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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 2016

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 2016

		Six months ended 30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	106,840	116,790
Cost of sales		(38,191)	(45,776)
Gross profit		68,649	71,014
Other income	4	2,005	3,067
Other gains and losses	5	(3,497)	(2,141)
Selling and distribution expenses		(24,053)	(24,233)
Administrative expenses		(35,886)	(30,118)
Finance costs	6	(3)	–
Profit before tax		7,215	17,589
Income tax expense	7	(1,718)	(3,637)
Profit for the period	8	5,497	13,952

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income/(expense)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(2,057)	(2,001)
Fair value gain on available-for-sale investments	304,043	–
	<u>301,986</u>	<u>(2,001)</u>
Other comprehensive income/(expense) for the period		
	301,986	(2,001)
	<u>307,483</u>	<u>11,951</u>
Total comprehensive income for the period		
	307,483	11,951
	<u>5,618</u>	<u>13,952</u>
Profit/(loss) for the period attributable to:		
– Owners of the Company	5,618	13,952
– Non-controlling interests	(121)	–
	<u>5,497</u>	<u>13,952</u>
	<u>307,604</u>	<u>11,951</u>
Total comprehensive income/(expense) for the period attributable to:		
– Owners of the Company	307,604	11,951
– Non-controlling interests	(121)	–
	<u>307,483</u>	<u>11,951</u>
	<u>307,483</u>	<u>11,951</u>
Earnings per share	<i>10</i>	
Basic (<i>HK cents</i>)	0.59	1.74
	<u>0.58</u>	<u>1.74</u>
Diluted (<i>HK cents</i>)	0.58	1.74
	<u>0.58</u>	<u>1.74</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	<i>Notes</i>	As at 30 September 2016 (Unaudited) <i>HK\$'000</i>	As at 31 March 2016 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		116,462	40,749
Prepaid lease payments		26,236	27,393
Investment property		6,906	6,289
Intangible assets		2,514	3,480
Deposit and prepayments for life insurance policies		4,852	4,795
Deposits for acquisition of property, plant and equipment		646	387
Available-for-sale investments		534,443	–
		692,059	83,093
Current assets			
Inventories		10,930	13,081
Trade and other receivables	<i>11</i>	33,441	38,119
Bank balances and cash		314,290	239,742
		358,661	290,942
Total assets		1,050,720	374,035
Current liabilities			
Trade and other payables	<i>12</i>	30,543	26,467
Dividend payable		10,853	–
Current tax liabilities		2,789	1,070
		44,185	27,537
Net current assets		314,476	263,405
Net assets		1,006,535	346,498
Capital and reserves			
Share capital		108,533	80,047
Reserves		865,522	263,250
Equity attributable to owners of the Company		974,055	343,297
Non-controlling interests		32,480	3,201
Total equity		1,006,535	346,498

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments, which are 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

Application of accounting policy in respect of available-for-sale financial assets

Available-for-sale (“AFS”) financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 2016 (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>91,177</u>	<u>11,851</u>	<u>3,812</u>	<u>106,840</u>
Segment profit/(loss)	<u>12,593</u>	<u>(2,601)</u>	<u>(320)</u>	9,672
Interest income				1,778
Unallocated expenses				(4,232)
Finance costs				<u>(3)</u>
Profit before tax				<u>7,215</u>

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>

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	
	2016 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Hong Kong	86,750	95,403
PRC	17,893	19,163
Taiwan	<u>2,197</u>	<u>2,224</u>
	<u>106,840</u>	<u>116,790</u>

4. OTHER INCOME

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	1,668	2,677
Interest income on deposit and prepayments for life insurance policies	110	63
Rental income	151	153
Forfeiture of customers' deposits	–	124
Others	76	50
	<u>2,005</u>	<u>3,067</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bargain purchase gain arising on acquisition of subsidiaries	–	3,869
Gain on fair value change of investment property	807	–
Gain on disposal of property, plant and equipment	30	30
Net foreign exchange loss	(4,334)	(6,040)
	<u>(3,497)</u>	<u>(2,141)</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdraft	<u>3</u>	<u>–</u>

7. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong Profits Tax	<u>1,718</u>	<u>3,637</u>

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

8. PROFIT FOR THE PERIOD

Profit for the Period has been arrived at after charging:

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of prepaid lease payments	463	331
Amortisation of intangible assets	966	424
Depreciation of property, plant and equipment	<u>2,644</u>	<u>1,665</u>

9. DIVIDENDS

During the Period, a final dividend of HK\$0.01 per share in respect of the year ended 31 March 2016 (2015: HK\$0.01) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the Period amounted to HK\$10,853,000 (2015: HK\$8,000,000).

Subsequent to the end of the Period, the Directors have determined that an interim dividend of HK\$0.01 per share (2015: HK\$0.01) and a special dividend of HK\$0.01 per share (2015: Nil) will be paid to the owners of the Company whose names appear in the register of members on 6 December 2016.

10. 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	
	2016	2015
	(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>5,618</u>	<u>13,952</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	954,094,557	800,000,000
Effect of dilutive potential ordinary shares:		
– Share options	<u>10,924,980</u>	<u>1,501,235</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>965,019,537</u>	<u>801,501,235</u>

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Trade receivables	24,022	25,333
Prepayments to suppliers	–	583
Prepaid lease payments	823	976
Prepayments for other expenses	5,515	5,641
Other deposits (mainly including rental and building management fee deposits)	2,795	2,285
Other receivables	286	3,301
	<u>33,441</u>	<u>38,119</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 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
0 – 30 days	9,148	12,138
31 – 60 days	9,284	6,652
61 – 90 days	5,517	4,690
Over 90 days	73	1,853
	<u>24,022</u>	<u>25,333</u>

12. TRADE AND OTHER PAYABLES

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Trade payables	9,064	7,646
Receipts in advance	2,527	1,476
Accruals (mainly including salaries and advertising expenses)	<u>18,952</u>	<u>17,345</u>
	<u>30,543</u>	<u>26,467</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 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
0 – 30 days	4,550	4,075
31 – 60 days	3,246	1,925
61 – 90 days	759	926
Over 90 days	<u>509</u>	<u>720</u>
	<u>9,064</u>	<u>7,646</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The Group is engaged in the marketing, selling and manufacturing of health care products primarily targeting at children, among which “Hin Sang (衍生)” has been a long established reputable brand. The Group has recently established e-Commerce business to cope with customers’ trend to purchase through electronic platforms. To leverage on existing resources and to increase profit, the Group trades reputable brands in skin care, personal care and slimming products. Going forward, to capture the fast-growing baby market, mother-infant Chinese medical healthcare as well as diagnosis and treatment services projects are underway.

Our business operations are mainly based in Hong Kong, distributors are appointed to sell and distribute under our own brands in the PRC, Taiwan, Macau, and export to markets such as Malaysia.

Approximately 81.2% of the Group’s revenue for the Period was derived from Hong Kong market. According to the Monthly Survey of Retail Sales – September 2016 report issued by the Census and Statistics Department of Hong Kong, retail sales in supermarkets had decreased from approximately HK\$224,672 million for the six months ended 30 September 2015 to approximately HK\$206,936 million* for the Period, representing a decrease of 7.9%.

* September 2016 figure is provisional figure.

BUSINESS REVIEW

For the six months ended 30 September 2016, the Group’s revenue was approximately HK\$106.8 million, representing a decrease of 8.5% as compared to HK\$116.8 million for the same period in 2015. During the Period, the Product Development Segment was still the largest segment in the Group which contributed approximately 85.3% of the Group’s revenue while it accounted for approximately 81.1% of the Group’s total revenue for the same period in 2015. The revenue contribution from Brand Development and Management Segment fell from 15.0% for the same period in 2015 to 11.1% for the Period. The Trading of Goods Segment recorded a minor drop in revenue and its revenue contribution to the Group dropped from approximately 3.9% for the same period in 2015 to approximately 3.6% for the Period.

Product Development Segment

Under the 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)” (“top three brands”). Revenue from “Hin Sang (衍生)” products increased slightly by 0.8% or approximately HK\$0.7 million for the Period as compared to the six months ended 30 September 2015. The increase was contributed by the sales of “Hin Sang Milk Supplement (Granules) (衍生開奶茶顆粒沖劑)”, “Hin Sang Health Star (Granules) (衍生七星茶顆粒沖劑)” and “Hin Sang Supreme Cough & Cold Remedy (Granules) (衍生至尊感冒止咳顆粒沖劑)”, the Group’s flagship products. However, the revenue from “Beautymate (美肌の誌)” dropped by 43.4% or approximately HK\$3.1 million for the Period due to rigorous market competition, as a result, the revenue of the Product Development Segment decreased to approximately HK\$91.2 million for the Period from approximately HK\$94.7 million for the six months ended 30 September 2015.

The Segment’s profit for the Period was approximately HK\$12.6 million, representing a decrease of approximately HK\$1.3 million or 9.4% as compared to that of the six months ended 30 September 2015. The Segment’s profit margin for the Period is approximately 13.8% while the profit margin for the six months ended 30 September 2015 was approximately 14.7%.

The aggregate revenue generated from the top three brands amounted to approximately HK\$89.0 million for the Period, representing 97.6% of the Segment’s revenue compared to approximately HK\$92.0 million for the six months ended 30 September 2015, representing 97.1% of the Segment’s revenue.

Brand Development and Management Segment

The Brand Development and Management Segment sells and distributes products with exclusive distribution rights. The three major brands in this Segment are “SeeYoung (滋源)”, “Acene (澳雪)” and “Burner (倍熱)” (“Major Brands”). The Segment recorded revenue of approximately HK\$17.5 million and HK\$11.9 million for the six months ended 30 September 2015 and 2016 respectively, representing a decrease of 32.0%. The Segment’s loss for the Period is approximately HK\$2.6 million, while the Segment’s profit was approximately HK\$2.3 million for the six months ended 30 September 2015. During the Period, more resources such as advertising and promotion costs were put into the newly agented brand – “Burner (倍熱)”. The Segment’s loss margin for the Period was approximately 21.9% while the profit margin for the six months ended 30 September 2015 was approximately 13.4%. The total revenue of the major brands amounted to HK\$4.8 million and HK\$6.3 million respectively for the six months ended 30 September 2015 and 2016, accounting for approximately 27.4% and 52.9% of the Segment’s revenue of the respective periods.

Trading of Goods Segment

Trading of Goods Segment distributes products purchased from authorized dealers, independent traders, manufacturers or parallel importers. Its contribution to the total revenue and profit of the Group are relatively small compared with the above two segments.

The Segment's revenue accounted for 3.9% and 3.6% of the Group's revenue for the six months ended 30 September 2015 and 2016 respectively. Such minor 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\$320,000 compared to approximately HK\$409,000 for the six months ended 30 September 2015. The Segment's loss margin for the Period was approximately 8.4% while the loss margin for the six months ended 30 September 2015 was approximately 8.9%.

HUMAN RESOURCES

The Group had a total of 176 staff as at 30 September 2016. The employees of the Group are remunerated by way of fixed salary. The Group has developed a performance appraisal system to assess employees on an annual basis for salary review and making promotion decisions. The appraisal provides the Group with an opportunity to assess each individual staff and provide effective training. The Group considers employees as the key to sustainable business growth.

PROSPECTS

The Group is confident that Hong Kong market will maintain healthy growth and provide a stable platform for our business to expand. The Group will continue our effort in new product development in order to enrich health care supplements portfolio and enhance the brand concept as being specialist in providing health care supplements. The Group will ensure that only those products with high sales volume potential be retained in our product portfolio.

Revenue generated from China market is HK\$17.9 million for the six months ended 30 September 2016, which accounted for 16.7% of Group's revenue for the Period. The Group will continue to focus on China's market development, especially in the health care supplement market for children. We believe that this market will be greatly benefited by the launch of China's two-child policy, with the expectation of 5 to 8 million new born babies in 2017. To seize this opportunity, the Group will continue to expand our distribution network by recruiting additional distributors and promoting corporate image to expand our customer base.

With the rise of online shopping, a subsidiary running e-Commerce was set up to focus on online sales of the products under “Hin Sang (衍生)”, through which customers, particularly those in China can place orders online and enjoy home delivery services. Revenue from this subsidiary accounted for approximately HK\$2.7 million of the Group’s sales for the Period. We will continue to introduce more high quality health supplements onto this online platform to expand our product portfolio and marketing scale.

The Directors expect that our fundamental business will continue to grow as a result of the two-child policy in China. In order to cater for the huge market of mother-infant healthcare, the Group has established a joint venture company with Fullshare in July 2016 to expand the business of mother-infant Chinese medical healthcare as well as diagnosis and treatment services. The Directors believe that this joint venture will have synergy effect by sharing the financial resources, experience and connections to develop and further diversify its business in the healthcare industry. The Group will make relentless effort to reward the investors’ trust and support.

Going forward, the Group is steadfastly committed to expanding its market presence and profitability, through strategic expansion planning and capturing of new business opportunities presented by the market developments and in alignment with China’s latest policies. The Group will closely monitor its existing businesses, and take prudent steps to seize viable business opportunities by seeking and negotiating with potential business partners to maintain sustainable long term growth.

FINANCIAL REVIEW

Revenue

The Group’s revenue was approximately HK\$106.8 million for the Period as compared to HK\$116.8 million for the same period in 2015, representing a decrease of 8.5%. 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 Period, the revenue generated from the Product Development Segment decreased by approximately HK\$3.5 million, representing a decrease of 3.7% as compared to the same period in 2015. The revenue generated from the Brand Development and Management Segment and the Trading of Goods Segment decreased by approximately HK\$5.6 million and HK\$0.8 million respectively, representing a decrease of 32.0% and 17.3% as compared to the same period in 2015. The decrease in revenue in both segments was resulted from the shift in management's focus to the Product Development Segment.

Cost of sales

The Group's cost of sales decreased by 16.6% from approximately HK\$45.8 million for the six months ended 30 September 2015 to approximately HK\$38.2 million for the Period. Such decrease was primarily due to the drop in the cost of sales under the Brand Development and Management Segment by 36.5% as compared to that of previous period.

Gross profit and gross profit margin

The Group's gross profit decreased by 3.3% from approximately HK\$71.0 million for the six months ended 30 September 2015 to approximately HK\$68.6 million for the Period. The gross profit margin for the Period increased from 60.8% to 64.3% which was resulted from the increase in more effect putting in high profit margin products from the Product Development Segment.

Other income

The Group's other income decreased from approximately HK\$3.1 million for the six months ended 30 September 2015 to approximately HK\$2.0 million for the Period, which was mainly due to the decrease in interest income on bank deposits of approximately HK\$1.0 million.

Other gains and losses

Other gains and losses for the Period was loss of approximately HK\$3.5 million compared to loss of approximately HK\$2.1 million for the six months ended 30 September 2015. The change was attributable to (i) exchange losses of approximately HK\$4.3 million for the Period compared to approximately HK\$6.0 million for the six months ended 30 September 2015; (ii) gain from acquisition of Tai Wo Tong Pharmaceutical of approximately HK\$3.9 million for the six months ended 30 September 2015; and (iii) fair value gain on investment property of approximately HK\$0.8 million for the Period.

Selling and distribution expenses

The selling and distribution expenses decreased by 0.4% from approximately HK\$24.2 million for the six months ended 30 September 2015 to approximately HK\$24.1 million for the Period.

Administrative expenses

The administrative expenses increased by 19.2% from approximately HK\$30.1 million for the six months ended 30 September 2015 to approximately HK\$35.9 million for the Period which was primarily attributable to (i) the increase in staff cost of approximately HK\$1.6 million; (ii) the increase in office expense of approximately HK\$1.0 million; (iii) the increase in corporate image expense on charity events and sponsorship of approximately HK\$0.9 million; and (iv) the increase in depreciation and amortization expense of approximately HK\$1.7 million.

Taxation

The Group's tax charge decreased by 52.8% from approximately HK\$3.6 million for the six months ended 30 September 2015 to approximately HK\$1.7 million for the Period, while the effective tax rates were 20.7% and 23.8% respectively. The decrease in tax charge was in line with the decrease in profit before tax from approximately HK\$17.6 million for the six months ended 30 September 2015 to approximately HK\$7.2 million for the Period.

Profit for the Period

During the Period, the net profit decreased by 60.7% from approximately HK\$14.0 million for the six months ended 30 September 2015 to approximately HK\$5.5 million for the Period, while net profit margin decreased from 11.9% to 5.1% for the Period as a result of business expansion.

Inventories

The Group's inventories decreased by 16.8% from approximately HK\$13.1 million as at 31 March 2016 to approximately HK\$10.9 million as at 30 September 2016, which was primarily due to the decrease in finished products for distribution by 13.0% from approximately HK\$11.5 million as at 31 March 2016 to approximately HK\$10.0 million as at 30 September 2016. The inventory turnover days improved from 66.6 days for the year ended 31 March 2016 to 57.5 days for the Period.

Trade and other receivables

The Group's trade receivables decreased by 5.1% from approximately HK\$25.3 million as at 31 March 2016 to approximately HK\$24.0 million as at 30 September 2016, which was in line with the decrease in turnover. The trade receivables turnover days increased slightly from 38.3 days for the six months ended 30 September 2015 to 42.3 days for the Period.

Liquidity and capital resources

The Group's cash and cash equivalents increased by 31.1% from approximately HK\$239.7 million as at 31 March 2016 to approximately HK\$314.3 million as at 30 September 2016. As at 30 September 2016, the Group had no outstanding bank borrowings; and the amount of unutilized banking facilities was approximately HK\$137 million. The gearing ratio (total debts divided by total equity) as at 30 September 2016 was nil (31 March 2016: nil). The current ratio (total current assets divided by current liabilities) as at 30 September 2016 was 8.1 (31 March 2016: 10.6).

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 analyzing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirements 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 2016, totaling HK\$10,857,960.

The total interim dividend of HK\$10,857,960 will be paid on or around 28 December 2016 to the shareholders whose names appeared on the register of members of the Company at the close of business on 6 December 2016.

Furthermore, the Board has determined that a special dividend (the "Special Dividend") of HK\$0.01 per share will be paid to the owners of the Company whose names appeared in the Register of Members on 6 December 2016.

The total amount of dividend approved during the period is HK\$21,715,920.

Reasons of distribution

The Board has determined the Special Dividend after reviewing the financial situation of the Group and considered that it has adequate cashflow liquidity. The Group believes that it is appropriate to extend its gratitude towards the long term support from its shareholders in the past years by way of declaration of the Special Dividend and it is a non-recurrent special dividend.

Closure of register of members

The register of members of the Company will be closed from 2 December 2016 to 6 December 2016, 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 1 December 2016.

Contingent liabilities

As at 30 September 2016, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

OTHER INFORMATION

ESTABLISHMENT OF A JOINT VENTURE WITH FULLSHARE

On 27 April 2016, the Company entered into the JV Agreement with Fullshare for establishment of a joint venture company to engage in the development of mother and child health products, pharmaceutical factory, hospital, medical care and related services. Details of the establishment of the joint venture have been disclosed in the Company's announcement dated 27 April 2016 and the poll results announcement dated 23 June 2016.

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 SCHEME

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

(1) Pre-IPO Share Option Scheme

The purpose of Pre-IPO Share Option Scheme is to recognize 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 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 Company's initial public offer on 16 October 2014.

As at 1 April 2016, the total number of share options under the Pre-IPO Share Option Scheme is 23,172,000. During the Period, 4,320,000 options were 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 to 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), unless approved by the shareholders in general meeting (the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time). 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.

As at 1 April 2016, the total number of share options under the Share Option Scheme is 2,400,000. During the Period, 540,000 options were exercised. Details of the Share Option Scheme have been disclosed in the Company's prospectus dated 30 September 2014.

CORPORATE GOVERNANCE

Corporate Governance Practice

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

Save for the below deviation, the Company has adopted and complied with all the code provisions and, where applicable, the recommended best practices under the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set forth in Appendix 14 to the Listing Rules as its corporate governance code of practices. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Pang Xiu Hin is the chairman and the chief executive officer of the Company. In view that Mr. Pang is one of the co-founders of the Group and has been operating and managing the Group since 1996, the Board believes that it is in the best interest of the Group to have Mr. Pang taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

Under the code provision F.1.1 of the CG Code, the Company engages Ms. Wong Ting Dan as its company secretary. Ms. Wong is a practicing solicitor and in performing her duties as the company secretary of the Company, she reports to the Board and maintains contacts with the chief executive officer 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.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2016 has been reviewed by the Audit Committee.

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
“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
“Fullshare”	means 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)
“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 British Virgin Islands, 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 a controlling shareholder of the Company under the Listing Rule
“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 the Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JV Agreement”	means the joint venture agreement dated 27 April 2016 entered into between the Company and Fullshare
“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
“Period”	the six months ended 30 September 2016
“Pre-IPO Share Option Scheme”	the pre-iPO share option scheme adopted by the Company on 25 September 2014
“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

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

Hong Kong, 17 November 2016

As at the date of this announcement, the executive Directors are Mr. Pang Siu Hin, Ms. Kwan Lai Man and Dr. Dong Meixian, the non-executive Directors are Ms. Wong Wai Ling and Mr. Yuen Chi Ping, and the independent non-executive Directors are Mr. Lee Luk Shiu, Dr. Tang Sing Hing, Kenny and Mr. Tsui Nam Hung.