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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)

ANNOUNCEMENT ON INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the Period together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	116,790	114,673
Cost of sales		<u>(45,776)</u>	<u>(47,760)</u>
Gross profit		71,014	66,913
Other income	4	3,067	1,374
Other gains and losses	5	(2,141)	(584)
Selling and distribution expenses		(24,233)	(19,813)
Administrative expenses		(30,118)	(22,974)
Listing expenses		<u>–</u>	<u>(636)</u>
Profit before tax		17,589	24,280
Income tax expense	6	<u>(3,637)</u>	<u>(4,067)</u>

		Six months ended	
		30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Profit for the period	7	13,952	20,213
Other comprehensive (expense)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(2,001)</u>	<u>526</u>
Total comprehensive income for the period		<u>11,951</u>	<u>20,739</u>
Profit for the period attributable to owners of the Company		<u>13,952</u>	<u>20,213</u>
Total comprehensive income for the period attributable to owners of the Company		<u>11,951</u>	<u>20,739</u>
Earnings per share	9		
Basic (HK cents)		<u>1.74</u>	<u>3.37</u>
Diluted (HK cents)		<u>1.74</u>	<u>3.37</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		As at 30 September 2015 (Unaudited) <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		19,946	16,831
Prepaid lease payments		24,455	18,891
Investment property		6,389	6,555
Intangible assets		4,666	–
Deposit and prepayments for life insurance policies		4,856	–
Deposits for acquisition of property, plant and equipment		5,938	6,333
		<u>66,250</u>	<u>48,610</u>
Current assets			
Inventories		16,920	18,890
Trade and other receivables	10	35,061	26,894
Tax refundable		3,181	3,327
Bank balances and cash		257,656	264,393
		<u>312,818</u>	<u>313,504</u>
Total assets		<u>379,068</u>	<u>362,114</u>
Current liabilities			
Trade and other payables	11	29,260	27,432
Dividend payable		8,000	–
Current tax liabilities		711	–
		<u>37,971</u>	<u>27,432</u>
Net current assets		<u>274,847</u>	<u>286,072</u>
Net assets		<u>341,097</u>	<u>334,682</u>
Capital and reserves			
Share capital		80,000	80,000
Reserves		261,097	254,682
Total equity		<u>341,097</u>	<u>334,682</u>

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property, which is measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

Application of accounting policy in respect of business combinations

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Application of accounting policy in respect of intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Six months ended 30 September 2015 (unaudited)

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>94,697</u>	<u>17,482</u>	<u>4,611</u>	<u>116,790</u>
Segment profit/(loss)	<u>13,904</u>	<u>2,335</u>	<u>(409)</u>	15,830
Interest income				2,740
Bargain purchase gain arising on acquisition of subsidiaries				3,869
Unallocated expenses				<u>(4,850)</u>
Profit before tax				<u>17,589</u>

Six months ended 30 September 2014 (unaudited)

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>91,094</u>	<u>17,853</u>	<u>5,726</u>	<u>114,673</u>
Segment profit/(loss)	<u>19,749</u>	<u>3,713</u>	<u>(152)</u>	23,310
Interest income				<u>970</u>
Profit before tax				<u>24,280</u>

Geographical information

The following is an analysis of the Group's revenue from external customers based on location of operations:

	Six months ended 30 September	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Hong Kong	95,403	98,025
People's Republic of China (the "PRC")	19,163	11,048
Taiwan	<u>2,224</u>	<u>5,600</u>
	<u>116,790</u>	<u>114,673</u>

4. OTHER INCOME

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	2,677	970
Interest income on deposit and prepayments for life insurance policies	63	–
Rental income	153	147
Forfeiture of customers' deposits	124	62
Compensation from supplier	–	193
Others	50	2
	<u>3,067</u>	<u>1,374</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bargain purchase gain arising on acquisition of subsidiaries	3,869	–
Gain on disposal of property, plant and equipment	30	–
Net foreign exchange loss	(6,040)	(584)
	<u>(2,141)</u>	<u>(584)</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong Profits Tax	<u>3,637</u>	<u>4,067</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the period.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of prepaid lease payments	331	332
Amortisation of intangible assets	424	–
Depreciation of property, plant and equipment	<u>1,665</u>	<u>1,289</u>

8. DIVIDENDS

During the current interim period, a final dividend of HK\$0.01 per share in respect of the year ended 31 March 2015 (2014: Nil) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK\$8,000,000 (2014: Nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK\$0.01 per share (2014: Nil) will be paid to the owners of the Company whose names appear in the Register of Members on 30 December 2015.

9. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	<u>13,952</u>	<u>20,213</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000,000	600,000,000
Effect of dilutive potential ordinary shares:		
– Share options	<u>1,501,235</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>801,501,235</u>	<u>600,000,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 2014 has been adjusted to reflect 300,000,000 shares issued upon capitalisation on 16 October 2014.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2015 (Unaudited) <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
Trade receivables	27,663	21,510
Prepaid lease payments	860	663
Prepayments	3,921	3,509
Deposits	2,429	1,107
Other receivables	188	105
	<u>35,061</u>	<u>26,894</u>

The Group's sales to most customers are made on cash on delivery, whilst the Group generally allows an average credit period of 60 days (with 15 days of grace period in certain cases) to certain major trade customers with established trading records.

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

	As at 30 September 2015 (Unaudited) <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
0 – 30 days	10,827	7,163
31 – 60 days	9,612	8,827
61 – 90 days	5,683	4,206
Over 90 days	1,541	1,314
	<u>27,663</u>	<u>21,510</u>

11. TRADE AND OTHER PAYABLES

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Trade payables	11,566	10,246
Receipts in advance	2,353	1,284
Accruals	<u>15,341</u>	<u>15,902</u>
	<u>29,260</u>	<u>27,432</u>

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

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
0 – 30 days	4,921	4,087
31 – 60 days	4,936	4,119
61 – 90 days	629	1,353
Over 90 days	<u>1,080</u>	<u>687</u>
	<u>11,566</u>	<u>10,246</u>

12. LITIGATION

On 18 May 2011, Hin Sang Hong Company Limited (“**Hin Sang Hong (HK)**”), a wholly owned subsidiary of the Company, entered into a distribution agreement with Kingdom Overseas Limited (“**Kingdom Overseas**”) pursuant to which Hin Sang Hong (HK) was appointed as the exclusive distributor in Hong Kong and Macau for three infant formula products. In July and August 2011, Hin Sang Hong (HK) issued purchase orders in respect of the infant formula products but Kingdom Overseas failed to deliver some of the products to Hin Sang Hong (HK) and therefore, in breach of the distribution agreement. Further, in February 2012, Kingdom Overseas issued a termination notice to Hin Sang Hong (HK) to terminate the distribution agreement forthwith. As such, Hin Sang Hong (HK) initiated legal proceeding against Kingdom Overseas for breach of distribution agreement and claim for loss and damages in the amount of approximately HK\$54.3 million and the substantial proportion of the damages claim comes from a claim for loss of future profit due to the breach of distribution agreement by Kingdom Overseas. Likewise, Kingdom Overseas also launched a counterclaim against Hin Sang Hong (HK) for an approximate sum of HK\$51.0 million as damages for alleged loss of future profit for unable to secure an alternative distributor replacing Hin Sang Hong (HK). On 6 January 2015, lawyers representing Kingdom Overseas has formally ceased to act for Kingdom Overseas in the above action. The counterclaim in the sum of HK\$51.0 million against Hin Sang Hong (HK) was dismissed by the Court on 5 February 2015. Since then Hin Sang Hong (HK) proceeded with its claim against Kingdom Overseas alone. As at the date of approval of the condensed consolidated financial statements, the legal proceeding was still ongoing.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The Group engages in developing, marketing, selling and distributing a wide variety of personal care products, health care products and household products under various own brands and exclusive distribution licensed brands. Approximately 81.7% of the Group's revenue for the Period was derived from Hong Kong market. According to the Report on Monthly Survey of Retail Sales – September 2015 of the Census and Statistics Department of Hong Kong, Hong Kong's retail sales of (i) medicines and cosmetics and (ii) personal care products, household goods, and other goods in supermarkets had decreased from approximately HK\$24,941 million for the six months ended 30 September 2014 to approximately HK\$24,131 million* for the Period, representing an decrease of 3.2%.

* September 2015 figure is provisional figure.

BUSINESS REVIEW

For the six months ended 30 September 2015, the Group's revenue was approximately HK\$116.8 million, representing a increase of 1.8% as compared to HK\$114.7 million for the same period in 2014. During the Period, the Product Development Segment was still the largest segment which contributed approximately 81.1% of the Group's revenue while it accounted for 79.4% of the total revenue for the same period in 2014. The revenue contribution from Brand Development and Management Segment slowed down from 15.6% for the same period in 2014 to 15.0% for the Period. The Trading of Goods Segment recorded a continuous drop in revenue and its revenue contribution to the Group dropped from approximately 5.0% for the same period in 2014 to approximately 3.9% for the Period.

Product Development Segment

Under Product Development Segment, the Group develops and sells personal care products, health care products and household products under own brand names, mainly being “Hin Sang (衍生)”, “Beautymate (美肌の誌)” and “Shuang Long (雙龍)”. The revenue of the Segment gradually increased to approximately HK\$94.7 million for the Period from approximately HK\$91.1 million for the six months ended 30 September 2014. Such increase was mainly contributed by the growth in sales volume of our flagship products of “Hin Sang Health Star (Granules) (衍生七星茶顆粒沖劑)”, “Hin Sang Milk Supplement (Granules)

(衍生開奶茶顆粒沖劑)”, “Hin Sang Premium BB Supplement (衍生金裝小兒清吹飲)” series, “Hin Sang Premium Iron Zinc and Calcium BB Supplement Granules (衍生金裝小兒鐵鋅鈣)” and “Hin Sang Clear Well Flower-Tower Candy (衍生積清靈花塔糖)”. Such increase was the result of higher penetration of “Hin Sang (衍生)” products in the markets and the expansion of the Group’s distribution network.

The Segment’s profit for the Period was approximately HK\$13.9 million, representing a decrease of approximately HK\$5.8 million or 29.4% as compared to that of the six months ended 30 September 2014. The Segment profit margin for the Period is approximately 14.7% while the margin for the six months ended 30 September 2014 was approximately 21.7%.

The aggregate revenue generated from the above three major brands amounted to approximately HK\$92.0 million for the Period, representing 97.1% of the Segment’s revenue while it was approximately HK\$89.4 million for the six months ended 30 September 2014, representing 98.1% of the Segment’s revenue.

Brand Development and Management Segment

Under the Brand Development and Management Segment, the Group sells and distributes products with exclusive distribution rights. The three major brands of the Segment are “Acene (澳雪)”, “Sewame (雪完美)” and “Enear (櫻雪)”. The Segment recorded revenue of approximately HK\$17.9 million and HK\$17.5 million for the six months ended 30 September 2014 and 2015 respectively, representing a decrease of 2.2%. The Segment’s profit for the Period is approximately HK\$2.3 million, representing a decrease of approximately HK\$1.4 million or 37.8% as compared to that of the six months ended 30 September 2014. The Segment profit margin for the Period was approximately 13.4% while the margin for the six months ended 30 September 2014 was approximately 20.8%. The total revenue of these three major brands amounted to HK\$11.7 million and HK\$8.4 million respectively for the six months ended 30 September 2014 and 2015, accounting for approximately 65.4% and 48.0% of the Segment’s revenue of the respective periods.

Trading of Goods Segment

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

The Segment's revenue accounted for 5.0% and 3.9% of the Group's revenue for the six months ended 30 September 2014 and 2015 respectively. Such significant decrease was mainly due to the shift in management's focus from the Trading of Goods Segment to the Product Development Segment during the Period in order to enhance the brand image of the Group's own-branded products. The Segment's loss for the Period is approximately HK\$409,000 while the Segment's profit was approximately HK\$152,000 for the six months ended 30 September 2014. The Segment loss margin for the Period was approximately 8.9% while the profit margin for the six months ended 30 September 2014 was approximately 2.7%.

HUMAN RESOURCES

The Group had a total of 172 staff as at 30 September 2015. The employees of the Group are remunerated by way of fixed salary. The Group has devised an assessment system for its employees and the Group uses the assessment result for salary review and promotion decisions. All the staff undergoes a performance appraisal once a year. The appraisal provides the Group with an opportunity to assess each individual staff's strengths and areas for improvement, thereby enabling the Group to effectively train and develop each individual staff.

PROSPECTS

The Group has been listed on the main board of the Stock Exchange of Hong Kong Limited since 16 Oct 2014. A public listing status has increased the public profile of the Group's brands and products, as well as offer the Group access to the capital market for future business development and strengthen its competitiveness. On the other hand, to align with the backdrop of launching two-child policy on the Chinese Mainland, the Group intends to implement the following principal strategies to expand its business and create value for the shareholders of the Company:

a) To explore business collaboration opportunities with new brand proprietors

The Group plans to expand its business in the Brand Development and Management Segment by collaborating with more new brand proprietors, which complements the expansion strategy. It intends to select new brand proprietors with production bases in Southern China, in particular the Guangdong Province, the business collaboration with new brand proprietors can (i) strengthen both the Group's portfolio of brands and

licensed products and the distribution network in Hong Kong and thus help expand the distribution network to countries outside Hong Kong such as Malaysia and Singapore; (ii) expedite the penetration of the products due to the vicinity of their production bases to Hong Kong; and (iii) increase the market share in the personal care product market.

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

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

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

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

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

In order to enlarge product portfolio and promote synergies among various product segments, the Group has completed its acquisition of Tai Wo Tong Pharmaceutical (太和堂製藥) in June 2015. The Group will continue to explore opportunities to collaborate with other suitable Chinese medicine institutions or pharmaceutical companies to develop new health supplements and analyse the ingredients and composition of its products.

e) To further expand e-commerce business for China market

In order to enlarge market share in China by other than traditional distribution network, the group has been expanding e-commerce via various platform such as reaching cooperation with Suning.com to start a network of cross-border sales, and also announced a partnership with the Chinese e-commerce shopping site “Jingdong online mall”.

FINANCIAL REVIEW

Revenue

The Group’s revenue was approximately HK\$116.8 million for the Period as compared to HK\$114.7 million for the same period in 2014, representing an increase of 1.8%. Such increase was mainly due to the increase in its sales of products under the Product Development Segment.

During the Period, the revenue generated from the Product Development Segment increased by approximately HK\$3.6 million, representing an increase of 4.0% as compared to the same period in 2014. However, the revenue generated from the Brand Development and Management Segment and the Trading of Goods Segment decreased by approximately HK\$0.4 million and HK\$1.1 million respectively, representing a decrease of 2.2% and 19.3% as compared to the same period in 2014. The decrease in both segments was mainly resulted from the shift in management’s focus from them to the Product Development Segment.

Cost of sales

The Group’s cost of sales decreased by 4.2% from approximately HK\$47.8 million for the six months ended 30 September 2014 to approximately HK\$45.8 million for the Period. Such decrease was primarily due to the drop in purchases costs incurred under the Product Development Segment and the Trading of Goods Segment by 3.0% and 18.9% respectively as compared to that of previous period. In relation to sales under the Brand Development and Management Segment, cost of sales slightly decreased by 0.8% from approximately HK\$12.1 million to approximately HK\$12.0 million.

Gross profit and gross profit margin

The Group's gross profit increased by 6.1% from approximately HK\$66.9 million for the six months ended 30 September 2014 to approximately HK\$71.0 million for the Period. The gross profit margin for the Period increased from 58.4% to 60.8% which was mainly due to the increase in the proportion of revenue from Product Development Segment which has a relatively high margin.

Other income

The Group's other income increased from approximately HK\$1.4 million for the six months ended 30 September 2014 to approximately HK\$3.1 million for the Period, which was mainly due to the increase in interest income on bank deposits of approximately HK\$1.7 million.

Other gains and losses

Other gains and losses for the Period was loss of approximately HK\$2.1 million while it was loss of approximately HK\$0.6 million for the six months ended 30 September 2014. The significant change was attributable to (i) exchange losses of approximately HK\$6.0 million for the Period while it was approximately HK\$0.6 million for the six months ended 30 September 2014; and (ii) Gain from acquisition of Tai Wo Tong Pharmaceutical of approximately HK\$3.9 million for the Period.

Selling and distribution expenses

The selling and distribution expenses increased by 22.3% from approximately HK\$19.8 million for the six months ended 30 September 2014 to approximately HK\$24.2 million for the Period. Such increase was mainly attributable to the increased advertising expenses relating to the extensive television commercials for the products under own brands and promotional events.

Administration expenses

The administrative expenses increased by 31.1% from approximately HK\$23.0 million for the six months ended 30 September 2014 to approximately HK\$30.1 million for the Period which was primarily attributable to (i) the increase in share option expense of approximately HK\$2.4 million; (ii) the increase in staff cost of approximately HK\$1.3 million; (iii) the increase in office expense of approximately HK\$1.2 million; (iv) the increase in depreciation and amortisation expense of approximately HK\$0.8 million and (v) the increase in legal and professional fee for approximately HK\$0.6 million.

Taxation

The Group's tax charge decreased by 10.6% from approximately HK\$4.1 million for the six months ended 30 September 2014 to approximately HK\$3.6 million for the Period, while the effective tax rates were 16.8% and 20.7% respectively. The decrease in tax charge was in line with the decrease in profit before tax from approximately HK\$24.3 million for the six months ended 30 September 2014 to approximately HK\$17.6 million for the Period. The increase in effective tax rate was mainly due to the decrease of non tax-deductible expenses for the Period.

Profit for the Period

As a result of the foregoing, the net profit decreased by 31.0% from approximately HK\$20.2 million for the six months ended 30 September 2014 to approximately HK\$14.0 million for the Period, while net profit margin decreased from 17.6% to 11.9% for the Period.

Inventories

The Group's inventories decreased by 10.6% from approximately HK\$18.9 million as at 31 March 2015 to approximately HK\$16.9 million as at 30 September 2015, which was primarily due to the decrease in finished products for distribution by 28.2% from approximately HK\$17.0 million as at 31 March 2015 to approximately HK\$12.2 million as at 30 September 2015. Due to the acquisition of Tai Wo Tong Pharmaceutical, raw materials increased by 166.7% from approximately HK\$1.8 million as at 31 March 2015 to approximately HK\$4.8 million as at 30 September. The inventory turnover days increased from 54.4 days for the six months ended 30 September 2014 to 71.2 days for the Period.

Trade and other receivables

The Group's trade receivables increased by 28.8% from approximately HK\$21.5 million as at 31 March 2015 to approximately HK\$27.7 million as at 30 September 2015, which was primarily attributable to the increase in trade receivables from distributors arising from the purchase of health care products under the Product Development Segment. The trade receivables turnover days improved from 50.5 days for the six months ended 30 September 2014 to 38.3 days for the Period.

Liquidity and capital resources

The Group's cash and cash equivalents decreased by 2.5% from approximately HK\$264.4 million as at 31 March 2015 to approximately HK\$257.7 million as at 30 September 2015. As at 30 September 2015, the Group had no outstanding bank borrowings and the amount of unutilized banking facilities of approximately HK\$26.8 million. The gearing ratio (total debts divided by total equity) as at 30 September 2015 was nil (31 March 2015: nil). The current ratio (total current assets divided by current liabilities) as at 30 September 2015 was 8.3 (31 March 2015: 11.4).

Financial management and policy

The Group continues to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk. The executive Directors, with the assistance of the group financial controller, are responsible for identifying, reviewing, evaluating and analyzing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirement of the Group.

Interim dividend

The Board has approved to pay an interim dividend of HK\$0.01 per share for the six months ended 30 September 2015, totalling HK\$8,000,000.

The total interim dividend of HK\$8,000,000 will be paid on or around 20 January 2016 to the shareholders whose names appeared on the register of shareholders of the Company at the close of business on 30 December 2015.

Closure of register of members

The register of members of the Company will be closed from 28 December 2015 to 30 December 2015, both days inclusive, during which period no transfer of share will be effected. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 24 December 2015."

Contingent liabilities

As at 30 September 2015, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

OTHER INFORMATION

Acquisition of a company and its subsidiary

On 1 June 2015, the Company acquired Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited and its subsidiary with purchase price HK\$9,800,000.

CORPORATE GOVERNANCE

Corporate Governance Practice

The Company has adopted and complied with all the code provisions and, where applicable, the recommended best practices of CG Code as set forth in Appendix 14 of the Listing Rules as its corporate governance code of practices.

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

Model Code of Securities Transactions by Directors

The Company has adopted Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” to the Listing Rules as the code of conduct for securities transactions by the Directors (the “Model Code”).

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2015 has been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company or any of its subsidiaries has not purchased, sold or redeemed any listed securities of the Company during the Period.

SHARE OPTION SCHEMES

The Company has adopted two share option schemes on 25 September 2014, namely the Pre-IPO Share Option Scheme and Share Option Scheme under the written resolutions of the sole shareholder of the Company.

1) Pre-IPO Share Option Scheme

The purpose of Pre-IPO Share Option Scheme is to recognise the contribution of certain employees, executives or officers of the Group made or will make to the growth of the Group and/or the listing of Shares on the Stock Exchange. The Pre-IPO Share Option Scheme is valid and effective for a period from 25 September 2014 to 15 October 2014, after which no further options will be granted. Each option gives the holder the right to subscribe for one Share. The total number of Shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme shall not in aggregate exceed 24,640,000 Shares, representing 3.1% of total number of Shares in issue as at 30 September 2014. The offer of a grant of share options shall be accepted when the offer letter has been duly signed and a consideration of HK\$1 in total has been paid by the grantee.

The exercise price per option under the Pre-IPO Share Option Scheme is HK\$0.826, being 30% discount of the offering price per Share in the initial public offer on 16 October 2014.

During the Period, total 1,000,000 options was cancelled and no options was exercised. Details of the Pre-IPO Share Option Scheme has been disclosed in the Company's prospectus dated 30 September 2014.

2) Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that Eligible Participants (as defined below) have made or may make to the Group so as to motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group, and attract, retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group. The Share Option Scheme shall be valid and effective for a period of ten years commencing on 16 October 2014, after which no further options will be issued. Each option gives the holder the right to subscribe for one Share. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes shall not in aggregate exceed 80,000,000 Shares (10% of the Shares in issue as at the date of listing of the Shares), representing 10% of total number of issued Shares as at 30 September 2014. No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. The offer of a grant of share options shall be accepted when the offer letter has been duly signed and a consideration of HK\$1 in total has been paid by the grantee. The exercise period of the share options granted is determinable by the Directors and ends on a date which is not later than ten years from the date of the acceptance of the offer of share options.

Eligible Participants include: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (the “**Affiliate**”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

The exercise price of options shares shall not be less than the highest of: (i) the closing price of the Share as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of the Share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the Share on the date of grant.

During the Period, total 11,400,000 options were granted and 9,000,000 were cancelled, but no options were exercised. Details of the Share Option Scheme has been disclosed in the Company’s prospectus dated 30 September 2014.

DEFINITIONS

In this interim results 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
“BVI”	the British Virgin Islands
“Company”	Hin Sang Group (International) Holding Co. Ltd. 衍生集團 (國際) 控股有限公司, an exempted company incorporated with limited liability in the Cayman Islands on 28 October 2010

“Director(s)”	the director(s) of the Company
“Genwealth”	Genwealth Group Holding Company Limited (衍富集團控股有限公司), a company incorporated with limited liability on 5 October 2010 in the BVI, the issued shares of which are owned as to 90% by Mr. Pang Siu Hin and 10% by his wife, Ms. Kwan Lai Man, and is a controlling shareholder
“Group”	the Company and its subsidiaries
“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 an indirect wholly owned subsidiary of our Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Period”	the six months ended 30 September 2015
“Pre-IPO Share Option Scheme”	the Pre-IPO share option scheme adopted by the Company on 25 September 2014
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 25 September 2014

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Tai Wo Tong
Pharmaceutical”

Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited (太和堂製藥(香港)有限公司), a company incorporated with limited liability on 6 April 2009 in Hong Kong and is acquired by the Group on 1 June 2015

By order of the Board

Hin Sang Group (International) Holding Co. Ltd.

Pang Siu Hin

Chairman

Hong Kong, 26 November 2015

As at the date of this announcement, the executive directors are Mr. Pang Siu Hin and Ms. Kwan Lai Man, 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.