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# HIS

## 衍生集團(國際)控股有限公司

**Hin Sang Group (International) Holding Co. Ltd.**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 6893)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

#### RESULTS

The Board is pleased to announce the consolidated results of Hin Sang Group (International) Holding Co. Ltd. and its subsidiaries for the year ended 31 March 2015 together with the comparative figures for the year ended 31 March 2014 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Revenue	3	<b>214,959</b>	253,171
Cost of sales		<b>(92,296)</b>	(110,830)
Gross profit		<b>122,663</b>	142,341
Other income	4	<b>3,571</b>	1,941
Other gains and losses	5	<b>(311)</b>	1,958
Selling and distribution expenses		<b>(45,129)</b>	(34,529)
Administrative expenses		<b>(54,939)</b>	(47,923)
Listing expenses		<b>(10,405)</b>	(1,374)
Finance costs	6	<b>—</b>	(1,239)
Profit before tax		<b>15,450</b>	61,175
Income tax expense	7	<b>(4,399)</b>	(11,471)

	<i>Notes</i>	<b>2015</b> <b><i>HK\$'000</i></b>	2014 <i>HK\$'000</i>
Profit for the year	8	<b>11,051</b>	49,704
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(799)</u>	<u>(1,015)</u>
Total comprehensive income for the year		<u><b>10,252</b></u>	<u>48,689</u>
Profit for the year attributable to owners of the Company		<u><b>11,051</b></u>	<u>49,704</u>
Total comprehensive income for the year attributable to owners of the Company		<u><b>10,252</b></u>	<u>48,689</u>
Earnings per share	9		
— Basic (HK cents)		<u><b>1.60</b></u>	<u>8.28</u>
— Diluted (HK cents)		<u><b>1.60</b></u>	<u>N/A</u>

Details of dividends are disclosed in Note 10.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		16,831	16,521
Prepaid lease payments		18,891	19,531
Investment property		6,555	6,548
Deposits for acquisition of property, plant and equipment		6,333	—
		<u>48,610</u>	<u>42,600</u>
<b>Current assets</b>			
Inventories		18,890	12,999
Trade and other receivables	<i>11</i>	26,894	37,626
Tax refundable		3,327	—
Bank balances and cash		264,393	65,059
		<u>313,504</u>	<u>115,684</u>
<b>Total assets</b>		<u>362,114</u>	<u>158,284</u>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	27,432	27,482
Dividend payable		—	30,000
Current tax liabilities		—	6,507
		<u>27,432</u>	<u>63,989</u>
<b>Net current assets</b>		<u>286,072</u>	<u>51,695</u>
<b>Total assets less current liabilities</b>		<u><u>334,682</u></u>	<u><u>94,295</u></u>
<b>Capital and reserves</b>			
Share capital		80,000	30,000
Reserves		254,682	64,295
<b>Total equity</b>		<u><u>334,682</u></u>	<u><u>94,295</u></u>

## NOTES

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules on the Stock Exchange and by the Hong Kong Companies Ordinance.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	,Investment Entities: Applying the Consolidation Exception <sup>5</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>6</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>5</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>5</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>4</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application is permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The directors of the Company anticipate that the adoption of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

During the years ended 31 March 2015 and 2014, the Group's revenue represents the amount received and receivable for the sales of goods.

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments under "HKFRS 8 *Operating Segments*" are as follows:

1. Product Development Segment — sales of products developed by the Group under own brands
2. Brand Development and Management Segment — sales and distribution of products with exclusive distribution rights
3. Trading of Goods Segment — sales and distribution of products purchased from authorised dealers, independent traders, manufacturers or parallel importers

#### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

#### For the year ended 31 March 2015

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
External sales	166,803	33,823	14,333	214,959
Segment profit/(loss)	22,500	3,927	(341)	26,086
Interest income				2,171
Unallocated expenses				(12,807)
Profit before tax				15,450

#### For the year ended 31 March 2014

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
External sales	188,851	42,947	21,373	253,171
Segment profit	50,562	8,887	76	59,525
Interest income				1,319
Gain on fair value change of held for trading investments				1,570
Finance costs				(1,239)
Profit before tax				61,175

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of corporate expenses, interest income, gain on fair value change of held for trading investments and finance costs. This is the measure reported to the board of directors for the purposes of resource allocation and assessment of segment performance.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Segment assets</b>		
Product Development Segment	<b>81,908</b>	80,253
Brand Development and Management Segment	<b>9,460</b>	10,480
Trading of Goods Segment	<b>3,026</b>	2,492
	<hr/>	<hr/>
Total segment assets	<b>94,394</b>	93,225
Unallocated	<b>267,720</b>	65,059
	<hr/>	<hr/>
Consolidated assets	<b>362,114</b>	158,284
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
Product Development Segment	<b>23,063</b>	23,792
Brand Development and Management Segment	<b>3,438</b>	3,269
Trading of Goods Segment	<b>931</b>	421
	<hr/>	<hr/>
Total segment liabilities	<b>27,432</b>	27,482
Unallocated	<b>—</b>	36,507
	<hr/>	<hr/>
Consolidated liabilities	<b>27,432</b>	63,989
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash and tax refundable.
- all liabilities are allocated to operating segments other than dividend payable and current tax liabilities.

## Other segment information

*For the year ended 31 March 2015*

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>				
Addition to non-current assets	8,950	249	106	9,305
Amortisation of prepaid lease payments	665	—	—	665
Depreciation of property, plant and equipment	2,385	203	86	2,674
Gain on disposal of property, plant and equipment	19	4	2	25
Write-down of inventories	749	—	—	749
	<u>8,950</u>	<u>249</u>	<u>106</u>	<u>9,305</u>

*For the year ended 31 March 2014*

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>				
Addition to non-current assets	40,696	274	136	41,106
Amortisation of prepaid lease payments	300	—	—	300
Depreciation of property, plant and equipment	1,476	197	98	1,771
Gain/(Loss) on disposal of property, plant and equipment	(2)	7	3	8
Loss on fair value change of investment property	145	—	—	145
Reversal of write-down of inventories	354	—	—	354
	<u>40,696</u>	<u>274</u>	<u>136</u>	<u>41,106</u>

## Geographical Information

The Group's operations are located in Hong Kong, the PRC and Taiwan.

Information about the Group's revenue from external customers is presented based on location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

*Revenue from external customers*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	183,905	221,556
PRC	22,102	21,115
Taiwan	8,952	10,500
	<u>214,959</u>	<u>253,171</u>

*Non-current assets*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	5,287	4,994
PRC	43,136	37,350
Taiwan	187	256
	<u>48,610</u>	<u>42,600</u>

**Information about major customers**

Revenues from customers for the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A <sup>1</sup>	42,132	46,111
Customer B <sup>1</sup>	25,809	25,805

<sup>1</sup> Revenue from Product Development, and Brand Development and Management Segments.

**4. OTHER INCOME**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest income on bank deposits	2,171	1,319
Rental income	299	50
Forfeiture of customers' deposits	101	100
Compensation from a brand proprietor for breach of contract	215	300
Others	785	172
	<u>3,571</u>	<u>1,941</u>



## 5. OTHER GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gain on fair value change of held for trading investments	—	1,570
Loss on fair value change of investment property	—	(145)
Gain on disposal of property, plant and equipment	25	8
Net foreign exchange (loss)/gain	(336)	525
	<u>(311)</u>	<u>1,958</u>

## 6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank borrowings		
— wholly repayable within five years	—	1,135
— not wholly repayable within five years	—	104
	<u>—</u>	<u>1,239</u>

## 7. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
— Hong Kong Profits Tax	4,776	11,203
(Over)/under provision in prior year:		
— Hong Kong Profits Tax	(377)	268
Total income tax recognised in profit or loss	<u>4,399</u>	<u>11,471</u>

Hong Kong Profits Tax has been provided at 16.5% on the estimated assessable profits arising in or derived from Hong Kong for both years.

## 8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Directors' emoluments	3,761	3,229
Other staff costs	26,465	25,260
Contributions to retirement benefits schemes, excluding those of directors	<u>1,191</u>	<u>1,212</u>
Total staff costs	<u><u>31,417</u></u>	<u><u>29,701</u></u>
Amortisation of prepaid lease payments	665	300
Depreciation of property, plant and equipment	2,674	1,771
Cost of inventories recognised as an expense	89,927	108,530
Auditors' remuneration	650	420
Write-down/(reversal of write-down) of inventories (included in cost of sales)	749	(354)
Gross rental income from investment property	(299)	(50)
Less: direct operating expenses	<u>55</u>	<u>18</u>
Net rental income from investment property	<u><u>(244)</u></u>	<u><u>(32)</u></u>

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u><u>11,051</u></u>	<u><u>49,704</u></u>
	<b>2015 '000</b>	<b>2014 '000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	691,507	600,000
Effect of dilutive potential ordinary shares: — Share options	<u>—</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>691,507</u></u>	<u><u>N/A</u></u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 March 2015 and 2014 has been retrospectively adjusted to reflect 300,000,000 shares issued upon capitalisation on 16 October 2014.

The computation of diluted earnings per share for the year ended 31 March 2015 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the year.

No diluted earnings per share is presented for the year ended 31 March 2014 as there were no potential ordinary shares outstanding during that period.

## 10. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividends recognised as distribution during the year		
— Interim dividends	—	20,146
— Special dividend	—	30,000
	<u>—</u>	<u>50,146</u>

On 3 July 2013, the Company declared and paid an interim dividend of approximately HK\$146,000 to Genwealth by way of distribution in specie of all the issued shares in Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited indirectly held by the Company.

On 15 October 2013, the Company declared an interim dividend of HK\$20,000,000 to Genwealth. The dividend was settled through offsetting the amounts due from the directors during the year ended 31 March 2014.

On 24 January 2014, the Company declared a special dividend of HK\$30,000,000 to Genwealth.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2015 of HK\$0.01 (2014: Nil) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 11. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	21,510	32,368
Prepayments to suppliers	—	137
Prepaid listing expenses	—	628
Prepaid lease payments	663	663
Prepayments for other expenses	3,509	2,562
Other deposits (mainly including rental and building management fee deposits)	1,107	993
Other receivables	105	275
	<u>26,894</u>	<u>37,626</u>

The following is an aging analysis of the Group's trade receivables at the end of each reporting period, presented based on invoice date:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 - 30 days	7,163	14,866
31 - 60 days	8,827	7,104
61 - 90 days	4,206	8,358
Over 90 days	1,314	2,040
	<u>21,510</u>	<u>32,368</u>

## 12. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	10,246	16,104
Receipts in advance	1,284	3,165
Accruals (mainly including salaries and advertising expenses)	15,902	8,213
	<u>27,432</u>	<u>27,482</u>

The following is an aging analysis of the Group's trade payables at the end of each reporting period, presented based on invoice date:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 - 30 days	4,087	8,489
31 - 60 days	4,119	4,452
61 - 90 days	1,353	1,947
Over 90 days	687	1,216
	<u>10,246</u>	<u>16,104</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Period, the Group's revenue was approximately HK\$215.0 million, representing a decrease of 15.1% as compared to HK\$253.2 million for the year ended 31 March 2014.

The decrease in sales revenue was mainly due to sluggish market conditions across the retail sector in Hong Kong in respect of the Group's products, primarily resulting from the "Occupy Central" campaign from end of September 2014 to December 2014 and the "Anti-parallel trading" campaign in early 2015. In particular, the Group's products have been well recognised and regarded as popular products in great demand among China mainland travelers to Hong Kong. It is believed that the abovementioned campaigns had significant adverse impacts on the number of China mainland travelers to Hong Kong as well as the sales of the Group's products in the heavily affected areas, which resulted in a material adverse effect to the Group's revenue and net profit.

During the Period, the Product Development Segment was still the largest segment which contributed approximately 77.6% of the Group's revenue while it accounted for 74.6% of the total revenue for the last financial year. The revenue contribution from Brand Development and Management Segment decreased from 16.9% for the last financial year to 15.7% for the Period. The Trading of Goods Segment recorded a continuous drop in revenue and its revenue contribution to the Group dropped from approximately 8.5% for the last financial year to approximately 6.7% for the Period.

#### Product Development Segment

Under Product Development Segment, the Group develops and sells personal care products, health care products and household products under our own brand names, mainly being "Hin Sang (衍生)", "Beautymate (美肌の誌)" and "King's Antiseptic (殺菌王)".

The revenue of the segment decreased to approximately HK\$166.8 million for the Period from approximately HK\$188.9 million for the year ended 31 March 2014. The Segment's profit for the Period was approximately HK\$22.5 million, representing a decrease of approximately HK\$28.1 million or 55.5% as compared to that of the year ended 31 March 2014. The Segment profit margin for the Period was approximately 13.5% while the margin for the year ended 31 March 2014 was approximately 26.8%.

The aggregate revenue generated from the above three major brands amounted to approximately HK\$162.1 million for the Period, representing 97.2% of the segment's revenue while it was approximately HK\$185.4 million for the year ended 31 March 2014, representing 98.1% of the segment's revenue.

#### Brand Development and Management Segment

Under the Brand Development and Management Segment, the Group sells and distributes products with exclusive distribution rights. The three major brands of the Segment are "Acene (澳雪)", "Sewame (雪完美)" and "Vcnic (花世界)".

The segment recorded revenue of approximately HK\$42.9 million and HK\$33.8 million for the years ended 31 March 2014 and 2015, representing a decrease of 21.2%. The segment's profit for the Period was approximately HK\$3.9 million, representing a decrease of approximately HK\$5.0 million or 56.2% as compared to that of the year ended 31 March 2014. The segment profit margin for the Period was approximately 11.5% while the margin for the year ended 31 March 2014 was approximately 20.7%.

The total revenue of these three major brands amounted to approximately HK\$25.5 million and HK\$20.2 million respectively for the year ended 31 March 2014 and 2015, accounting for approximately 59.4% and 59.8% of the segment revenue of the respective periods.

### **Trading of Goods Segment**

Trading of Goods Segment distributes those products purchased from authorised dealers, independent traders, manufacturers or parallel importers and its contribution to total revenue and profit are small when compared with another two segments.

The segment recorded revenue of approximately HK\$21.4 million and HK\$14.3 million for the years ended 31 March 2014 and 2015, representing a decrease of 33.2%. The segment's loss for the Period was approximately HK\$341,000 while the segment's profit was approximately HK\$76,000 for the year ended 31 March 2014. The segment loss margin for the Period was approximately 2.4% while the profit margin for the year ended 31 March 2014 was approximately 0.4%.

### **HUMAN RESOURCES**

The Group had a total of 158 staff as at 31 March 2015. The employees of the Group are remunerated by way of fixed salary. The Group has devised an assessment system for its employees and the Group uses the assessment result for salary review and promotion decisions. All the staff undergoes a performance appraisal once a year. The appraisal provides the Group with an opportunity to assess each individual staff's strengths and areas for improvement, thereby enabling the Group to effectively train and develop each individual staff.

In addition, the Company adopts Share Options Scheme in September 2014 to recognise and acknowledge those employees who have contribution to the Group.

### **PROSPECTS**

The Group believes that the Listing on the main board of the Stock Exchange on 16 October 2014 could enhance its profile, while the net proceeds from the offer of the Shares will strengthen financial position and allow the Group to implement and execute its business plan. The Group also believes that a public listing status will increase the public profile of the Group's brands and products, as well as offer the Group access to the capital market for future business development and strengthen its competitiveness. The Group intends to implement the following principal strategies to expand its business and create value for the shareholders of the Company:

**a) To explore business collaboration opportunities with new brand proprietors**

The Group plans to expand its business in the Brand Development and Management Segment by collaborating with more new brand proprietors, which complements the expansion strategy. It intends to select new brand proprietors with production bases in Southern China, in particular the Guangdong Province, the business collaboration with new brand proprietors can (i) strengthen both the Group's portfolio of brands and licensed products and the distribution network in Hong Kong and thus help expand the distribution network to countries outside Hong Kong such as Malaysia and Singapore; (ii) expedite the penetration of the products due to the vicinity of their production bases to Hong Kong; and (iii) increase the market share in the personal care product market.

**b) To further expand the sales and distribution network for own-branded products**

The Group plans to expand the distribution network for own brands by entering into exclusive distribution agreements with distributors in other territories, mainly the PRC and other regions and countries including Taiwan, Macau, Singapore and Malaysia. The Group will continue to expand its business in the PRC market in terms of the number of distributors and its product portfolio in order to timely respond to changes in the preferences of the customers in the PRC. The Group also continues to expand the distribution of its own-branded products to other provinces in the PRC and increase the number of sales representatives to assist in the expansion of the sales network coverage.

**c) To continue enhancing brand recognition of own brands through effective marketing strategy**

The Group has developed “Hin Sang (衍生)” brand into a well-recognised brand in Hong Kong through an effective and targeted advertising, marketing strategies and continuous emphasis on product safety and quality. To further enhance the popularity of the products in Hong Kong and brand awareness and image in the PRC, the Group will continue its effective and targeted marketing efforts. The Group also plans to make use of innovative multimedia promotional channels such as social media and mobile phone applications. In addition, the Group intends to enhance the online shop which will provide a convenient ordering system for our customers.

**d) To further expand products portfolio by developing new products with suitable pharmaceutical companies.**

In order to enlarge product portfolio and promote synergies among various product segments, the Group will explore opportunities to collaborate with suitable Chinese medicine institutions or pharmaceutical companies to develop new health supplements and analyse the ingredients and composition of its products.

## FINANCIAL REVIEW

### Revenue

The Group's revenue was approximately HK\$215.0 million for the Period as compared to HK\$253.2 million for the same period in 2014, representing a decrease of 15.1%. Such decrease was mainly due to sluggish market conditions across the retail sector in Hong Kong in respect of the Group's products.

### Cost of sales

The Group's cost of sales decreased by 16.7% from approximately HK\$110.8 million for the year ended 31 March 2014 to approximately HK\$92.3 million for the Period. Such decrease was primarily due to significant drop in purchase costs incurred under the Brand Development and Management Segment and the Trading of Goods Segment by 17.5% and 34.2% respectively as compared to that of previous period.

In relation to sales under the Product Development Segment, cost of sales decreased from approximately HK\$61.8 million for the year ended 31 March 2014 to approximately HK\$55.2 million for the Period. The change in cost of sales for all business segments were in line with the corresponding fluctuation in revenue for the Period.

### Gross profit and gross profit margin

The Group's gross profit decreased by 13.8% from approximately HK\$142.3 million for the year ended 31 March 2014 to approximately HK\$122.7 million for the Period. However, the gross profit margin for the Period increased from 56.2% to 57.1% which was mainly due to the increase in the proportion of revenue from Product Development Segment which has a relatively higher margin.

### Other income

The Group's other income increased from approximately HK\$1.9 million for year ended 31 March 2014 to approximately HK\$3.6 million for the Period, which was mainly due to the increase in interest income of approximately HK\$0.9 million and the reversal of over-accrued expenses of approximately HK\$0.8 million.

### Other gains and losses

Other gains and losses for the Period was loss of approximately HK\$0.3 million while it was gains of approximately HK\$2.0 million for the year ended 31 March 2014. The significant change was attributable to (i) no fair value gain on held for trading investments for the Period while it was fair value gain of approximately HK\$1.6 million for the year ended 31 March 2014 and (ii) exchange loss of approximately HK\$0.3 million incurred during the Period while exchange gains was approximately HK\$0.5 million for the year ended 31 March 2014.



## **Selling and distribution expenses**

The selling and distribution expenses increased by 30.7% from approximately HK\$34.5 million for the year ended 31 March 2014 to approximately HK\$45.1 million for the Period. Such increase was mainly attributable to the increased advertising expenses relating to the online and television ads and other promotional activities in China and Macau.

## **Administrative expenses**

The administrative expenses increased by 14.6% from approximately HK\$47.9 million for the year ended 31 March 2014 to approximately HK\$54.9 million for the Period which was mainly attributable to (i) the increase of share-based payment expenses from nil for the year ended 31 March 2014 to approximately HK\$2.4 million for the Period relating to the Pre-IPO Share Option Scheme; (ii) the increase of depreciation and amortisation expenses from approximately HK\$2.1 million for the year ended 31 March 2014 to approximately HK\$3.3 million relating to the depreciation of commercial properties in Shenzhen, the PRC; (iii) the increase of donation expenses from approximately HK\$0.4 million for the year ended 31 March 2014 to approximately HK\$2.1 million for the Period; and (iv) the increase in legal and professional fees from approximately HK\$2.5 million for the year ended 31 March 2014 to approximately HK\$3.1 million for the Period.

## **Listing expenses**

The listing expenses increased from approximately HK\$1.4 million for the year ended 31 March 2014 to approximately HK\$10.4 million for the Period, which represented the one-off expenses regarding the professional fees and printing costs of the prospectus in connection with the Listing.

## **Finance costs**

The Group's finance costs decreased by 100% from approximately HK\$1.2 million for the year ended 31 March 2014 to nil for the Period. The decrease was due to no bank borrowings incurred during the Period. After the disposal of Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited on 3 July 2013, the bank borrowing of approximately HK\$70.1 million associated with Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited was transferred out of the Group.

## **Taxation**

The Group's tax charge decreased by 61.7% from approximately HK\$11.5 million for year ended 31 March 2014 to approximately HK\$4.4 million for the Period, while the effective tax rates were 18.8% and 28.4% respectively. The decrease in tax charge was in line with the decrease in profit before tax from approximately HK\$61.2 million for the year ended 31 March 2014 to approximately HK\$15.5 million for the Period.

## **Profit for the Period**

As a result of the foregoing, the net profit decreased by 77.7% from approximately HK\$49.7 million for year ended 31 March 2014 to approximately HK\$11.1 million for the Period, while net profit margin decreased from 19.6% to 5.1% for the Period.

## **Inventories**

The Group's inventories increased by 45.4% from approximately HK\$13.0 million as at 31 March 2014 to approximately HK\$18.9 million as at 31 March 2015, which was primarily due to the increase in finished products for distribution by 37.9% from approximately HK\$12.4 million as at 31 March 2014 to approximately HK\$17.1 million as at 31 March 2015. Such increase was mainly due to the increase in inventories of health care products under the Product Development Segment. The inventory turnover days increased from 49.8 days for the year ended 31 March 2014 to 63.1 days for the Period.

## **Trade receivables**

The Group's trade receivables decreased by 33.6% from approximately HK\$32.4 million as at 31 March 2014 to approximately HK\$21.5 million as at 31 March 2015, which was primarily attributable to the decrease in trade receivables from distributors arising from the purchase of health care products under the Product Development Segment. The trade receivables turnover days for the Period were 45.7 days while it were 42.1 days for the year ended 31 March 2014.

## **Liquidity and capital resources**

The Group's cash and cash equivalents increased by 306.1% from approximately HK\$65.1 million as at 31 March 2014 to approximately HK\$264.4 million as at 31 March 2015 of which approximately HK\$190.4 million is proceeds from the Listing. As at 31 March 2015, the Group had no outstanding bank borrowings and the amount of unutilised banking facilities of approximately HK\$26.8 million. The gearing ratio (total debts divided by total equity) as at 31 March 2015 was nil (31 March 2014: nil). The current ratio (total current assets divided by total current liabilities) as at 31 March 2015 was 11.4 (31 March 2014: 1.8).

## **Financial management and policy**

The Group continues to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

The executive Directors, with the assistance of the group financial controller, are responsible for identifying, reviewing, evaluating and analyzing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirement of the Group.

## **Contingent Liabilities**

As at 31 March 2015, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

## OTHER INFORMATION

### DIVIDENDS

The Board recommend the payment of a final dividend of HK\$0.01 per Share for the year ended 31 March 2015 (the “**2015 Final Dividend**”) with a sum of approximately HK\$8,000,000, which is subject to shareholders’ approval at the forthcoming 2015 annual general meeting of the Company to be held on 10 September 2015 (the “**AGM**”). The 2015 Final Dividend will be distributed on or about Tuesday, 13 October 2015 to shareholders of the Company whose names appear on the register of members of the Company on Monday, 21 September 2015.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming AGM of the Company, the register of members of the Company will be closed from 8 September 2015 to 10 September 2015, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 7 September 2015.

Subject to the approval of the proposed 2015 Final Dividend from the shareholders of the Company at the annual general meeting, the register of members of the Company will be closed from 17 September 2015 to 21 September 2015, both days inclusive, during which period no transfer of Shares will be registered for ascertaining Shareholders’ entitlement to the proposed 2015 Final Dividend. In order to qualify for the proposed 2015 Final Dividend, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company’s branch share register in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on 16 September 2015.

### CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Company commit to maintain a high standard of corporate governance, to formulate good corporate governance practice for improvement of accountability and transparency in operations, and to strengthen the internal control system from time to time so as to ensure to meet with the expectations of the shareholders of the Company.

The Company’s corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (“**CG Code**”) in Appendix 14 to the Listing Rules. Except for the deviation from CG Code provision A.2.1, the Company’s corporate governance practices have complied with the Code on Corporate Governance Practices. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Pang Siu Hin is the chairman and the chief executive officer of the Company. In view that Mr. Pang Siu Hin is one of the co-founders of the Group and has been operating and managing the Group since 1996, the Board believes that it is in the best interest of the Group to have Mr. Pang taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors (the “**Model Code**”) as set out in Appendix 10 of the listing Rules. The Company has made specific enquiries with all Directors and all Directors confirm that they have complied with the standards required by the Model Code during the Period.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the Period.

## REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the year ended 31 March 2015 have been reviewed by the Audit Committee. The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2015 as set out in this announcement have been agreed by the Company's external auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2015. The work performed by HLB Hodgson Impey Cheng Limited 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 HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below.

“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Brand Development and Management Segment”	the Business Segment in which the Group purchases primarily personal care products from the brand proprietors and manage and develop the brand of such products
“BVI”	the British Virgin Islands
“Company”	Hin Sang Group (International) Holding Co. Ltd. 衍生集團(國際)控股有限公司, an exempted company incorporated with limited liability in the Cayman Islands on 28 October 2010

“Director(s)”	the director(s) of the Company
“Genwealth”	Genwealth Group Holding Company Limited (衍富集團控股有限公司), a company incorporated with limited liability on 5 October 2010 in the BVI, the issued shares of which are owned as to 90% by Mr. Pang Siu Hin and 10% by his wife, Ms. Kwan Lai Man, and is a Controlling Shareholder
“Group”	the Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing”	the listing of the Shares on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Period”	the year ended 31 March 2015
“PRC” or “China”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Product Development Segment”	the Business Segment in which the Group develops own personal care products, health supplements and household products sold under our own brands, including but not limited to “Beautymate (美肌の誌)”, “Hin Sang (衍生)”, “King’s Antiseptic (殺菌王)” and “On-guard (安高)”
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 25 September 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Trading of Goods Segment” the Business Segment in which the Group engages in trading and distributing skin care products, personal care products and household products purchased from various authorised dealers and independent traders or directly from suppliers

By order of the Board  
**Hin Sang Group (International) Holding Co. Ltd.**  
**Pang Siu Hin**  
*Chairman*

Hong Kong, 30 June 2015

*As at the date of this announcement, the executive Directors are Mr. Pang Siu Hin, Ms Kwan Lai Man and Mr. Mok Tsan San, the non-executive Director is Ms. Wong Wai Ling, and the independent non-executive Directors are Mr. Lee Luk Shiu, Dr. Tang Sing Hing, Kenny and Mr. Tsui Nam Hung.*