAS 11”), which specified the accounting for construction contracts, and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 18.

To determine whether to recognise revenue, the Group follows a 5-step approach:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) performance obligations are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from the sale of apparel labels and packaging printing products are generally recognised at a point in time when the customers obtain control of the promised goods in the contract.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under “Trade and other payables” as receipt in advance in the consolidated statement of financial position.

The directors of the Company consider that the adoption of HKFRS 15 has no material impact on the Group’s financial position and results of operation.

Issued but not yet effective HKFRSs

At the date of authorisation of the 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 16	Leases ¹
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRS 3	Definition of a Business ⁵
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹

- ¹ Effective for annual periods beginning on or after 1 January 2019
- ² Effective for annual periods beginning on or after 1 January 2020
- ³ Effective for annual periods beginning on or after 1 January 2021
- ⁴ Effective date not yet determined
- ⁵ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that adoption of them is unlikely to have an impact on the Group's results of operations and financial position, except for the following:

HKFRS 16 "Leases" ("HKFRS 16")

HKFRS 16 "Leases" replaced HKAS 17 "Leases" along with three Interpretations (HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC) – Int 15 "Operating Leases-Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

Currently the Group classifies leases into operating leases. The Group enters into leases as the lessee.

Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of properties and plant and machinery which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 July 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 July 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 13(b), as at 30 June 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$8,841,000 for properties and plant and machinery.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statement from 2020 onwards.

4. REVENUE AND SEGMENT INFORMATION

All of the Group's revenue and operating profit are generated from manufacturing and sale of apparel labels and packaging printing 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 chief operating decision-maker has been identified as the Board. The Board regards the Group's business of manufacturing and sales of apparel labels and packaging printing products as a whole to make decision about resources allocation and reviews the overall results of the Group. Accordingly, no business segment analysis information is presented.

The amount of revenue recognised is as follows:

	2019 HK\$'000	2018 HK\$'000 (Note)
Sale of apparel labels and packaging printing products	<u>82,170</u>	<u>106,864</u>

Geographical information

The following table sets out information about the geographical location of the Group's revenue. The geographical location of revenue is based on the country in which the customer is located.

	2019 HK\$'000	2018 HK\$'000 (Note)
Hong Kong (place of domicile)	19,251	26,284
South Korea	13,264	19,985
Vietnam	12,422	20,313
Taiwan	9,829	11,382
United States	7,504	5,807
China	5,970	7,009
Bangladesh	2,893	770
Indonesia	2,382	4,276
Sri Lanka	2,113	1,324
Others	<u>6,542</u>	<u>9,714</u>
	<u>82,170</u>	<u>106,864</u>

All property, plant and equipment and deposits paid for acquisition of property, plant and equipment of the Group ("specified non-current assets") are physically located in Hong Kong.

There is no single external customer contributed more than 10% revenue to the Group's revenue for the years ended 30 June 2019 and 2018.

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

5. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income	444	5
Commission income	215	914
Net exchange gain	802	609
Gain on disposal of property, plant and equipment	–	100
Others	64	214
	<u>1,525</u>	<u>1,842</u>

6. PROFIT BEFORE INCOME TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> <i>(Note)</i>
(a) Staff costs (including directors' remuneration)		
Salaries, allowances and other benefits	27,284	28,008
Contributions to defined contribution retirement plans	939	1,012
	<u>28,223</u>	<u>29,020</u>
(b) Other items		
Auditor's remuneration	900	1,000
Cost of inventories	53,430	62,622
Depreciation	3,573	2,614
Marketing services fee	5,475	6,742
Impairment loss on other receivables	–	186
Impairment loss on trade receivables	60	78
Operating lease charges:		
– plant and machinery	862	777
– premises	8,132	7,847
	<u>8,132</u>	<u>7,847</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

7. INCOME TAX (CREDIT)/EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– Provision for the year	438	1,564
– Over-provision in respect of prior year	(32)	(60)
	<u>406</u>	<u>1,504</u>
Deferred tax		
– (Reversal)/provision for the year	(656)	1,001
– Effect on opening deferred tax balances arising from a change in tax rate during the year	–	(146)
	<u>(656)</u>	<u>855</u>
Total income tax (credit)/expense	<u>(250)</u>	<u>2,359</u>

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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the years ended 30 June 2019 and 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

8. DIVIDENDS

(a) Dividends payable to equity owners of the Company attributable to the year:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK5.00 cents (2018: HK5.00 cents) per ordinary share	<u>9,200</u>	<u>9,200</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability as at 30 June 2019.

(b) Dividends payable to equity owners of the Company attributable to the previous financial year, approved and paid during the year:

	2019	2018
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK5.00 cents (2018: HK\$Nil) per ordinary share	9,200	–

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity owners of the Company of HK\$1,665,000 (2018: HK\$12,712,000) and the weighted average of 184,000,000 (2018: 184,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 30 June 2019 and 2018 equate the basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the years ended 30 June 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2019, additions of property, plant and equipment amounted to HK\$503,000 (2018: HK\$13,042,000).

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK\$'000	HK\$'000
Trade receivables (note (a))	5,739	10,428
Less: loss allowance (note (b))	(1,079)	(1,019)
	4,660	9,409
Deposits, prepayments and other receivables		
Deposits	5,000	4,612
Prepayments	1,788	2,195
Other receivables, net of loss allowance	555	1,422
	7,343	8,229
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment (note (c))	(2,680)	(2,255)
Current portion	9,323	15,383

(a) Trade receivables

The Group's credit terms granted to customers generally ranged from 0 to 2 months. 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, net of loss allowance, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 3 months	4,020	6,659
Over 3 months but within 6 months	556	2,588
Over 6 months but within 1 year	65	110
Over 1 year	19	52
	4,660	9,409

(b) Loss allowance of trade receivables

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

	2019 HK\$'000	2018 HK\$'000
Balance at 1 July	1,019	941
Loss allowance recognised during the year	60	78
	1,079	1,019

(c) Deposits paid for acquisition of property, plant and equipment

At 30 June 2019, the amount represented deposits paid for acquisition of plant and machinery for the Group's production facilities and office equipment. The related capital commitments are set out in note 13(a) to this announcement.

12. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	2,858	3,886
Marketing services fee payables	373	451
Receipt in advance	634	334
Accruals and other payables	4,156	3,675
	8,021	8,346

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 3 months	2,788	3,885
Over 3 months but within 6 months	70	1
	<u>2,858</u>	<u>3,886</u>

13. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding as at 30 June 2019 not provided for are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contracted for:		
– Office equipment	301	282
– Plant and machinery	–	134
	<u>301</u>	<u>416</u>

In November 2018, the Group has signed a purchase agreement for an office equipment amounted to HK\$320,000. As at 30 June 2019, a deposit of HK\$160,000 was paid.

In March 2017, the Group has signed a purchase agreement for an office equipment amounted to HK\$1,500,000. As at 30 June 2019, a deposit of HK\$1,359,000 was paid.

(b) Operating lease commitments

At the end of the reporting period, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year	7,039	8,233
After 1 year but within 5 years	1,802	8,675
	<u>8,841</u>	<u>16,908</u>

The Group leases a number of properties, and items of plant and machinery under operating lease arrangements which run for an initial period of 1 to 5 years (2018: 1 to 5 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective lessors. None of the leases include contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the business and operations of the Group were mainly on manufacturing and sale of apparel labels and packaging printing products to customers which comprised mainly garment manufacturers and garment related accessories trading companies. Most of the sales of the Group's products was ultimately used as labels on or packaging materials for finished garments of the garment brand companies.

Frequent global trade disputes and mounting trade protectionism posed more uncertainties and risks to the economic development across the globe for the year. The Group recorded revenue of approximately HK\$82.2 million for the year ended 30 June 2019, representing a decrease of approximately 23.1% as compared with that for the year ended 30 June 2018. Gross profit margin was approximately 35.0% for the year ended 30 June 2019 which was approximately 6.4 percentage point lower than that for the year ended 30 June 2018. Profit for the year ended 30 June 2019 was approximately HK\$1.7 million.

OUTLOOK

Looking for the immediate future, the global geopolitical and economic instability around the world and the challenge of US-Mainland trade and technology tensions will impacts on global trade flows. With all the unfavourable factors and more prudent and conservative business strategies adopted by the clients, the global economy is expected to experience a slowdown. Nevertheless, the Group will continue to enhance its sales effort, the quality of its production and its internal controls, and will strive to implement stringent cost controls to cope with the challenging global market conditions.

In order to diversify the Group's business foundation and maximise the interests of the Group and the shareholders, the Group will continue to explore for suitable and appropriate business opportunities.

FINANCIAL REVIEW

Revenue

Our Group generated revenue mainly from the sale of apparel labels and packaging printing products. It decreased by approximately HK\$24.7 million or 23.1% from approximately HK\$106.9 million for the year ended 30 June 2018 to approximately HK\$82.2 million for the year ended 30 June 2019. Such decrease was primarily due to customers place orders cautiously due to uncertainties of global economies.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for the year ended 30 June 2019 was approximately 65.0%. While comparing with 2018 of 58.6%, there was increase of approximately 6.4 percentage point. Such increase was mainly caused by increase of rental expenses of the factory premises and warehouse and depreciation expenses of plant and machinery.

As a result, the gross profit margins for the year ended 30 June 2019 decreased by approximately 6.4 percentage point to approximately 35.0% (2018: 41.4%). And the gross profit for the year ended 30 June 2019 decreased to approximately HK\$28.7 million (2018: HK\$44.2 million).

Other income

Other income primarily comprises commission income, net exchange gain and interest income. Decrease in other income was mainly caused by decrease in commission income.

Selling expenses

Selling expenses primarily consist of freight charges, transportation and marketing service fees. Selling expenses decreased by approximately HK\$1.5 million to HK\$6.6 million for the year ended 30 June 2019. Such decrease was mainly caused by decrease of marketing expenses paid for sales and marketing purpose.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise salaries, office rental, utilities, professional fee, depreciation and other miscellaneous administrative expenses. There was decrease in administrative and other operating expenses by approximately HK\$0.6 million to HK\$22.3 million for the year ended 30 June 2019. The decrease in administrative and other operating expenses was primarily due to less professional fee and staff costs incurred during the period in 2019.

Profit and total comprehensive income

Profit and total comprehensive income decreased by approximately HK\$11.0 million to approximately HK\$1.7 million for the year ended 30 June 2019 as compared with last year. The decreases in net profit was primarily due to decrease of revenue and gross profit.

Liquidity and Financial Information

As at 30 June 2019, the total amount of cash and cash equivalents of the Group was approximately HK\$69.1 million, representing an increase of approximately HK\$0.5 million as compared with that as at 30 June 2018. Such increase was mainly caused by financial resources remained under stringent control with prudently and precisely managed. There was no bank and other borrowings as at 30 June 2018 and 2019.

As at 30 June 2019, the current ratio (current assets/current liabilities) was 10.38 times (2018: 10.68 times) and the quick ratio ((current assets-inventories)/current liabilities) was 9.94 times (2018: 10.19 times).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital structure

The capital of the Company comprises ordinary shares and reserves. The shares of the Company were first listed on the Stock Exchange on 18 May 2016. There has been no change in the capital structure of the Company since that date.

Share option

A share option scheme was adopted on 26 April 2016, there was no share options granted during the year ended 30 June 2019. And there was no outstanding share options granted as at 30 June 2019. Details of the share option scheme were set out in the Annual Report 2018 dated 28 September 2018.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouses, and the purchase of office equipment and plant and machinery. Relevant commitments was shown under note 13 of this announcement.

Pledge of assets

As at 30 June 2019, the Group had not pledged any assets (2018: HK\$Nil).

Exposure to foreign exchange risk

The Group mainly carries out of its transactions in United States dollars (“USD”) and Hong Kong dollars (“HK\$”) and mainly of its bank balances, trade and other receivables and trade and other payables are denominated in USD and HK\$. As HK\$ is pegged to USD, the management does not expect any significant movements in the USD/HK\$ exchange rate and considers the Group is not exposed to significant currency risk.

The Group does not hedge its foreign currency risks with USD as the rate of exchange between HK\$ and USD is controlled within a tight range. Permanent changes in foreign exchange rates would have an impact on consolidated financial statements. The Management 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 2019.

USE OF PROCEEDS AND CHANGE IN 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 consolidated statement of profit or loss and other comprehensive income and deducted from the share premium from the Company's listing were approximately HK\$36,100,000 (the "Net Proceeds"). In respect of the proposed applications set out in the section headed "Net Proceeds from the Share Offer" of the announcement of offer price and allotment results dated 17 May 2016 (the "Allotment Results"), the Board has resolved to change the use of the unutilised Net Proceeds, the details of the utilised Net Proceeds up to 30 June 2019 and the proposed change of use of proceeds are summarised as below:

Use of Net Proceeds	Planned use of Net Proceeds as stated in the Allotment Results <i>HK\$ million</i>	Utilised Net Proceeds up to 30 June 2019 <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2019 <i>HK\$ million</i>	Proposed change of use of proceeds <i>HK\$ million</i>	Expected time for utilisation <i>HK\$ million</i>
Acquisition of one set of six-colour offset printing machine (the "Acquisition")	15.6	10.3	5.3	–	N/A
Expansion of sales and marketing team	4.2	1.9	2.3	–	N/A
Research and development of the know-how of the application of heat transfer technology	8.8	–	8.8	–	N/A
Continuous upgrading of our ERP system	3.0	2.9	0.1	0.1	On or before 31 December 2019
Expansion and/or upgrading of production facilities or development of potential projects through acquisition or cooperation	3.8	1.0	2.8	–	N/A
Working capital and general corporate purpose	0.7	0.7	–	5.3	On or before 31 December 2019
Development of potential projects through acquisition or cooperation	–	–	–	13.9	Under evaluation
Total	36.1	16.8	19.3	19.3	

REASON FOR CHANGE IN USE OF PROCEEDS

The Acquisition was completed and the printing machine was put into full operation in 2018. The unutilised Net Proceeds of the Acquisition of approximately HK\$5.3 million was due to the foreign currency exchange difference arisen from settlement and special discount obtained from vendor. To better utilise such unutilised Net Proceeds, the Company decides to reallocate the same to working capital and general corporate purpose.

Furthermore, in relation to (i) expansion of sales and marketing team; (ii) research and development of the know-how of the application of heat transfer technology; and (iii) expansion and/or upgrading of production facilities (collectively, the “**Original Plans**”), due to the global geopolitical and economic instability around the world and the US-Mainland trade and technology tensions, the Company did not formulate a concrete timeframe for application of the unutilised Net Proceeds allocated for the Original Plans. To better utilise such unutilised Net Proceeds, the Company decides to reallocate the same to the development of potential projects through acquisition or cooperation.

The Board considered the impact of the proposed change in the use of the proceeds on the Group’s business and believes that, in view of the Group’s operation and business updates, the reallocation of the unutilised Net Proceeds will facilitate efficient allocation of financial resources and strengthen the future development of the Group, and it is appropriate and in the best interests of the Company and its shareholders as a whole. The Board will continuously assess the plans for the use of Net Proceeds to cope with the changing market conditions and strive for better performance for the Group.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2019, the Group had 85 full time management, administrative and operation staff in Hong Kong (as at 30 June 2018: 95).

The Group provides competitive remuneration packages with discretionary bonus to employees. The Group regularly reviews its remuneration packages in light of the overall development of the Group as well as the market conditions. In addition, the Group has adopted a share option scheme for eligible employees (including directors) to provide incentives to those with outstanding performance and contribution to 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 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.

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 the year ended 30 June 2019.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Dr. LOKE Yu, Ms. FUNG Po Yee and Ms. SUNG Ting Yee. It is principally responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing with the management the internal control, systems of risk management, auditing and financial reporting matters of the Group. The audit committee has reviewed the annual results of the Group for the year ended 30 June 2019.

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 the year ended 30 June 2019 as set out in this announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), based on the amounts set out in the Group's consolidated financial statements for the year ended 30 June 2019. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this 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 2019.

FINAL DIVIDEND

The Board resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 29 November 2019 ("2019 AGM") of a final dividend of HK5.00 cents per share for the year ended 30 June 2019 (2018: HK5.00 cents per share) to be paid on Wednesday, 18 December 2019 to the shareholders whose names appear on the register of members of the Company on Monday, 9 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2019 annual general meeting of the Company, the register of members of the Company will be closed from Tuesday, 26 November 2019 to Friday, 29 November 2019, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 November 2019.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 4 December 2019 to Monday, 9 December 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration not later than 4:30 p.m. on Tuesday, 3 December 2019.

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 2019 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, 20 September 2019

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.