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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 2024

Financial Highlights	Year ended 31 March		Change %
	2024 HK\$'000	2023 HK\$'000	
Revenue	92,617	81,460	13.7
Gross profit	57,406	38,836	47.8
Loss for the year	(36,400)	(49,168)	(26.0)
Other comprehensive income/(expense) for the year	5,820	(12,721)	145.8
Loss per share			
– Basic and diluted (HK cents)	(3.36)	(4.53)	

RESULTS

The Board announces the audited consolidated results of Hin Sang Group (International) Holding Co. Ltd. and its subsidiaries for the year ended 31 March 2024 together with the comparative figures for the year ended 31 March 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Revenue	3	92,617	81,460
Cost of sales		(35,211)	(42,624)
Gross profit		57,406	38,836
Other income	5	3,085	5,874
Other gains and losses, net	6	(1,449)	(4,215)
Selling and distribution expenses		(12,526)	(5,349)
Administrative and other operating expenses		(67,012)	(70,309)
Finance costs	7	(16,299)	(14,060)
Loss before tax		(36,795)	(49,223)
Income tax credit	8	395	55
Loss for the year	9	(36,400)	(49,168)
Other comprehensive income/(expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		9,415	(1,216)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(3,595)	(11,505)
Other comprehensive income/(expense) for the year		5,820	(12,721)
Total comprehensive expense for the year		(30,580)	(61,889)

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Loss for the year attributable to:			
– Owners of the Company		(36,705)	(49,491)
– Non-controlling interests		305	323
		(36,400)	(49,168)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		(30,548)	(62,210)
– Non-controlling interests		(32)	321
		(30,580)	(61,889)
Loss per share			
	<i>10</i>		
– Basic (<i>HK cents</i>)		(3.36)	(4.53)
– Diluted (<i>HK cents</i>)		(3.36)	(4.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment		287,833	322,230
Right-of-use assets		207,130	214,789
Investment properties		12,099	13,679
Financial assets at fair value through profit or loss		6,494	6,267
Financial assets at fair value through other comprehensive income		27,956	18,541
Deferred tax assets		697	437
		542,209	575,943
Current assets			
Inventories		14,216	15,865
Trade and other receivables	<i>12</i>	11,972	13,808
Financial assets at fair value through profit or loss		8,119	1,665
Current tax assets		106	221
Bank balances and cash		11,232	10,775
		45,645	42,334
Total assets		587,854	618,277
Current liabilities			
Trade and other payables	<i>13</i>	40,283	39,273
Contract liabilities		17,063	20,372
Bank and other borrowings		186,467	156,110
Lease liabilities		351	698
Current tax liabilities		81	97
		244,245	216,550
Net current liabilities		(198,600)	(174,216)
Total assets less current liabilities		343,609	401,727

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	132,892	160,985
Lease liabilities	1,386	627
Deferred tax liabilities	-	204
	<u>134,278</u>	<u>161,816</u>
Net assets	<u>209,331</u>	<u>239,911</u>
Capital and reserves		
Share capital	109,180	109,180
Reserves	99,656	130,204
	<u>208,836</u>	<u>239,384</u>
Equity attributable to owners of the Company	208,836	239,384
Non-controlling interests	495	527
	<u>209,331</u>	<u>239,911</u>
Total equity	<u>209,331</u>	<u>239,911</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**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The Group incurred a net loss of approximately HK\$36,400,000 during the year ended 31 March 2024 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$198,600,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concern.

In view of these circumstances, the Group has been continuously implementing measures to improve its profitability and operating performance and to mitigate the liquidity pressure. These measures include (1) implementing business strategies to enhance the production efficiency of the Group’s own brand products and aiming to reduce the product cost by self-production, (2) continuing its measures to control administrative and operating costs, and (3) looking for other sources of finance including equity financing to enhance the capital structure and reduce the overall finance costs.

With respect to the Group’s bank financing, the Group maintains continuous communication with its principal banks. As at 31 March 2024, the Group had unutilised banking facilities of approximately HK\$8,320,000. The Directors are not aware of any intention of the principal banks to withdraw their banking facilities or require early repayment of the bank borrowings. Taking into account the good track record and relationships with the banks and the fair value of the pledged properties, the Directors believe that the Group will be able to renew the banking facilities upon maturity dates. Moreover, The Directors manage the Group’s assets portfolio and capital structure from time to time and consider to sell assets to reduce debt when necessary.

The Directors have assessed the Group’s cash flow projections cover a period of not less than twelve months from 31 March 2024. The key factors that are taken into account by management in the cash flow projections include the anticipated cash flows from the Group’s operations, capital expenditures, continuous availability of banking facilities and economic recovery after COVID-19. The Group’s ability to achieve the projected cash flows depends on management’s ability to successfully implement the aforementioned improvement measures on profitability and liquidity and the continuous availability of banking facilities.

The Directors are of the opinion that, taking into account the expected renewals of the bank borrowings and the unutilised banking facilities, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2024. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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 for annual periods beginning on or after a date to be determined

Except for the amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants,, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

The following is an analysis of the Group's revenue:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sales of goods	92,049	80,765
Provision of healthcare services	568	695
	<u>92,617</u>	<u>81,460</u>

4. SEGMENT INFORMATION

Information reported to the Board, 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
4. Healthcare Segment – development of mother and child related health products, medical center and related services

Segment revenue 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 2024

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	<u>90,505</u>	<u>1,413</u>	<u>131</u>	<u>568</u>	<u>92,617</u>
Segment (loss)/profit	<u>(19,040)</u>	<u>69</u>	<u>91</u>	<u>(766)</u>	<u>(19,646)</u>
Interest income					80
Gain on fair value change of financial assets at fair value through profit or loss					6,682
Finance costs					(16,299)
Unallocated expenses					<u>(7,612)</u>
Loss before tax					<u>(36,795)</u>

For the year ended 31 March 2023

	Product Development Segment <i>HK\$ '000</i>	Brand Development and Management Segment <i>HK\$ '000</i>	Trading of Goods Segment <i>HK\$ '000</i>	Healthcare Segment <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Revenue					
External sales	78,644	1,374	747	695	81,460
Segment (loss)/profit	(24,723)	(56)	424	(768)	(25,123)
Interest income					757
Loss on fair value change of financial assets at fair value through profit or loss					(1,279)
Finance costs					(14,060)
Unallocated expenses					(9,518)
Loss before tax					(49,223)

There were no sales transactions between operating segments.

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, (loss)/gain on fair value change of financial assets at fair value through profit or loss, interest income and finance costs. This is the measure reported to the Board for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's operations are located in Hong Kong and Mainland China.

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 (excluding financial assets and deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2024 <i>HK\$ '000</i>	2023 <i>HK\$ '000</i>	2024 <i>HK\$ '000</i>	2023 <i>HK\$ '000</i>
Hong Kong, China	65,815	46,038	208,872	214,626
Mainland China	26,802	35,422	298,190	336,072
	92,617	81,460	507,062	550,698

Information about major customers

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A ¹	14,423	N/A ³
Customer B ²	11,786	9,779

¹ Revenue from product development segment.

² Revenue from product development and brand development and management segment.

³ The corresponding revenue did not contribute over 10% of the Group's total revenue.

5. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income on bank deposits	80	757
Rental income	531	607
Government grants (note)	1,421	2,666
Others	1,053	1,844
	<u>3,085</u>	<u>5,874</u>

Note: The amounts include subsidies of approximately HK\$219,000 (2023: Nil) received from the Trade and Industry department as SME Export Marketing fund, and HK\$1,202,000 (2023: HK\$2,159,000) received from the PRC governments for the Group's local business developments during the year ended 31 March 2024. There were no unfulfilled conditions in the years in which they were recognised. Other than that, the Group recognised government grant of approximately nil (2023: HK\$507,000) in respect of COVID-19 Employment Support Scheme provided by the Hong Kong government for the year ended 31 March 2024.

6. OTHER GAINS AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Gain/(Loss) on fair value change of financial assets at fair value through profit or loss	6,682	(1,279)
Loss on fair value change of investment properties	(980)	(765)
Loss on revaluation of right-of-use assets and property, plant and equipment upon the transfer from owner-occupied property to investment property	-	(616)
Loss on disposal of property, plant and equipment	(3)	(7)
Impairment loss recognised on trade receivables under expected credit loss model	(1,464)	(285)
Impairment loss recognised on property, plant and equipment	(3,832)	-
Impairment loss recognised on right-of-use assets	(168)	-
Gain on lease termination	80	-
Net foreign exchange loss	(1,764)	(1,263)
	<u>(1,449)</u>	<u>(4,215)</u>

7. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest expense on bank loans	16,207	13,971
Interest expense on other borrowings	6	-
Interest expense on lease liabilities	86	89
	<u>16,299</u>	<u>14,060</u>
Total borrowing costs	<u>16,299</u>	<u>14,060</u>

8. INCOME TAX CREDIT

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	12	405
– Under/(Over) provision in prior year	1	(272)
	<u>13</u>	<u>133</u>
PRC Enterprise Income Tax		
– Current year	46	46
– Under provision in prior year	-	5
	<u>46</u>	<u>51</u>
Deferred tax		
– Current year	(454)	(239)
	<u>(454)</u>	<u>(239)</u>
Total income tax credit recognised in profit or loss	<u>(395)</u>	<u>(55)</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

No provision for taxation has been provided for companies in the Cayman Islands and the British Virgin Islands as they are not subject to any tax during the current and prior years.

9. LOSS FOR THE YEAR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Depreciation of property, plant and equipment	16,145	18,304
Depreciation of right-of-use assets	<u>6,876</u>	<u>7,260</u>
Total depreciation	23,021	25,564
Less: amounts capitalised in inventories	<u>(6,101)</u>	<u>(7,454)</u>
	<u>16,920</u>	<u>18,110</u>
Staff costs, including directors' emoluments	30,436	30,004
Less: amounts capitalised in inventories	<u>(1,878)</u>	<u>(2,366)</u>
	<u>28,558</u>	<u>27,638</u>
Cost of inventories recognised as an expense	31,646	38,194
Auditors' remuneration	<u>850</u>	<u>850</u>
Gross rental income from investment properties	(531)	(607)
Less: direct operating expenses	<u>41</u>	<u>18</u>
Net rental income from investment properties	<u>(490)</u>	<u>(589)</u>

10. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	(36,705)	(49,491)
	2024 <i>'000</i>	2023 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,091,796	1,091,796

The computation of diluted loss per share for the years ended 31 March 2024 and 2023 does not assume the conversion of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

12. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	12,061	12,627
Less: Allowance for credit losses	<u>(4,122)</u>	<u>(2,658)</u>
	7,939	9,969
Prepayments to suppliers	1,120	1,055
Prepayments for other expenses	2,448	2,276
Deposits	<u>465</u>	<u>508</u>
	<u>11,972</u>	<u>13,808</u>

The following is an ageing analysis of the Group's trade receivables net of allowance for credit losses at the end of the reporting period, presented based on invoice date:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–30 days	3,914	5,520
31–60 days	2,094	2,135
61–90 days	1,929	919
91–365 days	2	357
Over 365 days	<u>-</u>	<u>1,038</u>
	<u>7,939</u>	<u>9,969</u>

13. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	9,002	6,875
Accruals and other payables	31,281	32,398
	40,283	39,273

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0-30 days	4,323	1,365
31-60 days	481	1,435
61-90 days	401	451
Over 90 days	3,797	3,624
	9,002	6,875

14. EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Board is not aware of any significant events that occurred requiring disclosure.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the marketing, selling and manufacturing of healthcare products primarily targeting children, among which “Hin Sang (衍生)” is a long-established reputable brand. The Group continues to expand its e-commerce business through various popular and influential online and mobile platforms in order to keep pace with consumer trends and seize business opportunities. In addition, the Group trades in personal care products of reputable brands, to leverage existing resources to increase profits. Furthermore, the Group is developing its business in Chinese medical healthcare as well as diagnosis and treatment services projects.

For the Year, the Group’s revenue was approximately HK\$92.6 million, representing an increase of approximately 13.7% from approximately HK\$81.5 million for the last year. The Group has four business segments which are classified according to their ownership, licensing rights and services rendered. During the Year, the Product Development Segment, which engages in the sale of the Group’s own branded products, remained the largest business segment of the Group and contributed approximately 97.7% (2023: 96.5%) of the Group’s revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment decreased slightly from approximately 1.7% of the total revenue for the last year to approximately 1.5% of the total revenue for the Year. The Trading of Goods Segment accounted for approximately 0.2% of total revenue for the Year (2023: 0.9%), and the Healthcare Segment accounted for approximately 0.6% (2023: 0.9%) of the Group’s total revenue for the Year.

The normal clearance of travellers between Hong Kong and Mainland China resumed at the beginning of February 2023. This policy has paved the way for the recovery of tourism and retail in the territory. The Group promptly adjusted and upgraded its marketing plans, increasing advertising placements, TV programme sponsorships and outdoor and indoor advertisements. At the same time, the Group continued to spend on online advertising, which has proven to be a cost-effective approach. As a result, the Group’s sales in Hong Kong gradually picked up and initially showed an encouraging post-pandemic performance.

The Group’s business operations are based in both Hong Kong and Mainland China. Revenue generated from the Hong Kong market for the Year recorded approximately HK\$65.8 million (2023: HK\$46.1 million), representing approximately 71.1% of the total revenue for the Year (2023: 56.5%). Revenue generated from the Mainland China market for the Year was approximately HK\$26.8 million (2023: HK\$35.4 million), representing approximately 28.9% of the total revenue for the Year (2023: 43.5%).

Product Development Segment

In the Product Development Segment, the Group develops and sells healthcare products, personal care products and household products under its own brand names, which are mainly “Hin Sang (衍生)”, “Tai Wo Tong (太和堂)”, “Care Plus (私+呵護)” and “King’s Antiseptic (殺菌王)”. The Group launched the “Hin Sang (衍生)” brand in 2004, mainly for health supplements. In 2012, the Group launched “Tai Wo Tong (太和堂)” mainly for the Group’s proprietary Chinese medicine category. With a view to further leverage its brand value and explore the opportunities of the less tapped markets, the Group launched several products during the Year, including but not limited to “CarePlus Insecticide Spray (私+呵護殺蟲王)”, “Hin Sang Joint Relief Oil (衍生骨骼健鎮痛油)”, “Hin Sang Bei Er Tower Candy (衍生蓓兒花塔糖壓片糖果)”, “Hin Sang Bei Er Gai Bao Solid Beverage (衍生蓓兒蓋寶固體飲料)” and “Hin Sang Bei Er Pi Ling Solid Beverage (衍生蓓兒啤靈固體飲料)”.

Revenue of this segment was approximately HK\$90.5 million for the Year, representing an increase of approximately 15.1% from approximately HK\$78.6 million for the last year. The increase was mainly due to the general improvement in consumer sentiments as a result of the gradual recovery of tourism and retail industry in Hong Kong since the resumption of the normal clearance of travellers between Hong Kong and Mainland China at the beginning of February 2023. The segment’s loss and loss margin for the Year were approximately HK\$19.0 million and 21.0% respectively, comparing to segment’s loss and loss margin of approximately HK\$24.7 million and 31.4% respectively for the last year.

Brand Development and Management Segment

Since 1999, the Group has been a trusted partner for various brand proprietors of personal care products mainly in the Hong Kong market. The Group offers one-stop solutions for marketing, sales and distribution, logistics and delivery services for their branded products under exclusive distribution agreements with each of the brand proprietors. The Group has a track record of successfully managing and developing a number of brands for its clients, who are primarily manufacturers and owners of the products.

Among the products managed and developed by the Group for the brand proprietors, the major brands are “Pahmi (芭菲)”, “Enear (櫻雪)”, “Vcnic (花世界)”, “Zici (滋采)” and “Sunew (閃新)”. The revenue of this segment remained stable at approximately HK\$1.4 million for the Year. The segment’s profit and profit margin for the Year were approximately HK\$69,000 and 4.9% respectively, representing a turnaround from loss and loss margin of approximately HK\$56,000 and 4.1% respectively for the last year. The Group had always focused on the Product Development Segment during the Year in order to enhance the brand image of its own branded products.

Trading of Goods Segment

The Group has served its trade customers with high-quality products sourced from authorised dealers and overseas suppliers. The low-margin products in this segment will be phased out, and more resources will be devoted to the Product Development Segment, which is expected to yield higher profit margin.

Revenue of this segment was approximately HK\$131,000 for the Year, compared to approximately HK\$747,000 for the last year, and it accounted for approximately 0.2% (2023: 0.9%) of the Group's revenue for the Year. The decrease in revenue of this segment was mainly attributable to the Group's focus on the Product Development Segment during the Year in order to enhance the brand image of its own branded products.

Healthcare Segment

The Healthcare Segment provides various types of healthcare-related services and products in Mainland China to mothers and children. The Group has established clinics to provide medical treatment and consultation by experienced Chinese physicians specialising in Chinese medical healthcare.

Revenue of this segment was approximately HK\$568,000 (2023: HK\$695,000) for the Year, representing approximately 0.6% (2023: 0.9%) of the Group's revenue for the Year. The segment loss decreased by approximately 0.3% from approximately HK\$768,000 for the last year to approximately HK\$766,000 for the Year.

SOCIAL RESPONSIBILITIES

The Group is committed to fulfilling its corporate social responsibility and creating shared value for its stakeholders. It recognises that its business performance is not only determined by the financial results, but also by social and environmental impact.

The Group has consistently supported various charitable causes. Through the Hin Sang Volunteer Team, the Group provided timely assistance to underprivileged groups, such as children and the elderly. The Group also distributed essential items to those most in need. It was honoured to be a socially conscious company that makes a positive impact in the community.

One of the Group's main areas of philanthropy is education. The Group believes that education is the foundation of a prosperous society and the key to unlocking human potential. This is why we have established the "Hin Sang Scholarship (衍生獎學金)" for students from kindergarten to university level in Hong Kong for the tenth consecutive year. The scholarship aims to encourage students with potential and diverse interests to pursue their academic and personal goals. The Group particularly values the needs and development of children: they are the future of the society and their well-being is always the Group's top priority.

HUMAN RESOURCES

The Group had a total of 247 staff as at 31 March 2024 (2023: 253). The remuneration of the employees consists of fixed salary, individual sales commission and year-end discretionary performance bonus. The Group has devised an assessment system for its employees, and the Group uses the assessment result for salary review and promotion decisions. All of the employees undergo a performance appraisal once a year. Such appraisal provides the Group with an opportunity to assess each employee's strengths and areas for improvement, and facilitate the Group to provide necessary training and career development opportunities accordingly. A Share Option Scheme was adopted in September 2014 to recognise and acknowledge those employees who have made a contribution to the Group.

PROSPECTS

The Group is confident that the Hong Kong market can continue to provide a stable platform for its business growth and expansion. The Group continues its efforts in new product development to enrich its health supplement portfolio and enhance its brand image as a health supplement specialist. The Group ensures that only those products with high sales volume potential are retained in the product portfolio. At the same time, the Group will also focus on the development of the Mainland China market, especially the children's health supplement market. The Group believes that this market will benefit greatly from the implementation of China's "Three-child" policy. To seize this opportunity, the Group will continue to expand its distribution network by recruiting additional distributors and devoting more resources to promoting its corporate image to expand its customer base.

The Group has prudently outlined the following strategies for its future business development with the aim of creating value for the Shareholders:

(a) To continue enhancing brand recognition of the Group's own brands

The Group has developed the "Hin Sang (衍生)" brand into a well-recognised brand in Hong Kong through effective, targeted and well-positioned advertising programmes that emphasise product safety and quality.

The Group continued to focus on and implement its brand strategies of multi-channel marketing and diverse product portfolios. The Group adopted a market-driven research and product development strategy to meet evolving customer demands and needs while achieving rapid growth. Our new product launches aim to meet the needs and preferences of different age groups and markets and to broaden the Group's product portfolio and customer base. The Group's new product development initiative for the coming year will focus on the development of more products in the mother and children health supplement segment in Hong Kong and Mainland China.

(b) To expand the manufacturing arm of the Group

As part of the Group’s plan to enhance the production efficiency of its own branded products and to capture future opportunities, the Group has developed a production plant for health supplements in Yunfu City of the Guangdong Province, the PRC. This facility has enabled the Group to manufacture health supplement products in-house, rather than outsourcing them to an external Original Equipment Manufacturer (“OEM”). This initiative aims to reduce production costs, increase operational efficiency and productivity, and ensure stricter quality control of the Group’s own branded healthcare products. This facility is a long-term investment that will help the Group seize future opportunities in the health supplements market.

(c) To expand e-commerce for own-brand products

The Group will continue to develop and upgrade its e-commerce platform, which focuses on online sales of products under “Hin Sang (衍生)”, enabling customers, particularly customers in Mainland China, to place orders online and enjoy home delivery services. Despite the popularity of online shopping in the Mainland China market, the economic environment and consumer sentiment have not fully recovered after the COVID-19 pandemic. Revenue from the Group’s e-commerce platforms accounted for approximately HK\$17.4 million (2023: HK\$25.9 million) of the Group’s total revenue for the Year.

Recognising the significant growth of e-commerce, the Group has implemented a marketing strategy to enhance brand influence, cultivate customer loyalty and expand its market share in the healthcare products industry. The Group has established a presence on popular e-commerce and social media platforms such as Xiaohongshu (小紅書), Douyin (抖音), Kuaishou (快手), Tmall (天貓), JD.com (京東) and Pinduoduo (拼多多). To further expand its online sales network, the Group has partnered with influential key opinion leaders (KOLs) in e-commerce livestreaming. The Group will continue to introduce high-quality health supplements on these platforms while remaining innovative in its marketing approach to keep pace with consumer trends and reach a wider audience.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$92.6 million for the Year as compared to approximately HK\$81.5 million for the last year, representing an increase of approximately 13.7%, which was mainly due to the increase in the sales of products under the Product Development Segment.

During the Year, the revenue generated from the Product Development Segment increased by approximately HK\$11.9 million, representing an increase of approximately 15.1% as compared to last year. The revenue generated from the Brand Development and Management Segment remained stable. Revenue generated from Trading of Goods Segment was approximately HK\$131,000 for the Year, compared to approximately HK\$747,000 for the last year. Revenue generated from the Healthcare Segment was approximately HK\$568,000 for the Year, compared to approximately HK\$695,000 for the last year.

Cost of Sales

The Group's cost of sales decreased by approximately 17.4% from approximately HK\$42.6 million for the last year to approximately HK\$35.2 million for the Year. The decrease was mainly due to the increase in sales of higher profit margin products from Product Development Segment.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately 47.8% from approximately HK\$38.8 million for the last year to approximately HK\$57.4 million for the Year. The gross profit margin increased from approximately 47.7% for the last year to approximately 62.0% for the Year, which mainly resulted from the increase in sales of higher profit margin products from the Product Development Segment.

Other Income

The Group's other income decreased from approximately HK\$5.9 million for the last year to approximately HK\$3.1 million for the Year, which was mainly due to the decrease in government grants from approximately HK\$2.7 million for the last year to approximately HK\$1.4 million for the Year and the decrease in interest income on bank deposits from approximately HK\$0.8 million for the last year to approximately HK\$80,000 for the Year.

Other Gains and Losses

The Group recorded other losses of approximately HK\$1.4 million for the Year (2023: approximately HK\$4.2 million). It was mainly attributable to the combined effect of a gain on fair value of financial assets at fair value through profit or loss of approximately HK\$6.7 million for the Year (2023: loss of approximately HK\$1.3 million) and an impairment loss recognised on property, plant and equipment of approximately HK\$3.9 million for the Year (2023:Nil).

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 134.2% from approximately HK\$5.3 million for the last year to approximately HK\$12.5 million for the Year. Such an increase in selling and distribution expenses was attributable to the increase in advertising expenses due to the adjustment and upgrade to our marketing plans, increasing advertising placements, TV programme sponsorships, outdoor and indoor advertisements and online advertising to seize business opportunities from the gradual recovery of tourism and retail industry in Hong Kong since the resumption of the normal clearance of travellers between Hong Kong and Mainland China and to boost revenue.

Administrative Expenses

Administrative expenses decreased by approximately HK\$3.3 million or 4.7% from approximately HK\$70.3 million for the last year to approximately HK\$67.0 million for the Year, which was mainly attributable to the decrease in sundry expenses from approximately HK\$3.9 million for the last year to approximately HK\$1.6 million for the Year.

Taxation

The Group recorded an income tax credit of approximately HK\$395,000 for the Year, as compared to an income tax credit of approximately HK\$55,000 for the last year.

Loss for the Year

The Group recorded a net loss of approximately HK\$36.4 million for the Year, as compared to a net loss of approximately HK\$49.2 million for the last year.

Other Comprehensive Income/(Expense)

The Group recorded other comprehensive income of approximately HK\$5.8 million for the Year, as compared to other comprehensive expense of approximately HK\$12.7 million for the last year. The reason for the turnaround was mainly attributable to (i) a gain on fair value of financial assets at fair value through other comprehensive income of approximately HK\$9.4 million for the Year, as compared to a loss on fair value of financial assets at fair value through other comprehensive expense of approximately HK\$1.2 million for the last year; and (ii) the decrease of exchange loss on translating foreign operations from approximately HK\$11.5 million for the last year to approximately HK\$3.6 million for the Year.

Financial Assets at Fair Value through Other Comprehensive Income

During the Year, the Group held certain investments for medium to long term purpose, and it represented investment in two listed equity securities and one unlisted equity security which are stated at fair value.

The first listed equity security represents 2,375,300 shares (a share consolidation of every 50 ordinary shares into 1 consolidated share was effective on 4 December 2023) in Fullshare (stock code: 607), and there was no acquisition or disposal of the shares of Fullshare during the Year. Fullshare is principally engaged in property, tourism, investment and financial services, healthcare and education and new energy businesses. As at 31 March 2024, the carrying amount of these shares amounted to approximately HK\$1.2 million (2023: approximately HK\$13.2 million), with the fair value loss of approximately HK\$12.0 million recognised as other comprehensive expense for the Year, and these shares represented approximately 0.4% of the issued ordinary shares of Fullshare as at 31 March 2024. The carrying amount of these shares represented approximately 0.2% of the total assets of the Group as at 31 March 2024.

The second listed equity security represents 45,411,600 shares in Nanjing Sinolife United Company Limited (“**Nanjing Sinolife**”) (stock code: 3332). There was no acquisition or disposal of this investment during the Year. Nanjing Sinolife is principally engaged in the manufacturing and sale of nutritional supplements and the trading of packaged health food products in the PRC, Australia and New Zealand. As at 31 March 2024, the carrying amount of these shares amounted to approximately HK\$26.8 million (2023: approximately HK\$5.4 million), with the fair value gain of approximately HK\$21.4 million was recognised as other comprehensive income for the Year, and these shares represented approximately 16.7% and 4.8% of the issued H shares and the total issued ordinary shares of Nanjing Sinolife respectively as at 31 March 2024. The carrying amount of these shares represented approximately 4.6% of the total assets of the Group as at 31 March 2024.

The fair value of these securities as at the date of this announcement was approximately HK\$30.2 million.

Inventories

The Group's inventories decreased by approximately 10.4% from approximately HK\$15.9 million as at 31 March 2023 to approximately HK\$14.2 million as at 31 March 2024, which was primarily due to the decrease in work in progress for distribution by approximately 68.0% from approximately HK\$1.7 million as at 31 March 2023 to approximately HK\$0.5 million as at 31 March 2024.

Financial Assets at Fair Value through Profit or Loss – Held for Trading

The Group held two listed equity securities for short term trading purpose and they are stated at fair value. They include 13,710,000 shares in Nanjing Sinolife and 200,000 shares in Mansion International Holdings Limited (stock code: 8456). As at 31 March 2024, the carrying amount of equity securities held for trading amounted to approximately HK\$8.1 million and represented approximately 1.4% of the total assets of the Group as at 31 March 2024.

The fair value of these securities as at the date of this announcement was approximately HK\$8.8 million.

Trade Receivables

The Group's trade receivables decreased by approximately 20.4% from approximately HK\$10.0 million as at 31 March 2023 to approximately HK\$7.9 million as at 31 March 2024.

Trade Payables

The Group's trade payables increased by approximately 30.9% from approximately HK\$6.9 million as at 31 March 2023 to approximately HK\$9.0 million as at 31 March 2024.

Liquidity, Gearing Ratio and Capital Structure

The Group's bank balances and cash were mainly denominated in HKD and RMB. The bank balances and cash increased by approximately 4.2% from approximately HK\$10.8 million as at 31 March 2023 to approximately HK\$11.2 million as at 31 March 2024. The Group's bank and other borrowings were denominated in HKD and RMB. As at 31 March 2024, the amount of Group's outstanding bank and other borrowings was approximately HK\$319.4 million (2023: approximately HK\$317.1 million); and the amount of unutilised banking facilities was approximately HK\$8.3 million (2023: approximately HK\$38.4 million). As at 31 March 2024, bank borrowings of approximately HK\$309.4 million bore floating interest rates and other borrowings of HK\$10 million bore fixed interest rates. The gearing ratio (total debts divided by total equity) as at 31 March 2024 was 1.5 (2023: 1.3). The current ratio (total current assets divided by total current liabilities) as at 31 March 2024 was 0.2 (2023: 0.2).

Contingent Liabilities

As at 31 March 2024, the Directors were not aware of any significant events that would have resulted in material contingent liabilities of the Group.

Charges on the Group's Assets

As at 31 March 2024, the carrying value of the assets of the Group that were pledged in favour of banks was approximately HK\$451.1 million (2023: approximately HK\$480.3 million).

Capital Commitment

As at 31 March 2024, the Group did not have any capital commitment in respect of the acquisition of property, plant and equipment (2023: Nil).

Financial Management and Policy

The Group continues to adopt prudent financing and treasury policies. The Group's entire 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's financial controller, are responsible for identifying, reviewing, evaluating and analysing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirements of the Group.

SUBSEQUENT EVENT

There has been no significant event affecting the Group which occurred after 31 March 2024 and up to date of this announcement which requires disclosure.

OTHER INFORMATION

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of independent auditors' report issued by the Company's external auditor:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$36,400,000 during the year ended 31 March 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$198,600,000. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year (2023: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 23 September 2024 to Thursday, 26 September 2024, both days inclusive, during which period no transfer of Shares 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 20 September 2024.

CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Group strive to maintain a high standard of corporate governance, to formulate sound 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 Shareholders' expectations are met.

Compliance with Corporate Governance Code

Throughout the Year, the Company has applied the principles and the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix C1 to the Listing Rules. The Board is of the view that during the Year, the Company has complied with all applicable code provisions set out in the CG Code except for the deviations stipulated below:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Pang Siu Hin is both the chairman and the chief executive officer of the Company. In view of the fact that Mr. Pang is one of the co-founders of the Group and has been operating and managing the Group effectively 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 with his profound knowledge and experience in the industry. The Board therefore considers that the deviation from code provision C.2.1 is reasonably justified under such circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirmed that they had complied with the standards required by the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold and redeemed any of the Shares during the Year.

AUDIT COMMITTEE

The Company has established an Audit Committee on 5 November 2010 with its written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and monitor the Group's financial information, oversee the Group's financial reporting system, risk management and internal control systems, and provide advice and comment to the Board. The Audit Committee consists of three members, namely Mr. Lee Luk Shiu, Mr. Lau Chi Kit and Dr. Tang Sing Hing, Kenny, all being independent non-executive Directors.

The Group's consolidated financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Year comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF THE COMPANY’S 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 as set out in the annual results announcement have been agreed by the Group’s auditors, HLB Hodgson Impey Cheng Limited (“**HLB**”), to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by HLB in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB on the final results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hinsanggroup.com. The annual report of the Company for the Year will be published on the respective websites of the Stock Exchange and the Company in due course according to the Listing Rules.

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 manages and develops the brand of such products
“Company”	Hin Sang Group (International) Holding Co. Limited (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 directors of the Company
“Fullshare”	Fullshare Holdings Limited (豐盛控股有限公司), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Stock Exchange (stock code: 607)
“Group”	the Company and its subsidiaries
“Healthcare Segment”	the business segment in which the Group engages in providing Chinese medical healthcare related services which targets for mothers and children in Mainland China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Product Development Segment”	the business segment in which the Group develops own personal care products, health supplements and household products sold under its own brands, including but not limited to “Hin Sang (衍生)”, “Tai Wo Tong (太和堂)”, “Cheers Smart (千里馬)”, “Care Plus (私+呵護)” and “King’s Antiseptic (殺菌王)”
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“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
“Year”	the year ended 31 March 2024

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

Hong Kong, 28 June 2024

As at the date of this announcement, the executive Directors are Mr. Pang Siu Hin and Ms. Kwan Lai Man, the non-executive Directors are Ms. Wong Wai Ling and Ms. Tian Shanshan, and the independent non-executive Directors are Mr. Lau Chi Kit, Mr. Lee Luk Shiu and Dr. Tang Sing Hing, Kenny.