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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)

DISCLOSEABLE TRANSACTION LANDSCAPING CONSTRUCTION CONTRACT

Reference is made to the announcements of the Company dated 21 June 2017 and 22 February 2019 in relation to the development and construction of the Production Plant.

On 28 November 2019 (after trading hours), Hin Sang Guangdong (an indirect wholly-owned subsidiary of the Company) entered into the Landscaping Construction Contract with the Contractor, pursuant to which the Contractor agreed to provide the Construction Services in relation to the Production Plant to Hin Sang Guangdong at a consideration of RMB12.2 million (equivalent to approximately HK\$13.5 million).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the transaction contemplated under the Landscaping Construction Contract, when aggregated with the transactions contemplated under the First Phase Construction Agreement and the Second Phase Construction Agreement, exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction to the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company dated 21 June 2017 and 22 February 2019 in relation to the development and construction of the Production Plant.

The Board is pleased to announce that on 28 November 2019, Hin Sang Guangdong (an indirect wholly-owned subsidiary of the Company) entered into the Landscaping Construction Contract with the Contractor, pursuant to which the Contractor agreed to provide the Construction Services in relation to the Production Plant to Hin Sang Guangdong.

THE LANDSCAPING CONSTRUCTION CONTRACT

The principal terms of the Landscaping Construction Contract (as supplemented by the Supplemental Agreement) are as follows:

Date	28 November 2019
Parties	(i) Hin Sang Guangdong, an indirect wholly-owned subsidiary of the Company; and (ii) the Contractor

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Contractor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Scope of work	The Contractor will be responsible for providing the following construction services in relation to the Production Plant: <ul style="list-style-type: none">• the interior design and decoration works of the Production Plant;• the planting and maintenance of trees and construction of relevant facilities for landscaping, gardening and greening purposes; and• the installation of lightings and sewage treatment facilities.
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(collectively, the “**Construction Services**”)

It is agreed by the parties under the Supplemental Agreement that certain of the Construction Services will be subcontracted to and carried out by other subcontractors (who shall be independent third parties) as considered appropriate by Hin Sang Guangdong.

Contract schedule

Date of commencement: 28 November 2019

Expected date of completion: 25 January 2020

Consideration and payment terms

RMB12.2 million (equivalent to approximately HK\$13.5 million), of which (a) 2% of the Consideration shall be paid by Hin Sang Guangdong to any subcontractors engaged by it for carrying out the Construction Services (the “**Subcontracting Fee**”); and (b) the remaining shall be paid by Hin Sang Guangdong to the Contractor in the following manner:

- (i) 25% of the Consideration (after deduction of the Subcontracting Fee) (the “**Consideration Balance**”) shall be paid as prepayment after (a) the signing of the Landscaping Construction Contract and (b) five days after the commencement of work by the Contractor;
- (ii) up to 80% of the Consideration Balance shall be paid as monthly progress payments based on the actual amount of completed work in each month;
- (iii) up to 90% of the Consideration Balance shall be paid upon completion of the Construction Services and the passing of quality check;
- (iv) up to 97% of the Consideration Balance shall be paid within 15 days after completion of the Construction Services and the submission of relevant completion documents by the Contractor to Hin Sang Guangdong for approval; and
- (v) the remaining 3% of the Consideration Balance shall be treated as maintenance fee, which shall be retained and only paid (without interest) to the Contractor within one month after a one-year maintenance period after the deduction of maintenance cost (if any).

The Consideration is inclusive of value-added tax in the amount of approximately RMB1 million (equivalent to approximately HK\$1.1 million).

The Consideration was determined after arm's length negotiations between the parties with reference to the estimated construction cost and the construction experience of the Contractor. The Consideration will be funded by the internal resources of the Group.

THE FIRST PHASE CONSTRUCTION AGREEMENT

As disclosed in the Announcement, Hin Sang Guangdong has, on 10 July 2018, entered into the First Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct a five-storey office building and a six-storey staff dormitory in the Production Plant for Hin Sang Guangdong at a consideration of RMB42 million (equivalent to approximately HK\$46.5 million).

As at the date of this announcement, the construction of the office building and the staff dormitory has been completed.

THE SECOND PHASE CONSTRUCTION AGREEMENT

As disclosed in the Announcement, Hin Sang Guangdong has, on 22 February 2019, entered into the Second Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct certain facilities, including a three-storey factory building, a power station, a sewage treatment plant and a warehouse storage facility, in the Production Plant, at a consideration of RMB88 million (equivalent to approximately HK\$97.4 million).

As at the date of this announcement, the construction of the abovementioned facilities has been substantially completed.

INFORMATION OF THE PARTIES

The Group

Hin Sang Guangdong is an indirect wholly-owned subsidiary of the Group and is principally engaged in the manufacturing and sales of health supplements and products.

The Group is principally engaged in the marketing, selling and manufacturing of healthcare products primarily targeting at children, among which “Hin Sang (衍生)” has been a long-established reputable brand. To align with customers’ trend, the Group continues to expand its 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.

The Contractor

The Contractor is a limited liability company incorporated in the PRC principally engaged in the construction business.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LANDSCAPING CONSTRUCTION CONTRACT

As disclosed in the Announcement, both the First Phase Construction Agreement and the Second Phase Construction Agreement are for the construction of facilities in the Production Plant, which is a self-owned production plant of the Group for the manufacturing of health supplements targeting the infants and children market. The Directors considered that having a self-owned production plant would benefit the Group in facilitating the growing scale of its business, increasing production volume and efficiency, and attaining more stringent quality control. The Production Plant may also leverage on the resources of the Industrial Park and enhance the Group’s competitiveness in expanding its existing business.

The Construction Services to be provided by the Contractor to Hin Sang Guangdong under the Landscaping Construction Contract are ancillary services to the construction of the office and production facilities in the Production Plant and are expected to enhance the aesthetic and working environment of the Production Plant in general.

The Board is of the view that the Landscaping Construction Contract is on normal commercial terms, its terms are fair and reasonable, and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the transaction contemplated under the Landscaping Construction Contract is less than 5%, such transaction, on a standalone basis, does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Nevertheless, given that (i) the First Phase Construction Agreement, the Second Phase Construction Agreement and the Landscaping Construction Contract were entered into by Hin Sang Guangdong with the same party (being the Contractor); and (ii) they are all related to the construction of the Production Plant and its ancillary facilities, the transactions contemplated thereunder are required to be aggregated pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Landscaping Construction Contract, when aggregated with the transactions contemplated under the First Phase Construction Agreement and the Second Phase Construction Agreement, exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction to the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Announcement”	the announcement of the Company dated 22 February 2019 in relation to the construction of the Production Plant
“Board”	the board of Directors
“Company”	Hing Sang Group (International) Holding Co. Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6893)
“Consideration”	the total consideration of RMB12.2 million payable by Hin Sang Guangdong pursuant to the Landscaping Construction Contract
“Consideration Balance”	the balance of the Consideration after deduction of the Subcontracting Fee
“Construction Services”	has the meaning as described in the section headed “The Landscaping Construction Contract” in this announcement

“Contractor”	廣東省六建集團有限公司(Guangdong No.6 Construction Group Co., Ltd.*)
“Director(s)”	the director(s) of the Company
“First Phase Construction Agreement”	the construction agreement entered into between Hin Sang Guangdong and the Contractor on 10 July 2018 in respect of the construction of an office building and a staff dormitory in the Production Plant
“Group”	the Company and its subsidiaries
“Hin Sang Guangdong”	衍生健康醫藥(廣東)有限公司(Hin Sang Health and Medical (Guangdong) Company Limited*), a company incorporated in the PRC which is an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Industrial Park”	雲浮市健康醫藥產業園(Yunfu Health Medical Industrial Park*), which is located at 雲城區河口街布務村(Hekou Street, Buwu Village, Yuncheng District*) of Yunfu City, Guangdong Province, the PRC
“Landscaping Construction Contract”	the landscaping construction contract dated 28 November 2019 (as supplemented by the Supplemental Agreement) entered into between Hin Sang Guangdong and the Contractor in respect of the provision of the Construction Services by the Contractor
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange
“percentage ratio”	has the meaning under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China

“Production Plant”	a production plant of the Group situated in the Industrial Park for the manufacturing of health supplements targeting infants and children market
“RMB”	Renminbi, the lawful currency of the PRC
“Second Phase Construction Agreement”	the construction agreement entered into between Hin Sang Guangdong and the Contractor on 22 February 2019 in respect of the construction of certain facilities in the Production Plant
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontracting Fee”	the amount of fee to be paid by Hin Sang Guangdong to the subcontractors pursuant to the Supplemental Agreement for the provision of certain Construction Services by the subcontractors, which shall be 2% of the Consideration (in the amount of RMB244,000, equivalent to approximately HK\$270,000)
“Supplemental Agreement”	a supplemental agreement dated 28 November 2019 entered into between Hin Sang Guangdong and the Contractor to supplement the Landscaping Construction Contract
“%”	per cent

The transactions between RMB and HK\$ in this announcement were made at the rate of RMB1.00 to HK\$1.1065. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on the date hereof or any other date.

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

Hong Kong, 28 November 2019

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.

* *For identification purpose only*