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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)

(I) DISCLOSEABLE AND CONNECTED TRANSACTION (II) EXEMPTED CONTINUING CONNECTED TRANSACTION LEASE OF PREMISES

I. THE ACQUISITION

The Board is pleased to announce that after the Stock Exchange trading hours on 1 June 2015, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors in relation to the acquisition of the Sale Shares, which represent the entire issued share capital of the Target Company at the consideration of HK\$9,800,000. The Target Group is principally engaged in the research and development, registration and packing of PCM.

As the relevant applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company pursuant to Rule 14.07 of the Listing Rules. As the Vendors are both Directors and controlling shareholders of the Company, accordingly, the Acquisition also constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules. The Acquisition is only subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

II. THE LEASE OF PREMISES

The Lease Agreement was entered into on 1 June 2015 between the Vendors (as landlord) and the Target Company (as tenant), pursuant to which the Target Company shall lease the Premises from the Vendors with effect from 1 June 2015 for a term of 2 years at the rental of HK\$39,000.00 per month.

Upon Completion, the Target Company will become a subsidiary of the Company. Therefore, the Lease will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios are less than 5% and the annual rental is less than HK\$3,000,000, the Lease Agreement is exempted from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. THE ACQUISITION

The Board is pleased to announce that after trading hours on 1 June 2015, the Purchaser, a wholly owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors in relation to the acquisition of the Sale Shares, which represent the entire issued share capital of the Target Company. Set out below are the principal terms of the Acquisition Agreement.

The Acquisition Agreement

Date

1 June 2015

Parties

Vendors: (i) Mr. Pang; and (ii) Mrs. Pang

Purchaser: Hin Sang Group Holding Limited, a company incorporated in the British Virgin Islands, a wholly owned subsidiary of the Company

Assets to be acquired

Sale Shares, being a total of 24,000,000 shares in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company.

Consideration

The consideration for the Sale Shares is HK\$9,800,000, which shall be satisfied by cash on the Completion Date.

The Consideration was arrived at after arm's length negotiations between Vendors and the Purchaser with reference to the valuation of the Target Group prepared by an independent valuer who valued the Target Group at approximately HK\$10,412,000 as at 31 March 2015.

Conditions precedent:

Completion of the Acquisition is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

- (a) the completion of a due diligence exercise to be carried out by the Purchaser in respect of the financial position, books and records and businesses of the Target Group, and the relevant results being satisfactory to the Purchaser in its absolute discretion;
- (b) the obtaining by the Company and the Purchaser of all necessary consents, approvals and permissions from relevant organisations, institutions, government and regulatory authorities (including the Stock Exchange) in respect of the Acquisition Agreement and the transactions contemplated thereunder (if applicable);

- (c) the Vendors shall have delivered to the Purchaser the completion accounts in respect of the Target Group as referred to in the Acquisition Agreement, which shall be in form and substance satisfactory to the Purchaser, in its absolute discretion; and
- (d) all the representations, warranties and undertakings of the Vendors remaining true and accurate as at Completion, for which the Vendors shall have performed or complied with at or before Completion (as the case may be).

The Purchaser and the Vendors shall use the best endeavor to procure the above conditions to be fulfilled as soon as possible. If the above conditions shall not have been fulfilled or waived by the Purchaser on or before 30 September 2015 or such other date as the Vendors and the Purchaser may agree, the Acquisition Agreement shall, subject to certain provisions of the Acquisition Agreement and the liability of any party to the other in respect of any antecedent breaches of the terms of the Acquisition Agreement, cease to have effect.

Completion

Completion shall take place on the Completion Date subject to all conditions set out in the Acquisition Agreement are fulfilled or otherwise waived.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group after Completion.

Information on the Target Group

The Target Group comprises of the Target Company and Tai Wo Tong Company Limited, which is a wholly owned subsidiary of the Target Company.

Target Company

Target Company is a limited liability company incorporated under the laws of Hong Kong on 6 April 2009 and founded by the Vendors. The Target Company is mainly engaged in the research and development, registration and packing of PCM. It is also a holder of a valid PCM Manufacturer Licence, which allows the Target Company to, inter alia, (i) manufacture PCM in dose form of liniment; and (ii) pack and repack PCM in the form of capsule and granule or in dose form of pill, tablet, powder (for external use), plaster, lozenge, eye drops, spray, cataplasm (Babu plaster), adhesive plaster, lotion and mouthwash in the premises specified in the PCM Manufacturer Licence.

In June 2010, the Target Company entered into a lease agreement with Science Parks for the construction of a GMP Plant therein. During the early stage of construction of the GMP Plant, marble with cavities were found beneath the construction site and hence, the Target Company incurred additional costs and time in preparation for the piling and other foundation works thereof. As the Target Company could not resolve the problem arising from the marble with cavities, the Target Company surrendered the lease and the construction site to Science Park. All matters associated with the Surrender was fully settled on 30 October 2014.

Tai Wo Tong Company Limited

Tai Wo Tong Company Limited is a limited liability company incorporated under the laws of Hong Kong on 6 April 2009, and a wholly owned subsidiary of the Target Company. It is principally engaged in the packing of products for individual retailers.

As at the date of this announcement, the issued share capital of the Target Company and Tai Wo Tong Company Limited are HK\$24,000,000 and HK\$10,000 respectively. A summary of the audited financial information of Target Group for the two years ended 31 March 2013 and 2014 are set out below:

	For the year ended 31 March 2013	For the year ended 31 March 2014
Turnover	HK\$12,248,520	HK\$10,131,232
Gross Profit	HK\$3,133,775	HK\$2,828,500
Net profit (before taxation and extraordinary items)	HK\$(8,281)	HK\$ (3,227,510)
Net profit (after taxation and extraordinary items)	HK\$ (71,757)	HK\$ (3,248,860)

Reasons for the Acquisition

The Company was listed on 16 October 2014.

The Group is principally engaged in developing, marketing, selling and distributing a wide variety of personal care products (mainly consisting of bath and shower gels, shampoos, conditioners, and skin care products), health care products (mainly consisting of health supplements including but not limited to child specific milk supplements, dietary supplements, appetising teas, nutritive drinks, cough and cold remedies, herbal teas and medicated oils) and household products (mainly consisting of laundry detergents and antiseptic germicides) under various brands.

At the time of listing of the Shares, the Target Company has not surrendered its lease with Science Parks, so the Target Company was still subject to the uncertainty associated with the construction of the GMP Plant due to the marble with cavities found beneath the construction site. It was not beneficial to the Company and the Shareholders to acquire and include the Target Company into the Group at that time. As the Target Company has been providing services and supplying products to the Group, the Target Company entered into the Supply Agreement, Service Agreement and Packing Agreement with Hin Sang Hong (HK), a wholly owned subsidiary of the Company, on 25 September 2014 which constituted continuing connected transactions of the Company.

Pursuant to the Supply Agreement, Hin Sang Hong (HK) will purchase from the Target Company health care products under the brand of “Tai Wo Tong” (太和堂) at a price to be determined from time to time with reference to the product types, sales volume and selling price offered to independent third parties with effect from 16 October 2014 to 31 March 2017. The annual caps for each of the 3 financial years ending 31 March 2017 will not exceed the annual cap of HK\$0.6 million. As the relevant applicable percentage ratios with respect to the transactions contemplated under the Supply Agreement on an annual basis is less than 5% and the annual consideration is less than HK\$3,000,000, the Supply Agreement constituted an exempted continuing connected transaction of the Company under Rule 14A.76(1) of the Listing Rules and is exempt from reporting, annual review, announcement and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Pursuant to the Service Agreement, the Target Company was engaged to including but not limited to conduct product research and development, assist the Group to obtain relevant PCM registration and approvals for the new PCM and conduct sample checking of our Group's new PCM to ensure compliance with the relevant laws and regulations in Hong Kong. The Service Agreement commenced from 16 October 2014 until 31 March 2016. The parties agreed that the total expenses to be borne by the Group under the Service Agreement (i.e. the annual caps for the Service Agreement) shall not exceed HK\$1.7 million and HK\$1.5 million respectively for each of the 2 years ending 31 March 2016.

Pursuant to the Packing Agreement, the Target Company was engaged to pack certain PCM of the Group at the fees to be determined with reference to the market price for packing similar type of product and of similar quantity from 16 October 2014 to 31 March 2016. It was expected that the annual packing fees will not exceed the annual caps of HK\$10.3 million for each of the 2 financial years ending 31 March 2016.

The aggregated annual caps of the Service Agreement and Packing Agreement exceed 5% under the applicable percentage ratios (other than the profits ratio), and the annual consideration is more than HK\$10,000,000. As such, the Service Agreement and Packing Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

For details of the Supply Agreement, Service Agreement and Packing Agreement, please refer to the prospectus of the Company dated 30 September 2014. As at the date of this announcement, the annual caps of the Supply Agreement, Service Agreement and the Packing Agreement have not been exceeded.

With the Acquisition, the Target Company will become a wholly owned subsidiary of the Company and thus the Supply Agreement, Service Agreement and Packing Agreement will cease to be continuing connected transactions of the Company. As such, the Group can save its resources and efforts in monitoring the aforesaid transactions in compliance with relevant annual caps and compliance with Chapter 14A of the Listing Rules. Also, the business of the Group will then be expanded to include research and development and packing of PCM and the product portfolio of the Group will include Tai Wo Tong Products upon completion of the Acquisition.

In light of the above, the Directors (including the independent non-executive Directors of the Company) consider that the terms of the Acquisition Agreement including the Consideration are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Listing Rules Application

As the relevant applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company pursuant to Rule 14.07 of the Listing Rules. As the Vendors are both Directors and controlling shareholders of the Company, accordingly, the Acquisition also constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules. The Acquisition is only subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Mr. Pang and Mrs. Pang, who have a material interest in the Acquisition Agreement, have abstained from voting on the Board resolution approving the Acquisition Agreement and the transactions contemplated thereunder.

II. LEASE OF PREMISES

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the Lease contemplated under the Lease Agreement will constitute continuing connected transaction under Chapter 14A of the Listing Rules.

The Lease Agreement

Date

1 June 2015

Parties

Landlord: the Vendors

Tenant: Target Company

Premises

The subject of the Lease is situated at Flat C, D, E on the 7th Floor of Wang Yip Centre, No. 18 Wang Yip Street East, Yuen Long, Hong Kong, and the gross floor area is 4,504 square feet.

Term

Subject to Completion, the Lease Agreement shall take effect from 1 June 2015 (or such other date as the parties may agree) for a term of 2 years.

Rental

HK\$39,000.00 per month, exclusive of utility charges, rates, government rents and management fee which are payable by the Target Company.

The rental was determined with reference to the market rates of neighbouring properties. An independent property valuer has confirmed that the rental under the Lease is at market rate.

Reasons for the transaction

The Premises is the principal place of business of the Target Company, the internal setting of which satisfies the requirements of the PCM Manufacturer Licence.

The terms of the Lease Agreement are negotiated on an arm's length basis between the Vendors and the Target Company. The Directors (including the independent non-executive Directors) consider that the Lease Agreement is entered into in the ordinary and usual course of business, the Lease Agreement is on normal commercial terms, and the terms of the Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company. Therefore, the Lease will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios are less than 5% and the annual rental is less than HK\$3,000,000, the Lease Agreement is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Pang and Mrs. Pang, who have a material interest in the Lease Agreement, have abstained from voting on the Board resolution approving the Lease Agreement and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the agreement entered into between the Purchaser and the Vendors on 1 June 2015 in relation to the Acquisition;
“Board”	the board of Directors;
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong;
“CMO”	Chinese Medicine Ordinance (Chapter 549, the Laws of Hong Kong);
“Company”	Hin Sang Group (International) Holding Co. Ltd. 衍生集團(國際)控股有限公司, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Stock Exchange (stock code: 6893);
“Completion”	completion of the Acquisition Agreement;
“Completion Date”	the 3rd Business Days after the conditions precedent have been fulfilled or waived (or such other date as the Vendors and the Purchaser may agree);

“Consideration”	the consideration of HK\$9,800,000 for the Acquisition;
“Director(s)”	director(s) of the Company;
“GMP”	“Good Manufacturing Practice” which is a quality assurance approach used by drug manufacturing industry worldwide to ensure that products are consistently produced and controlled according to appropriate quality standards;
“GMP Plant”	the GMP Chinese medicine production plant which was proposed to be built in Hong Kong by the Target Company pursuant to the lease agreement entered into between the Target Company and Science Parks in June 2010;
“Group”	the Company and its subsidiaries;
“Hin Sang Hong (HK)”	Hin Sang Hong Company Limited (衍生行有限公司), a company incorporated with limited liability on 13 June 1996 in Hong Kong and a wholly owned subsidiary of our Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Lease”	the lease of the Premises from the Vendors by the Target Company;
“Lease Agreement”	the lease agreement dated 1 June 2015 entered into between the Vendors (as landlord) and the Target Company (as tenant) in respect of the Premises;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Pang”	Pang Siu Hin (彭少衍), an executive Director and a controlling shareholder of the Company;
“Mrs. Pang”	Kwan Lai Man (關麗雯), the spouse of Mr. Pang, an executive Director and a controlling shareholder of the Company;
“Packing Agreement”	the agreement entered into between Hin Sang Hong (HK) and the Target Company on 25 September 2014 in relation to the packing of certain PCM of the Group;
“PCM”	proprietary Chinese medicine, as defined in the CMO;
“PCM Manufacturer Licence”	the manufacturer licence in PCM issued under the CMO;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;

“Premises”	the premises located at Flat C, D, E on the 7th Floor of Wang Yip Centre, No. 18 Wang Yip Street East, Yuen Long, Hong Kong;
“Sale Shares”	a total of 24,000,000 shares in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company;
“Science Parks”	Hong Kong Science and Technology Parks;
“Service Agreement”	the agreement entered into between Hin Sang Hong (HK) and the Target Company on 24 September 2014 in relation to certain services to be provided by the Target Company to the Group;
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of HK\$0.1 per Share;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supply Agreement”	the agreement entered into between Hin Sang Hong (HK) and the Target Company on 25 September 2014 in relation to the supply of health care products under the brand of “Tai Wo Tong (太和堂)” to the Group;
“Surrender”	surrender of the lease and the construction site by the Target Company to Science Parks in June 2014;
“Target Company”	Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited, a company incorporated in Hong Kong and the entire issued share capital of which is owned by the Vendors;
“Target Group”	Target Company and Tai Wo Tong Company Limited; and
“Vendors”	Mr. Pang and Mrs. Pang.

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

Hong Kong, 1 June 2015

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