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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 2021

Financial Highlights	Year ended 31 March		Change %
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	
Revenue	119,441	176,209	(32.2)
Gross profit	68,793	118,391	(41.9)
Loss for the year	(36,846)	(32,253)	14.2
Other comprehensive income/(expense) for the year	19,235	(128,969)	114.9
Loss per share			
– Basic and diluted (<i>HK cents</i>)	(2.93)	(1.81)	

RESULTS

The Board is pleased to announce the audited consolidated results of Hin Sang Group (International) Holding Co. Ltd. and its subsidiaries for the year ended 31 March 2021 together with the comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Revenue	3	119,441	176,209
Cost of sales		<u>(50,648)</u>	<u>(57,818)</u>
Gross profit		68,793	118,391
Other income	5	3,903	1,462
Other gains and losses	6	(357)	(28,051)
Selling and distribution expenses		(10,962)	(21,977)
Administrative expenses		(87,009)	(92,655)
Finance costs	7	<u>(11,040)</u>	<u>(5,799)</u>
Loss before tax		(36,672)	(28,629)
Income tax expense	8	<u>(174)</u>	<u>(3,624)</u>
Loss for the year	9	<u>(36,846)</u>	<u>(32,253)</u>
Other comprehensive income/(expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain/(loss) on equity instruments at fair value through other comprehensive income		7,444	(116,991)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>11,791</u>	<u>(11,978)</u>
Other comprehensive income/(expense) for the year		<u>19,235</u>	<u>(128,969)</u>
Total comprehensive expense for the year		<u>(17,611)</u>	<u>(161,222)</u>

	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to:		
- Owners of the Company	(31,950)	(19,789)
- Non-controlling interests	(4,896)	(12,464)
	<u>(36,846)</u>	<u>(32,253)</u>
Total comprehensive expense for the year attributable to:		
- Owners of the Company	(14,210)	(146,909)
- Non-controlling interests	(3,401)	(14,313)
	<u>(17,611)</u>	<u>(161,222)</u>
Loss per share		
- Basic (<i>HK cents</i>)	<u>(2.93)</u>	<u>(1.81)</u>
- Diluted (<i>HK cents</i>)	<u>(2.93)</u>	<u>(1.81)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		360,414	231,528
Right-of-use assets		242,939	250,968
Investment properties		10,523	11,766
Financial assets at fair value through profit or loss		5,806	5,589
Deposits for acquisition of property, plant and equipment		1,530	40,789
Equity instruments at fair value through other comprehensive income		28,780	21,336
Deferred tax assets		371	122
		<u>650,363</u>	<u>562,098</u>
Current assets			
Inventories		20,091	10,699
Trade and other receivables	12	18,741	44,081
Financial assets at fair value through profit or loss		2,905	2,657
Tax refundable		616	2,842
Bank balances and cash		15,143	12,428
		<u>57,496</u>	<u>72,707</u>
Assets classified as held for sale		3,958	–
		<u>61,454</u>	<u>72,707</u>
Total assets		<u>711,817</u>	<u>634,805</u>
Current liabilities			
Trade and other payables	13	39,770	26,175
Contract liabilities		5,673	9,416
Bank borrowings		116,308	68,059
Lease liabilities		2,499	2,612
Current tax liabilities		620	967
		<u>164,870</u>	<u>107,229</u>
Net current liabilities		<u>(103,416)</u>	<u>(34,522)</u>
Total assets less current liabilities		<u>546,947</u>	<u>527,576</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Bank borrowings	220,537	182,517
Lease liabilities	6,156	7,994
Deferred tax liabilities	679	–
	<u>227,372</u>	<u>190,511</u>
Net assets	<u>319,575</u>	<u>337,065</u>
Capital and reserves		
Share capital	109,180	109,180
Reserves	208,929	223,187
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale	169	–
Equity attributable to owners of the Company	318,278	332,367
Non-controlling interests	1,297	4,698
Total equity	<u>319,575</u>	<u>337,065</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 and by the Hong Kong Companies Ordinance.

The Group incurred a net loss of approximately HK\$36,846,000 during the year ended 31 March 2021 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$103,416,000. 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 and the impact of COVID-19, 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 financing 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 2021, the Group’s total bank borrowings that will be due in coming twelve months included the revolving loans of approximately HK\$62,000,000 and the Group had unutilised banking facilities of approximately HK\$63,155,000. The directors of the Company 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.

The directors have assessed the Group’s cash flow projections covering a period of not less than twelve months from 31 March 2021. 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 the impact of 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 2021. 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”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs* in the current year 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 the consolidated financial statements.

3. REVENUE

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

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Sales of goods	118,413	173,328
Provision of healthcare services	<u>1,028</u>	<u>2,881</u>
	<u><u>119,441</u></u>	<u><u>176,209</u></u>

4. SEGMENT INFORMATION

Information reported to the Board 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
4. Healthcare Segment – development of mother and child related health products, hospital, 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 2021

	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>115,950</u>	<u>1,974</u>	<u>489</u>	<u>1,028</u>	<u>119,441</u>
Segment profit/(loss)	<u>(16,796)</u>	<u>293</u>	<u>140</u>	<u>(4,402)</u>	(20,765)
Interest income					97
Gain on fair value change of financial assets at fair value through profit or loss					619
Finance costs					(11,040)
Unallocated expenses					<u>(5,583)</u>
Loss before tax					<u>(36,672)</u>

For the year ended 31 March 2020

	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>169,748</u>	<u>3,248</u>	<u>–</u>	<u>3,213</u>	<u>176,209</u>
Segment profit/(loss)	<u>8,135</u>	<u>(42)</u>	<u>–</u>	<u>(22,716)</u>	(14,623)
Interest income					201
Loss on fair value change of financial assets at fair value through profit or loss					(2,291)
Finance costs					(5,799)
Unallocated expenses					<u>(6,117)</u>
Loss before tax					<u>(28,629)</u>

There were no sales transactions between the 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, gain/loss 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 the PRC.

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 instruments and deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	64,004	123,388	237,196	251,280
PRC	55,437	52,821	378,210	283,771
	<u>119,441</u>	<u>176,209</u>	<u>615,406</u>	<u>535,051</u>

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A ¹	<u>N/A</u> ²	<u>23,629</u>

¹ Revenue from Product Development Segment and Brand Development and Management Segment.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income on bank deposits	97	201
Rental income	217	389
Government grants	2,719	–
Others	870	872
	<u>3,903</u>	<u>1,462</u>

6. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain/(Loss) on fair value change of financial assets at fair value through profit or loss		
– Held for trading	402	(2,503)
– Others	217	212
Gain/(Loss) on fair value change of investment properties	11	(761)
Loss on disposal of property, plant and equipment	–	(5,389)
Impairment loss on property, plant and equipment and right-of-use assets	–	(20,128)
Impairment loss under expected credit loss model	(1,063)	(147)
Gain on lease termination	–	192
Gain on lease modification	67	–
Net foreign exchange gain	9	473
	<u>(357)</u>	<u>(28,051)</u>

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on bank loans	12,126	7,885
Interest expense on lease liabilities	258	1,024
	<u>12,384</u>	<u>8,909</u>
Total borrowing costs	12,384	8,909
Less: amounts capitalised in the cost of qualifying assets	(1,344)	(3,110)
	<u>11,040</u>	<u>5,799</u>

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	608	3,544
– Over provision in prior year	<u>(662)</u>	<u>(209)</u>
	<u>(54)</u>	<u>3,335</u>
PRC Enterprise Income Tax		
– Current year	12	323
– Over provision in prior year	<u>(192)</u>	<u>–</u>
	<u>(180)</u>	<u>323</u>
Deferred tax:		
– Current year	<u>408</u>	<u>(34)</u>
Total income tax recognised in profit or loss	<u><u>174</u></u>	<u><u>3,624</u></u>

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

9. LOSS FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment	16,167	9,391
Depreciation of right-of-use assets	<u>10,444</u>	<u>11,179</u>
Total depreciation	26,611	20,570
Less: amounts capitalised in construction in progress	(68)	(399)
Less: amounts capitalised in inventories	<u>(5,260)</u>	<u>–</u>
	<u>21,283</u>	<u>20,171</u>
Staff costs, including directors' emoluments	45,887	45,532
Less: amounts capitalised in inventories	<u>(4,905)</u>	<u>–</u>
	<u>40,982</u>	<u>45,532</u>
Cost of inventories recognised as an expense	43,409	49,701
Auditors' remuneration	900	900
Write-down of inventories	<u>–</u>	<u>3,787</u>
Gross rental income from investment properties	(217)	(389)
Less: direct operating expenses	<u>64</u>	<u>79</u>
Net rental income from investment properties	<u>(153)</u>	<u>(310)</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:

	2021 <i>HK\$'000</i>	2020 <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)	<u>(31,950)</u>	<u>(19,789)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,091,796</u>	<u>1,092,744</u>

The computation of diluted loss per share for the years ended 31 March 2021 and 2020 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 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

12. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	7,981	17,507
Less: Allowance for credit losses	<u>(2,259)</u>	<u>(1,196)</u>
	5,722	16,311
Prepayments to suppliers	852	2,481
Prepayments for other expenses	1,259	2,248
Deposits	2,148	1,856
Value-added tax recoverable	8,211	18,963
Other receivables	<u>549</u>	<u>2,222</u>
	<u><u>18,741</u></u>	<u><u>44,081</u></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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-30 days	3,382	5,062
31-60 days	541	8,668
61-90 days	582	2,410
91-365 days	1,140	138
Over 365 days	<u>77</u>	<u>33</u>
	<u><u>5,722</u></u>	<u><u>16,311</u></u>

13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	7,499	14,386
Accruals and other payables	<u>32,271</u>	<u>11,789</u>
	<u>39,770</u>	<u>26,175</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-30 days	2,163	12,468
31-60 days	504	1,309
61-90 days	1,691	-
Over 90 days	<u>3,141</u>	<u>609</u>
	<u>7,499</u>	<u>14,386</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the marketing, selling and manufacturing of healthcare products primarily targeting at children, among which “Hin Sang (衍生)” has been a long established reputable brand. To align with the consumer’s purchasing trend, the Group continues to expand the e-commerce business through electronic platforms. To leverage on existing resources to increase profit, the Group also trades in skin care, personal care and slimming products of reputable brands. It is also developing its business in mother-infant Chinese medical healthcare as well as diagnosis and treatment services projects.

For the Year, the Group’s revenue was approximately HK\$119.4 million, representing a decrease of approximately 32.2% as compared to the Group’s revenue of approximately HK\$176.2 million for the last year. The Group has four business segments classified by their ownership, licensing rights and services rendered. During the Year, the Product Development Segment, selling the Group’s own brand products, was still the largest segment of the Group which contributed approximately 97.1% (2020: 96.3%) of the Group’s revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment fell from approximately 1.9% of the total revenue for the last year to approximately 1.7% of the total revenue for the Year. The Trading of Goods Segment recorded approximately 0.4% for the Year (2020: 0%). The Healthcare Segment accounted for only approximately 0.8% (2020: 1.8%) of the Group’s total revenue for the Year.

The Group’s business operations are mainly based in Hong Kong, though its products are distributed through distributors appointed in the PRC, Macau, and export to markets such as Malaysia. Revenue generated from the Hong Kong market for the Year recorded approximately HK\$64.0 million (2020: HK\$123.4 million), representing approximately 53.6% of the total revenue for the Year (2020: 70.0%). On the other hand, revenue generated from the PRC market for the Year recorded approximately HK\$55.4 million (2020: HK\$52.8 million), representing approximately 46.4% of the total revenue for the Year (2020: 30.0%). The revenue generated from sales in Hong Kong decreased due to the continued and prolonged outbreak of the COVID-19 pandemic, which has adversely impacted the retail and tourism industries in Hong Kong.

Product Development Segment

Under the Product Development Segment, the Group develops and sells healthcare products, personal care products and household products under its own brand names, mainly being “Hin Sang (衍生)”, “Tai Wo Tong (太和堂)”, “Care Plus (私+呵護)”, “Shuang Long (雙龍)” and “King’s Antiseptic (殺菌王)”. The Group started developing the “Hin Sang (衍生)” brand in 2004 mainly for its health supplements. “Tai Wo Tong (太和堂)” was developed in 2012 mainly for the Group’s proprietary Chinese medicine category. With a view to further enhancing brand recognition of the Group’s own brand products, the Group launched several products during 2020, including but not limited to “Cheers Smart Perfect Slim (Capsule) (千里馬極速纖(膠囊))”, “Cheers Smart Hangover & Liver Care (Capsule) (千里馬解酒護肝之素(膠囊))”, “Care Plus Alcohol (私+呵護殺菌消毒酒精)”, “Care Plus Anti-Bacterial Body Wash (私+呵護沐浴露)”, “Care Plus 3-ply Protection Face Mask (ASTM Level 3) (私+呵護3層防護口罩(ASTM Level 3))”, “Hin Sang Bei Er Zhi Le Solid Beverage (衍生蓓兒智樂固體飲料)”, “Hin Sang Bei Er Chang Shu Solid Beverage (衍生蓓兒暢舒固體飲料)”, “Hin Sang Bei Er Hu Kang Solid Beverage (衍生蓓兒護康固體飲料)”, “Hin Sang Bei Er La Zhi Solid Beverage (衍生蓓兒拉址固體飲料)”, “Hin Sang Bei Er Fu Le Solid Beverage (衍生蓓兒複樂固體飲料)” and “Hin Sang Bei Er Yi Qing Solid Beverage (衍生蓓兒燦清固體飲料)”.

The revenue of this segment was approximately HK\$116.0 million for the Year, represented a decrease of approximately 31.7% comparing to a segment revenue of approximately HK\$169.7 million for the last year. This segment’s loss for the Year was approximately HK\$16.8 million, comparing to the segment profit of approximately HK\$8.1 million for the last year. This segment’s loss margin for the Year was approximately 14.5% while the profit margin for the last year was approximately 4.8%. The decrease in revenue is due to the fact that the retail market is greatly impacted by COVID-19. The number of tourists in Hong Kong drastically decreased because of the travel restriction and quarantine measures, which in turn adversely affected the demand of our products.

Brand Development and Management Segment

The Group has a proven history of managing and developing a number of brands for its brand proprietors (who are mainly manufacturers and brand proprietors of the products) in respect of their personal care products mainly in the Hong Kong market since 1999. The Group entered into an exclusive distribution agreement with each of the brand proprietors and provided them with one-stop marketing, sales and distribution, logistic and delivery services for their branded products.

Amongst 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 was approximately HK\$2.0 million for the Year, represented a decrease of approximately 39.2% comparing to a segment revenue of approximately HK\$3.2 million for the last year. Such decrease was mainly due to the shift of focus by the management of the Group to the Product Development Segment during the Year in order to enhance the brand image of the Group’s own-branded products. This segment recorded a profit of approximately HK\$293,000 for the Year while a loss of approximately HK\$42,000 was recorded for the last year.

Trading of Goods Segment

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

The revenue of this segment was approximately HK\$489,000 for the Year, comparing to zero for the last year and it accounted for approximately 0.4% of the Group's revenue of the Year. The increase in revenue is contributed by the new partnership opportunities with authorised dealers and overseas suppliers during the Year. While there was an increase in revenue of this segment, it was still the focus of the Group to expand and develop the Product Development Segment during the Year.

Healthcare Segment

The Healthcare Segment provides different types of healthcare related services and products in Hong Kong and the PRC for mothers and children by establishment of clinics with medical treatment and consultation by experienced Chinese physician who specialised in mother-infant Chinese medical healthcare.

The revenue of this segment was approximately HK\$1.0 million and it accounted for approximately 0.8% of the Group's revenue for the Year. This segment's loss for the Year was approximately HK\$4.4 million as compared to a loss of approximately HK\$22.7 million for the last year, due to the cessation of business of certain operating subsidiaries in Nanjing during the Year and the expenses incurred in Nanjing have decreased in the Year.

HUMAN RESOURCES

The Group had a total of 310 staff as at 31 March 2021 (2020: 194). The increase in staff was as a result to the completion of a production plant in Yunfu City and the Group employed more workers for self-production. The employees of the Group are on fixed salary, sales commission individually 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 an appraisal provides the Group with an opportunity to assess each individual employee's strengths and areas for improvement, thereby enabling the Group to effectively train and develop each individual employee. A Share Option Scheme was adopted in September 2014 to recognise and acknowledge those employees who have made contribution to the Group.

PROSPECTS

The Group is confident that Hong Kong market can still provide a stable platform for its business to expand. The Group continues its effort in new product development in order to enrich health supplements portfolio and enhance the brand image as being a specialist in providing health supplements. The Group ensures that only those products with high sales volume potential should be retained in its product portfolio. At the same time, the Group will also focus on the development of the China market, especially in the health supplement market for children. The Group believes that this market will be greatly benefited by the launch of China's "three-child" policy. To seize this opportunity, the Group will continue to expand its distribution network by recruiting additional distributors and put more resources to promote corporate image in order to expand its customer base.

The Group has outlined the following strategies for its future business development, with caution but aim to creating values 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 an effective targeted advertising program which is well-positioned emphasising on product safety and quality.

The Group continued focusing on and applying its brand strategies of multichannel marketing and diverse product portfolios. The Group adopted a market oriented research and product development strategy to meet evolving customer demands and needs while achieving rapid growth. The Group's new product development initiative for the coming year will focus on developing more products in mother and children health supplements in Hong Kong and the PRC.

(b) To expand the manufacturing arm of the Group

As part of the Group's plan to enhance the production efficiency of its own brand products in order to capture future opportunities, the Group has developed a production plant for manufacturing health supplements in Yunfu City of the Guangdong Province, the PRC, aiming to reduce the product cost by self-production rather than Original Equipment Manufacturer ("OEM") to outside supplier, and increase efficiency and attaining more stringent quality control on its own brand healthcare products. The construction of the production plant has been completed on 30 April 2020 and it has started production on 19 September 2020.

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

The Group will continue to enhance its e-commerce platform which focus on online sales of the products under “Hin Sang (衍生)”, through which customers, particularly those in the PRC can place orders online and enjoy home delivery services. Due to the gradual popularity of online shopping, especially in the PRC market, revenue from e-commerce platforms accounted for approximately HK\$34.9 million (2020: HK\$28.9 million) of the Group’s total revenue for the Year. The Group will continue to introduce more high quality health supplements on the online platforms to expand our product portfolio and market scale.

FINANCIAL REVIEW

Revenue

The Group’s revenue was approximately HK\$119.4 million for the Year as compared to HK\$176.2 million for the last year, representing a decrease of approximately 32.2%. Such decrease was mainly due to the decrease in its sales of products under the Product Development Segment and the Brand Development and Management Segment.

During the Year, the revenue generated from the Product Development Segment decreased by approximately HK\$53.8 million, representing a decrease of approximately 31.7% as compared to last year. The revenue generated from the Brand Development and Management Segment decreased by approximately HK\$1.3 million, representing a decrease of approximately 39.2% as compared to last year. The decrease in revenue for these segments was mainly due to the decline in revenue from the Hong Kong market, as a result of the stagnant retail market in Hong Kong which result in a cautious sentiment of the local customers. Revenue generated from Trading of Goods Segment was approximately HK\$489,000 for the Year, comparing to zero for the last year. Revenue generated from the Healthcare Segment was approximately HK\$1.0 million and it accounted for approximately 0.8% of the Group’s revenue for the Year.

Cost of Sales

The Group’s cost of sales decreased by approximately 12.4% from approximately HK\$57.8 million for the last year to approximately HK\$50.6 million for the Year. The reason for the decrease was primarily due to the decrease in sales under the Product Development Segment as compared to last year.

Gross Profit and Gross Profit Margin

The Group’s gross profit decreased by approximately 41.9% from approximately HK\$118.4 million for the last year to approximately HK\$68.8 million for the Year. The gross profit margin for the Year decreased from 67.2% to 57.6%, which was mainly resulted from the decrease in sales of higher profit margin products from the Product Development Segment.

Other Income

The Group's other income increased from approximately HK\$1.5 million for the last year to approximately HK\$3.9 million for the Year, which was mainly due to the receipt of subsidy from the HKSAR government's Employment Support Scheme in the amount of approximately HK\$2.7 million.

Other Gains and Losses

The Group recorded other losses of approximately HK\$357,000 for the Year (2020: HK\$28.1 million). The decrease in other losses was attributable to an impairment loss on property, plant and equipment and right-of-use assets of approximately HK\$20.1 million recorded by the Group last year and the Group only recorded approximately HK\$1.1 million (2020: HK\$147,000) impairment loss under expected credit loss model for the Year.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 50.1% from approximately HK\$22.0 million for the last year to approximately HK\$11.0 million for the Year. Such decrease in selling and distribution expenses was attributable to the decrease in advertising expenses in Hong Kong due to the change of the Group's marketing and advertising strategy by conducting more marketing and advertising on outdoor media rather than on TV media in Hong Kong.

Administrative Expenses

Administrative expenses decreased by approximately HK\$5.6 million or 6.1% from approximately HK\$92.7 million for the last year to approximately HK\$87.0 million for the Year which was mainly attributable to the cessation of business of certain operating subsidiaries in Nanjing during the Year.

Taxation

The Group's tax charge decreased by approximately 95.2% from approximately HK\$3.6 million for the last year to approximately HK\$174,000 for the Year. The decrease in income tax expense was due to the decrease in assessable profits of the Group in Hong Kong for the Year.

Loss for the Year

During the Year, the Group recorded a net loss of approximately HK\$36.8 million for the Year compared to a net loss of approximately HK\$32.3 million for the last year.

Other Comprehensive Income

The other comprehensive income recorded by the Group increased by approximately 114.9% from comprehensive expense of approximately HK\$129.0 million for the last year to comprehensive income of approximately HK\$19.2 million for the Year due to fair value gain on equity instruments at fair value through other comprehensive income.

Equity Instruments 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 which are stated at fair value.

The first listed equity security represents 118,765,000 shares in Fullshare (stock code: 607), and there was no acquisition or disposal of the shares of Fullshare during the Year. As at 31 March 2021, the carrying amount of these shares amounted to approximately HK\$19.8 million (2020: HK\$14.2 million), and the fair value gain of approximately HK\$5.6 million was recognised as other comprehensive income for the Year, and these shares represented approximately 0.6% of the issued ordinary shares of Fullshare as at 31 March 2021. The carrying amount of these shares represented approximately 2.8% of the total assets of the Group as at 31 March 2021.

The second listed equity security represents 45,411,600 shares in Nanjing Sinolife United Company Limited (“**Nanjing Sinolife**”) (stock code: 3332). With reference to the Company’s circular dated 21 September 2017, the Company purchased these shares from a wholly-owned subsidiary of Fullshare at the consideration of HK\$73,112,676 and the transaction was completed on 18 October 2017. There was no acquisition or disposal of this investment during the Year. As at 31 March 2021, the carrying amount of these shares amounted to approximately HK\$8.9 million (2020: HK\$7.1 million), and a fair value gain of approximately HK\$1.8 million was recognised for the Year, and these shares represented approximately 16.7% of the issued ordinary shares of Nanjing Sinolife as at 31 March 2021. The carrying amount of these shares represented approximately 1.3% of the total assets of the Group as at 31 March 2021.

The fair value of these securities as at the date of this announcement was approximately HK\$26.2 million.

Inventories

The Group’s inventories increased by approximately 87.8% from approximately HK\$10.7 million as at 31 March 2020 to approximately HK\$20.1 million as at 31 March 2021, which was primarily due to the increase in finished products for distribution by approximately 56.8% from approximately HK\$8.7 million as at 31 March 2020 to approximately HK\$13.6 million as at 31 March 2021.

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

The Group held several listed equity securities for short term trading purpose and they are stated at fair value. The largest portion of listed equity security represents 13,710,000 shares in Nanjing Sinolife and 4,000,000 shares in Mansion International Holdings Limited (stock code: 8456, temporary stock code: 8559, last date for parallel trading: 22 July 2021). As at 31 March 2021, the carrying amount of equity securities held for trading amounted to approximately HK\$2.9 million and represented approximately 0.4% of the total assets of the Group as at 31 March 2021. The fair value of these securities as at the date of this announcement was approximately HK\$2.6 million.

Trade Receivables

The Group's trade receivables decreased by approximately 64.9% from approximately HK\$16.3 million as at 31 March 2020 to approximately HK\$5.7 million as at 31 March 2021, which was primarily attributable to the decrease in trade receivables from distributors arising from the purchase of healthcare products of the Product Development Segment.

Trade Payables

The Group's trade payables decreased by approximately 47.9% from approximately HK\$14.4 million as at 31 March 2020 to approximately HK\$7.5 million as at 31 March 2021.

Liquidity, gearing ratio and capital structure

The Group's bank balances and cash were mainly denominated in HKD and RMB. The bank balances increased by approximately 21.8% from approximately HK\$12.4 million as at 31 March 2020 to approximately HK\$15.1 million as at 31 March 2021. As at 31 March 2021, the amount of Group's outstanding bank borrowings was approximately HK\$336.8 million; and the amount of unutilised banking facilities was approximately HK\$63.2 million. The gearing ratio (total debts divided by total equity) as at 31 March 2021 was 1.1 (2020: 0.7). The current ratio (total current assets divided by total current liabilities) as at 31 March 2021 was 0.4 (2020: 0.7).

Contingent liabilities

As at 31 March 2021, 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 2021, the carrying value of the assets of the Group that were pledged in favor of banks was approximately HK\$527.2 million.

Capital commitments

As at 31 March 2021, the Group had total capital commitments of approximately HK\$744,000 in respect of the acquisition of property, plant and equipment.

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 chief financial officer, 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.

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 2021 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\$36,846,000 during the year ended 31 March 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$103,416,000. 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 ended 31 March 2021.

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 Friday, 24 September 2021 to Wednesday, 29 September 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 23 September 2021.

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 complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules except for the below deviations:

Code Provision A.2.1

Under Code Provision A.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 A.2.1 is reasonably justified under such circumstances.

Code Provision F.1.1

Under Code Provision F.1.1 of the CG Code, the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. During the period from 1 April 2020 to 9 July 2020, the Company engaged Ms. Kho Polien, an external provider, as the company secretary of the Company (the "**Company Secretary**"). On 10 July 2020, the Company has appointed Mr. Wong Chung Him, financial controller of the Company, as the Company Secretary. The Company has been in compliance with this Code Provision since then.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors and all Directors confirmed that they have complied with the standards required by the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the Year have been reviewed by the Audit Committee.

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

“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 Hong Kong and the PRC
“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
“Macau”	the Macau Special Administrative Region of the PRC
“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 its own brands, including but not limited to “Hin Sang (衍生)”, “Tai Wo Tong (太和堂)”, “Care Plus (私+呵護)”, “Shuang Long (雙龍)” and “King’s Antiseptic (殺菌王)”
“Share(s)”	ordinary share(s) 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 authorized dealers and independent traders or directly from suppliers
“Year”	the year ended 31 March 2021

English translation of names in Chinese in this announcement which are marked “” are for identification purposes only.*

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

Hong Kong, 24 June 2021

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 Mr. Yuen Chi Ping (suspension of duties), and the independent non-executive Directors are Mr. Lau Chi Kit, Mr. Lee Luk Shiu and Dr. Tang Sing Hing, Kenny.