HS

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 2018

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 2018

		Six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**94,670**	96,275
Cost of sales		**(30,622)**	(28,126)
Gross profit		**64,048**	68,149
Other income	*4*	**3,149**	6,161
Other gains and losses	*5*	**(8,635)**	3,287
Selling and distribution expenses		**(11,361)**	(17,871)
Administrative expenses		**(48,056)**	(42,488)
Finance costs	*6*	**(145)**	–
(Loss)/Profit before tax		**(1,000)**	17,238
Income tax expense	*7*	**(3,583)**	(4,472)
(Loss)/Profit for the period	*8*	**(4,583)**	12,766

	Note	Six months ended 30 September **2018** **(Unaudited)** ***HK$'000***	2017 (Unaudited) *HK$'000*
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income		**(105,038)**	–
Gain on revaluation of owner-occupied properties		**2,655**	–
Income tax relating to items that will not be reclassified to profit or loss		**(664)**	–
		(103,047)	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(17,085)**	4,650
Fair value loss on available-for-sale investments		**–**	(4,751)
		(17,085)	(101)
Other comprehensive expense for the period		**(120,132)**	(101)
Total comprehensive (expense)/income for the period		**(124,715)**	12,665
Profit/(Loss) for the period attributable to:			
– Owners of the Company		**3,287**	14,602
– Non-controlling interests		**(7,870)**	(1,836)
		(4,583)	12,766
Total comprehensive expense/(income) for the period attributable to:			
– Owners of the Company		**(113,249)**	13,293
– Non-controlling interests		**(11,466)**	(628)
		(124,715)	12,665
Earnings per share	*10*		
Basic *(HK cents)*		**0.30**	1.34
Diluted *(HK cents)*		**0.30**	1.34

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**As at 30 September 2018 (Unaudited) *HK$'000***	As at 31 March 2018 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**144,400**	125,584
Prepaid lease payments		**48,152**	53,728
Investment properties		**7,687**	–
Deposits for acquisition of property, plant and equipment		**29,325**	6,441
Financial assets at fair value through profit or loss		**5,258**	–
Deposit and prepayments for life insurance policies		**–**	5,113
Equity instruments at fair value through other comprehensive income	*11*	**468,354**	–
Available-for-sale investments	*11*	**–**	573,392
Deferred tax assets		**140**	–
		703,316	764,258
Current assets			
Inventories		**7,841**	9,590
Trade and other receivables	*12*	**35,235**	48,636
Financial assets at fair value through profit or loss		**7,899**	–
Held for trading investments		**–**	8,986
Tax refundable		**–**	14
Bank balances and cash		**150,161**	186,030
		201,136	253,256
Total assets		**904,452**	1,017,514

	Note	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Current liabilities			
Trade and other payables	*13*	**27,449**	30,304
Contract liabilities		**2,315**	–
Bank borrowings		**19,068**	–
Current tax liabilities		**6,390**	3,399
		55,222	33,703
Net current assets		**145,914**	219,553
Total assets less current liabilities		**849,230**	983,811
Capital and reserves			
Share capital		**109,351**	109,351
Reserves		**704,642**	828,421
Equity attributable to owners of the Company		**813,993**	937,772
Non-controlling interests		**34,573**	46,039
Total equity		**848,566**	983,811
Non-current liabilities			
Deferred tax liabilities		**664**	–
		849,230	983,811

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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 certain properties and financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatory effective for the annual period beginning on 1 April 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) ***Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers***

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of goods

- Provision of healthcare service

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
		HK$'000	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables	*(a)*	30,304	(1,628)	28,676
Contract liabilities	*(a)*	–	1,628	1,628

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note:

(a) As at 1 April 2018, advances from customers of approximately HK$1,628,000 in respect of sales contracts previously included in trade and other payables were reclassified to contract liabilities.

(b) Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Key changes in accounting policies resulting from application of HKFRS 9

<u>Classification and measurement of financial assets</u>

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date.

<u>Impairment under ECL model</u>

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, bank balances, other deposits and receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	Available-for-sale investments *HK$'000*	Equity instruments at FVTOCI *HK$'000*	Amortised cost (previously classified as loans and receivables) *HK$'000*	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 *HK$'000*	Revaluation reserve *HK$'000*	Deferred tax assets *HK$'000*	Retained profits *HK$'000*
Closing balance at 31 March 2018 – HKAS 39		573,392	–	218,534	8,986	116,390	–	67,121
Effect arising from initial application of HKFRS 9:								
Reclassification								
From available-for-sale investments	*(a)*	(573,392)	573,392	–	–	(16,348)	–	16,348
From loans and receivables	*(b)*	–	–	(5,170)	5,170	–	–	–
Remeasurement								
Impairment under ECL model	*(c)*	–	–	(876)	–	–	140	(736)
Opening balance at 1 April 2018		–	573,392	212,488	14,156	100,042	140	82,733

Notes:

(a) Available-for-sale investments

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK$573,392,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gains of approximately HK$116,390,000 relating to those investments previously carried at fair value continued to accumulate in revaluation reserve. In addition, impairment losses previously recognised of approximately HK$16,348,000 were transferred from retained profits to revaluation reserve as at 1 April 2018.

(b) Loans and receivables

Deposit and prepayments for life insurance policies previously classified as loans and receivables was reclassified to FVTPL upon the application of HKFRS 9 because its cash flows that do not represent solely payments of principal and interest on the principal amount outstanding. As at 1 April 2018, the fair value of this financial asset is approximately HK$5,170,000.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances, other deposits and receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the additional credit loss allowance (net of deferred tax) of approximately HK$736,000 has been recognised against retained profits. The additional loss allowance of approximately HK$876,000 was charged against trade receivables. The related tax effect of approximately HK$140,000 was recognised in deferred tax assets.

All loss allowances for trade receivables as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 is as follows:

	Trade receivables *HK$'000*
At 31 March 2018 – HKAS 39	–
Amounts remeasured through opening retained profits	876
At 1 April 2018	876

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 2018 (unaudited)

	Product Development Segment *HK$'000*	**Brand Development and Management Segment** *HK$'000*	**Trading of Goods Segment** *HK$'000*	**Healthcare Segment** *HK$'000*	**Total** *HK$'000*
Revenue					
External sales	**91,300**	**2,534**	**72**	**764**	**94,670**
Segment profit/(loss)	**22,615**	**223**	**12**	**(14,490)**	**8,360**
Interest income					**899**
Dividend income					**2,227**
Loss arising on financial assets measured at fair value through profit or loss					**(7,420)**
Unallocated expenses					**(4,921)**
Finance costs					**(145)**
Loss before tax					**(1,000)**

Six months ended 30 September 2017 (unaudited)

	Product Development Segment *HK$'000*	Brand Development and Management Segment *HK$'000*	Trading of Goods Segment *HK$'000*	Healthcare Segment *HK$'000*	Total *HK$'000*
Revenue					
External sales	91,773	3,847	398	257	96,275
Segment profit/(loss)	21,270	317	(127)	(4,226)	17,234
Interest income					2,253
Dividend income					2,013
Gain on fair value change of held for trading investments					67
Unallocated expenses					(4,329)
Profit before tax					17,238

4. OTHER INCOME

	Six months ended 30 September **2018** **(Unaudited)** ***HK$'000***	2017 (Unaudited) *HK$'000*
Interest income on bank deposits	**899**	2,143
Interest income on deposit and prepayments for life insurance policies	**–**	110
Consultancy income	**–**	307
Dividend income	**2,227**	2,013
Forfeiture of customers' deposits	**–**	246
Others	**23**	1,342
	3,149	6,161

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss arising on financial assets measured at fair value through profit or loss	**(7,420)**	–
Gain on fair value change of held for trading investments	**–**	67
Gain on disposal of property, plant and equipment	**12**	–
Loss on deregistration of a subsidiary	**(1)**	–
Impairment loss recognised in respect of trade receivables	**(180)**	–
Net foreign exchange (loss)/gain	**(1,046)**	3,220
	(8,635)	3,287

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**145**	–

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**3,005**	4,472
– PRC Enterprise Income Tax	**578**	–
	3,583	4,472

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period.

8. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/Profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**766**	543
Amortisation of intangible assets	**–**	966
Depreciation of property, plant and equipment	**9,709**	4,353

9. DIVIDENDS

During the current interim period, a final dividend of HK$0.01 per share in respect of the year ended 31 March 2018 (2017: HK$0.01) was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK$10,935,000 (2017: HK$10,888,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$0.01 (2017: HK$0.01) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 11 December 2018.

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	
	2018	2017
	(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)	**3,287**	14,602
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,093,508,000**	1,089,130,426
Effect of dilutive potential ordinary shares:		
– Share options	**1,647,780**	4,284,412
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,095,155,780**	1,093,414,838

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Equity instruments at fair value through other comprehensive income		
Equity securities listed in Hong Kong	**468,354**	–
Available-for-sale investments		
Equity securities listed in Hong Kong	**–**	573,392

Included in equity securities listed in Hong Kong above as at 30 September 2018 is the Group's investment in Fullshare, with a carrying amount of approximately HK$446,556,000. The investment represents approximately 0.60% holding of the ordinary shares of Fullshare and more than 10% of the Group's total assets as at 30 September 2018.

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Trade receivables	**16,827**	21,780
Prepayments to suppliers	**–**	2
Prepaid lease payments	**1,482**	1,623
Prepayments for other expenses	**12,515**	18,407
Other deposits (mainly including rental and building management fee deposits)	**3,755**	5,133
Other receivables	**656**	1,691
	35,235	48,636

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 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
0 – 30 days	**5,691**	8,825
31 – 60 days	**7,166**	6,991
61 – 90 days	**2,931**	3,797
Over 90 days	**1,039**	2,167
	16,827	21,780

13. TRADE AND OTHER PAYABLES

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Trade payables	**7,268**	9,504
Receipts in advance	**–**	1,628
Accruals (mainly including salaries and advertising expenses)	**20,181**	19,172
	27,449	30,304

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 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
0 – 30 days	**3,799**	8,732
31 – 60 days	**2,689**	681
61 – 90 days	**417**	9
Over 90 days	**363**	82
	7,268	9,504

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the marketing, selling and manufacturing of healthcare products for women and children, among which "Hin Sang (衍生)" has been a long established reputable brand – sales ranked first in Hong Kong for eight consecutive years. To align with consumers' trend, the Group continues to expand the e-commerce business through electronic platforms. To leverage on existing resources to increase profit, the Group also looks for suitable brands as agency. It is also developing its business in mother-infant Chinese medical healthcare as well as diagnosis and treatment services projects.

For the Period, the Group's revenue was approximately HK$94.7 million, representing a decrease of approximately 1.7% as compared to approximately HK$96.3 million for the same period in 2017. The Group has four business segments classified by their ownership, licensing rights and services rendered. During the Period, the Product Development Segment, selling the Group's own brand products with a relatively high gross profit margin, was still the largest segment of the Group which contributed approximately 96.4% (2017: 95.3%) of the Group's revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment decreased from approximately 4.0% of the total revenue for the same period in 2017 to approximately 2.7% of the total revenue for the Period. The Trading of Goods Segment recorded a decrease in revenue and its revenue contribution to the Group decreased from approximately 0.4% for the same period in 2017 to approximately 0.1% for the Period. Healthcare Segment, being in start-up stage, only accounted for approximately 0.8% of the total revenue for the Period.

Product Development Segment

Under the Product Development Segment, the Group develops and sells healthcare products, personal care products and household products under its own brand names, mainly being "Hin Sang (衍生)", "Tai Wo Tong (太和堂)", "Shuang Long (雙龍)" and "King's Antiseptic (殺菌王)". The Group started developing the "Hin Sang (衍生)" brand in 2004 mainly for its health supplements. "Tai Wo Tong (太和堂)" was developed in 2012 mainly for the Group's proprietary Chinese medicine category. With a view to further enhancing brand recognition of the Group's own brands, the Group launched several products during 2018, including "Hin Sang Daily Appetite Probiotic Formula for Kids (Granules) (衍生開胃樂兒童益生菌沖劑)", "Hin Sang Pipa Juhong Honey for Kids (衍生小兒枇杷橘紅蜜)" and "Hin Sang Appetite Support for Kids (Syrup) (衍生小兒開胃樂十味佛手露)".

The revenue of this segment was approximately HK$91.3 million for the Period, represented a slight decrease of approximately 0.5% comparing to approximately HK$91.8 million for the six months ended 30 September 2017. This segment's profit for the Period was approximately HK$22.6 million, representing an increase of approximately HK$1.3 million or approximately 6.3% as compared with the same period in 2017, which was mainly due to (i) improvement in profit contribution from products developed by the Group under its own brands with improved profit margin and (ii) there was a decrease in media advertising expense as compared with the same period in 2017. This segment's profit margin for the Period was approximately 24.8% while the profit margin for the six months ended 30 September 2017 was approximately 23.2%.

Brand Development and Management Segment

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

Amongst the products managed and developed by the Group for the brand proprietors, the major brands are "Acene (澳雪)", "See Young (滋原)", "Zici (滋采)" and "Vcnic (花世界)". The revenue of this segment was approximately HK$2.5 million for the Period, represented a decrease of approximately 34.2% comparing to approximately HK$3.8 million for the six months ended 30 September 2017. Such decrease was mainly due to the shift of focus by the management of the Group to the Product Development Segment during the Period in order to enhance the brand image of the Group's own-branded products. This segment recorded a profit of approximately HK$223,000 for the Period while a profit of approximately HK$317,000 was incurred for the six months ended 30 September 2017.

Trading of Goods Segment

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

The revenue of this segment was approximately HK$72,000 for the Period, represented a decrease of approximately 81.9% comparing to approximately HK$398,000 for the six months ended 30 September 2017 and it accounted for approximately 0.1% and 0.4% of the Group's revenue for the Period and for the six months ended 30 September 2017 respectively, as the management of the Group focused on the Product Development Segment during the Period. This segment's profit for the Period was approximately HK$12,000 as compared to loss of approximately HK$127,000 for the six months ended 30 September 2017.

Healthcare Segment

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

The revenue of this segment was approximately HK$764,000 for the Period, represented a significant increase of approximately 197.3% comparing to approximately HK$257,000 for the same period in 2017. However, due to initial stage of operation for the medical clinics in the PRC, this segment's loss for the Period was approximately HK$14.5 million, comparing loss of approximately HK$4.2 million for the same period in 2017.

HUMAN RESOURCES

The Group had a total of 207 staff as at 30 September 2018 (31 March 2018: 219). The remuneration of the employees consist of a fixed salary and performance-based sales commissions. 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 important assets and being the key to account for sustainable business growth.

PROSPECTS

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

The Group has outlined the following strategies for its future business development, with caution but aim to creating values for the Shareholders:

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

The Group has developed the "Hin Sang (衍生)" brand into a well-recognised brand in Hong Kong through an effective targeted advertising program which is well-positioned emphasizing on product safety and quality.

The Group continued focusing on and applying its brand strategies of multichannel marketing and diverse product portfolios. The Group adopted a market oriented research and product development strategy to meet evolving customer demands and needs while achieving rapid growth. With the Group's strong research and development expertise, the Group is expected to launch about 10 new products during 2019.

(b) To expand the manufacturing arm of the Group

The Group plans to enhance the production efficiency of its own brand products in order to capture future opportunities. The construction of production plant for manufacturing health supplements in Yunfu City of the Guangdong Province, the PRC is under full progress and expected to be completed by mid-2019. By the production capacity of the plant, the Group aims to reduce the production cost by self-production rather than Original Equipment Manufacturer ("**OEM**") to outside suppler, and increase efficiency and attaining more stringent quality control on its own brand healthcare products.

Furthermore, with reference to the Company's announcement dated 9 October 2018, the Group completed the acquisition of an industrial property with a gross floor area of approximately 29,000 square feet located in Shatin, Hong Kong. The plan to use the industrial property as warehouse is under progress. The Directors believe that such plan will achieve rental saving in the long run and better cost control, and also provides more stringent quality control on its own brand healthcare products.

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

The Group will continue to enhance its e-commerce platform which focus on online sales of the products under "Hin Sang (衍生)", through which customers, particularly those in the PRC can place orders online and enjoy home delivery services. Due to the gradual popularity of online shopping, especially in the PRC market, revenue from e-commerce platforms accounted for approximately HK$10.0 million (2017: HK$7.5 million) of the total revenue of the Group for the Period. The Group will continue to introduce more high quality health supplements on online platforms to expand our product portfolio, market scale and brand recognition.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK$94.7 million for the Period as compared to HK$96.3 million for the same period in 2017, representing a decrease of approximately 1.7%. Such decrease was mainly due to the decrease in its sales of products under the Brand Development and Management Segment and Trading of Goods Segment.

During the Period, the revenue generated from the Product Development Segment decreased by approximately HK$473,000, representing a decrease of approximately 0.5% as compared to the same period in 2017. The revenue generated from the Brand Development and Management Segment and the Trading of Goods Segment decreased by approximately HK$1.3 million and HK$326,000 respectively, representing a decrease of approximately 34.2% and 81.9% as compared to the same period in 2017. The decrease in revenue in both segments was resulted from the shift in focus of the management of the Group to the Product Development Segment.

Cost of sales

The Group's cost of sales increased by 8.9% from approximately HK$28.1 million for the six months ended 30 September 2017 to approximately HK$30.6 million for the Period. Such increase was primarily due the increase in the cost of sales under the Healthcare Segment. Since both the medical clinics in Hong Kong and the PRC were under full operation during the Period, costs like clinic rental expenses and direct labour increased significantly over the Period.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 6.0% from approximately HK$68.1 million for the six months ended 30 September 2017 to approximately HK$64.0 million for the Period. The gross profit margin for the Period decreased from approximately 70.8% to 67.7% which was resulted from increase in the cost of sales of Healthcare Segment as mentioned above.

Other income

The Group's other income decreased from approximately HK$6.2 million for the six months ended 30 September 2017 to approximately HK$3.1 million for the Period, which was mainly due to decrease in interest income from bank deposits of approximately HK$1.2 million and the incurrence of the following items for the six months ended 30 September 2017: (i) consultancy income of approximately HK$307,000 and (ii) reversal of sales discounts provision in prior years of approximately HK$1.3 million.

Other gains and losses

Other gains and losses for the Period recorded a loss of approximately HK$8.6 million compared to a gain of approximately HK$3.3 million for the six months ended 30 September 2017. The change was attributable to loss of approximately HK$7.4 million for financial assets at fair value through profit or loss for the Period and net exchange loss of approximately HK$1.0 million for the Period as compared to net exchange gain of approximately HK$3.2 million for the six months ended 30 September 2017.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately 36.3% from approximately HK$17.9 million for the six months ended 30 September 2017 to approximately HK$11.4 million for the Period. Such change was consistent with the decrease in media advertising expense, especially for the PRC market.

Administrative expenses

The administrative expenses increased by approximately 13.2% from approximately HK$42.5 million for the six months ended 30 September 2017 to approximately HK$48.1 million for the Period which was primarily attributable to (i) the increase in depreciation and amortization expenses of approximately HK$5.6 million; (ii) the increase in staff costs of approximately HK$0.6 million; and (iii) the increase in office expenses of approximately HK$0.6 million.

Taxation

The Group's income tax expense decreased by approximately 20.0% from approximately HK$4.5 million for the six months ended 30 September 2017 to approximately HK$3.6 million for the Period. The decrease in income tax expense was in line with the decrease in profit before tax from approximately HK$17.2 million for the six months ended 30 September 2017 to loss of approximately HK$1.0 million for the Period.

Loss/Profit for the Period

During the Period, the Group incurred net loss of approximately HK$4.6 million compared with net profit of approximately HK$12.8 million for the six months ended 30 September 2017.

Other comprehensive expense

During the Period, the Group has recorded a loss on equity instruments at fair value through other comprehensive income of approximately HK$105.0 million and exchange loss on translation of foreign operations of approximately HK$17.1 million.

Equity instruments at fair value through other comprehensive income

The Group held these equity securities for medium to long term purpose, and it represented investment in two listed equity securities which are stated at fair value.

The first listed equity security represents 118,765,000 shares in Fullshare, and there was no addition or disposal of the shares of Fullshare during the Period. As at 30 September 2018, the carrying amount of these shares amounted to approximately HK$446.6 million (31 March 2018: HK$516.6 million), with the fair value loss of approximately HK$70.0 million was recognized as other comprehensive income for the Period, and these shares represented approximately 0.6% of the issued ordinary shares of Fullshare as at 30 September 2018. The carrying amount of these shares represented approximately 49.3% of the total assets of the Group as at 30 September 2018.

The second listed equity security represents 45,411,600 shares in Nanjing Sinolife United Company Limited ("**Nanjing Sinolife**") (stock code: 3332). There was no addition or disposal of this investment during the Period. As at 30 September 2018, the carrying amount of these shares amounted to approximately HK$21.8 million, with a fair value loss of approximately HK$35.0 million recognised for the Period due to significant decline in the market value and these shares represented approximately 4.8% of the issued ordinary shares of Nanjing Sinolife as at 30 September 2018. The carrying amount of these shares represented approximately 2.4% of the total assets of the Group as at 30 September 2018.

The fair value of these securities as at the date of this announcement was approximately HK$374.9 million.

Inventories

The Group's inventories decreased by approximately 18.8% from approximately HK$9.6 million as at 31 March 2018 to approximately HK$7.8 million as at 30 September 2018, which was primarily due to the decrease in finished goods for distribution by approximately 27.4% from approximately HK$8.4 million as at 31 March 2018 to approximately HK$6.1 million as at 30 September 2018. The inventory turnover days decreased from 58.8 days for the year ended 31 March 2018 to 52.1 days for the Period.

Trade and other receivables

The Group's trade receivables decreased by approximately 22.9% from approximately HK$21.8 million as at 31 March 2018 to approximately HK$16.8 million as at 30 September 2018. The trade receivables turnover days increased from 37.2 days for the year ended 31 March 2018 to 37.3 days for the Period.

Trade and other payables

The Group's trade payables decreased by approximately 23.2% from approximately HK$9.5 million as at 31 March 2018 to approximately HK$7.3 million as at 30 September 2018. The trade payables turnover days decreased from 60.7 days for the year ended 31 March 2018 to 50.1 days for the period.

Liquidity, gearing ratio and capital structure

The Group's bank balances and cash were mainly denominated in HKD and RMB, the balances were decreased by approximately 19.2% from approximately HK$186.0 million as at 31 March 2018 to approximately HK$150.2 million as at 30 September 2018. As at 30 September 2018, the Group had HK$19.1 million bank borrowings; and the amount of unutilized banking facilities was approximately HK$200.0 million. The gearing ratio (total debts divided by total equity) as at 30 September 2018 was 0.02 (31 March 2018: nil). The current ratio (total current assets divided by total current liabilities) as at 30 September 2018 was 3.6 (31 March 2018: 7.5).

Contingent liabilities

As at 30 September 2018, the Directors were not aware of any significant events that would have resulted in material contingent liabilities (31 March 2018: Nil).

Charges on the Group's assets

As at 30 September 2018, certain leasehold land and building held for own use of the Group with aggregate carrying values of approximately HK$88.5 million (31 March 2018: Nil) were pledged to a bank to secure banking facilities granted to the Group.

Capital commitments

As at 30 September 2018, the Group had total capital commitments in respect of construction of production plant of HK$38.2 million (31 March 2018: HK$6.3 million).

Event after the reporting period

On 8 October 2018, Beautymate Hong Kong Limited, a wholly-owned subsidiary of the Company, completed the sale and purchase agreement with the vendor, Emwell Limited, an independent third party, for acquisition of an industrial property and a car parking space at the consideration of HK$158,380,000. The Group intends to use the industrial property as a warehouse.

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 2018, totaling HK$10,937,960.

The total interim dividend of HK$10,937,960 will be paid on or around 2 January 2019 to the shareholders whose names appeared on the register of members of the Company at the close of business on 11 December 2018.

Closure of register of members

The register of members of the Company will be closed from 7 December 2018 to 11 December 2018, both days inclusive, during which period no transfer of Shares 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 branch 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 6 December 2018.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold and redeemed any of the Company's listed securities during the Period.

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 of 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 Siu Hin ("**Mr. Pang**") 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. Polien Kho ("**Ms. Kho**") as its company secretary. Ms. Kho is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators respectively and in performing her duties as the company secretary of the Company, she reports to the Board and maintains contact with the chief financial 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" (the "**Model Code**") to the Listing Rules as the code of conduct for securities transactions by the Directors. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code during the Period.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the Period has been reviewed by the Audit Committee.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below.

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"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"	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, both of them are executive Directors, and a controlling shareholder of the Company under the Listing Rules
"Group"	the Company and its subsidiaries
"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 2018
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) with a nominal value of HK$0.1 each in the share capital of the Company
"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, 22 November 2018

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