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 2019

FINANCIAL HIGHLIGHTS

	Year ended 30 September		
	2019	2018	Change
	HK$'000	*HK$'000*	%
Revenue	**90,949**	94,670	-3.9%
Gross profit	**68,182**	64,048	6.5%
Profit/(Loss) for the period	**70**	(4,583)	-101.5%
Other comprehensive expense for the year	**(107,875)**	(120,132)	-10.2%
Earnings per share – Basic and diluted *(HK cents)*	**0.74**	0.30	

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 2019

		Six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**90,949**	94,670
Cost of sales		**(22,767)**	(30,622)
Gross profit		**68,182**	64,048
Other income	*4*	**1,080**	3,149
Other gains and losses	*5*	**(3,717)**	(8,635)
Selling and distribution expenses		**(13,112)**	(11,361)
Administrative expenses		**(47,133)**	(48,056)
Finance costs	*6*	**(2,944)**	(145)
Profit/(Loss) before tax		**2,356**	(1,000)
Income tax expense	*7*	**(2,286)**	(3,583)
Profit/(Loss) for the period	*8*	**70**	(4,583)
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		**(96,916)**	(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)
		(96,916)	(103,047)

	Note	Six months ended 30 September **2019** **(Unaudited)** ***HK$'000***	2018 (Unaudited) *HK$'000*
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(10,959)**	(17,085)
Other comprehensive expense for the period		**(107,875)**	(120,132)
Total comprehensive expense for the period		**(107,805)**	(124,715)
Profit/(loss) for the period attributable to:			
– Owners of the Company		**8,046**	3,287
– Non-controlling interests		**(7,976)**	(7,870)
		70	(4,583)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		**(97,812)**	(113,249)
– Non-controlling interests		**(9,993)**	(11,466)
		(107,805)	(124,715)
Earnings per share	*10*		
Basic *(HK cents)*		**0.74**	0.30
Diluted *(HK cents)*		**0.74**	0.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	**As at 30 September 2019 (Unaudited) *HK$'000***	As at 31 March 2019 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**379,537**	347,486
Right-of-use assets		**80,106**	–
Prepaid lease payments		**–**	44,789
Investment properties		**12,613**	13,408
Deposits for acquisition of property, plant and equipment		**38,530**	6,029
Financial assets at fair value through profit or loss		**5,377**	5,377
Equity instruments at fair value through other comprehensive income	*11*	**41,411**	138,327
Deferred tax assets		**87**	87
		557,661	555,503
Current assets			
Inventories		**12,493**	6,586
Trade and other receivables	*12*	**18,869**	34,192
Financial assets at fair value through profit or loss		**3,858**	5,160
Tax refundable		**141**	141
Bank balances and cash		**32,838**	63,768
		68,199	109,847
Total assets		**625,860**	665,350

	Note	As at 30 September 2019 (Unaudited) *HK$'000*	As at 31 March 2019 (Audited) *HK$'000*
Current liabilities			
Trade and other payables	*13*	**8,863**	20,367
Contract liabilities		**2,576**	2,222
Bank borrowings		**43,724**	134,799
Lease liabilities		**5,501**	–
Current tax liabilities		**3,160**	921
		63,824	158,309
Net current assets/(liabilities)		**4,375**	(48,462)
Total assets less current liabilities		**562,036**	507,041
Non-current liabilities			
Bank borrowings		**137,251**	–
Lease liabilities		**30,756**	–
		168,007	–
Net assets		**394,029**	507,041
Capital and reserves			
Share capital		**109,280**	109,380
Reserves		**272,036**	370,636
Equity attributable to owners of the Company		**381,316**	480,016
Non-controlling interests		**12,713**	27,025
Total equity		**394,029**	507,041

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2019.

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 or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

2.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

<u>Definition of a lease</u>

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

<u>As a lessee</u>

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK$41,330,000 and right-of-use assets of approximately HK$87,496,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.30%.

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	42,682
Lease liabilities discounted at relevant incremental borrowing rates	36,265
Add: Extension options reasonably certain to be exercised	6,345
Less: Recognition exemption – short-term leases	(1,280)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	41,330
Analysed as	
Current	6,370
Non-current	34,960
	41,330

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

		At 1 April 2019
	Note	*HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		41,330
Reclassified from prepaid lease payments	*(a)*	46,166
		87,496
By class:		
Leasehold land		46,166
Land and buildings		36,877
Office equipment		4,453
		87,496

Note:

(a) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$1,377,000 and HK$44,789,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The application of lessor accounting requirements in HKFRS 16 has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	87,496	87,496
Prepaid lease payments	44,789	(44,789)	–
Current assets			
Trade and other receivables	34,192	(1,377)	32,815
Current liabilities			
Lease liabilities	–	6,370	6,370
Non-current liabilities			
Lease liabilities	–	34,960	34,960

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 2019 (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	**87,595**	**2,031**	**–**	**1,323**	**90,949**
Segment profit/(loss)	**23,337**	**(138)**	**–**	**(13,475)**	**9,724**
Interest income					**546**
Loss arising on financial assets measured at fair value through profit or loss					**(1,302)**
Unallocated expenses					**(3,668)**
Finance costs					**(2,944)**
Profit before tax					**2,356**

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)

4. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on bank deposits	**546**	899
Dividend income	**–**	2,227
Rental income	**300**	–
Others	**234**	23
	1,080	3,149

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss arising on financial assets measured at fair value through profit or loss	**(1,302)**	(7,420)
(Loss)/Gain on disposal of property, plant and equipment	**(2,248)**	12
Loss on deregistration of a subsidiary	**–**	(1)
Impairment loss recognised in respect of trade receivables	**–**	(180)
Net foreign exchange loss	**(167)**	(1,046)
	(3,717)	(8,635)

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**2,549**	145
Interest on lease liabilities	**395**	–
	2,944	145

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**2,238**	3,005
– PRC Enterprise Income Tax	**48**	578
	2,286	3,583

Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million 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. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**–**	766
Depreciation of property, plant and equipment	**10,860**	9,709
Depreciation of right-of-use assets	**3,714**	–

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2018: HK$0.01 per share). The Directors have determined that no dividend will be paid in respect of the interim period (2018: HK$0.01 per share).

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	
	2019	2018
	(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)	**8,046**	3,287
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,093,681,246**	1,093,508,000
Effect of dilutive potential ordinary shares:		
– Share options	**–**	1,647,780
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,093,681,246**	1,095,155,780

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for the period.

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2019 (Unaudited) *HK$'000*	As at 31 March 2019 (Audited) *HK$'000*
Equity securities listed in Hong Kong	**41,411**	138,327

Included in equity securities listed in Hong Kong above as at 30 September 2019 is the Group's investment in Fullshare, with a carrying amount of approximately HK$30,285,000. The investment represents approximately 0.6% holding of the ordinary shares of Fullshare.

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 (Unaudited) *HK$'000*	As at 31 March 2019 (Audited) *HK$'000*
Trade receivables	**2,062**	18,656
Less: Allowance for credit losses	**(1,055)**	(1,055)
	1,007	17,601
Prepayments to suppliers	**–**	30
Prepaid lease payments	**–**	1,377
Prepayments for other expenses	**4,326**	6,091
Other deposits (mainly including rental and building management fee deposits)	**1,512**	2,552
Other receivables	**394**	308
Value-added tax recoverable	**11,630**	6,233
	18,869	34,192

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 net of allowance for credit losses at the end of the reporting period, presented based on invoice date:

	As at 30 September 2019 (Unaudited) *HK$'000*	As at 31 March 2019 (Audited) *HK$'000*
0–30 days	**175**	8,412
31–60 days	**112**	4,552
61–90 days	**10**	3,624
Over 90 days	**710**	1,013
	1,007	17,601

13. TRADE AND OTHER PAYABLES

	As at 30 September 2019 (Unaudited) *HK$'000*	As at 31 March 2019 (Audited) *HK$'000*
Trade payables	**977**	5,702
Accruals (mainly including salaries and advertising expenses)	**7,886**	14,665
	8,863	20,367

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 2019 (Unaudited) *HK$'000*	As at 31 March 2019 (Audited) *HK$'000*
0–30 days	**250**	4,874
31–60 days	**63**	410
61–90 days	**26**	–
Over 90 days	**638**	418
	977	5,702

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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 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 trades in skin care, personal care and slimming products of reputable brands. 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$90.9 million, representing a decrease of approximately 3.9% as compared to approximately HK$94.7 million for the same period in 2018. 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 96.3% (2018: 96.4%) of the Group's revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment decreased from approximately 2.7% of the total revenue for the same period in 2018 to approximately 2.2% of the total revenue for the Period. No revenue generated from the Trading of Goods Segment for the period (2018: 0.1%). Healthcare Segment, being in start-up stage, only accounted for approximately 1.5% (2018: 0.8%) of the total revenue for the Period.

The Group's business operations are mainly based in Hong Kong, though its products are distributed through distributors appointed in the PRC and Macau. Revenue generated from Hong Kong market for the Period recorded approximately HK$61.7 million (2018: HK$73.4 million), representing approximately 67.8% of the total revenue for the Period (2018: 77.5%). On the other hand, revenue generated from the PRC market for the Period recorded approximately HK$29.3 million (2018: HK$21.3 million), representing approximately 32.2% of the total revenue for the Period (2018: 22.5%). The revenue generated from sales in Hong Kong decreased due to the decrease of tourists from PRC because of the recent social movements in Hong Kong. According to the statistics of Hong Kong Tourism Board, the number of PRC tourists from January to July 2019 increased by 13.0% over the same period in 2018. However, the number of PRC tourists in September 2019 dropped sharply by 35% over the same month in 2018 according to the same sources. The revenue generated from sales in the PRC increased due to the improving economic performance as it showed for the increase in the production volume of Chinese medicine industry in recent months.

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 2019, including but not limited to "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$87.6 million for the Period, represented a slight decrease of approximately 4.1% comparing to approximately HK$91.3 million for the same period in 2018. This segment's profit for the Period was approximately HK$23.3 million, representing an increase of approximately HK$0.7 million or approximately 3.2% as compared with the same period in 2018, which was mainly due to improvement in profit contribution from products developed by the Group under its own brands with improved profit margin as compared with the same period in 2018. This segment's profit margin for the Period was approximately 26.6% while the profit margin for the six months ended 30 September 2018 was approximately 24.8%.

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 "See Young (滋源)", "Pahmi (芭菲)", "Vcnic (花世界)", "Zici (滋采)" and "Sunew (閃新)". The revenue of this segment was approximately HK$2.0 million for the Period, represented a decrease of approximately 19.9% comparing to approximately HK$2.5 million for the same period in 2018. 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 loss of approximately HK$138,000 for the Period while a profit of approximately HK$223,000 was recorded for the same period in 2018.

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.

There are no revenue and profit of this segment for the Period as compared to approximately HK$72,000 and HK$12,000 respectively for the same period in 2018, as the management of the Group focused on the Product Development Segment during the Period.

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$1.3 million for the Period, represented a significant increase of approximately 73.2% comparing to approximately HK$764,000 for the same period in 2018. However, due to initial stage of operation with heavily operating costs incurred before generating decent revenue for the medical clinics in the Hong Kong and PRC, this segment's loss for the Period was approximately HK$13.5 million, comparing loss of approximately HK$14.5 million for the same period in 2018.

HUMAN RESOURCES

The Group had a total of 248 staff as at 30 September 2019. 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. The Group's new product development initiative for the coming year will focus on developing more products in mother and children health supplements in Hong Kong and the PRC.

(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 Group intends to develop a production plant for manufacturing health supplements in Yunfu City of the Guangdong Province, the PRC, aiming to reduce the product cost by self-production rather than Original Equipment Manufacturer ("**OEM**") to outside supplier, and increase efficiency and attaining more stringent quality control on its own brand healthcare products. On 9 October 2017, the Group paid RMB17.4 million (equivalent to HK$20.7 million) as land use right payment in relation to acquisition of a piece of land, and the production plant is under construction stage. As at 30 September 2019, the Group has paid RMB86.7 million (equivalent to HK$94.3 million) as construction in progress.

(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$8.9 million (2018: HK$10.0 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$90.9 million for the Period as compared to HK$94.7 million for the same period in 2018, representing a decrease of approximately 3.9%. 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$3.7 million, representing a decrease of approximately 4.1% as compared to the same period in 2018. The revenue generated from the Brand Development and Management Segment and the Trading of Goods Segment decreased by approximately HK$0.5 million and HK$72,000 respectively, representing a decrease of approximately 19.9% and 100.0% as compared to the same period in 2018. 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.

Revenue generated from sales in Hong Kong decreased but it is partially offset by the increase in sales in the PRC.

Cost of sales

The Group's cost of sales decreased by 25.7% from approximately HK$30.6 million for the six months ended 30 September 2018 to approximately HK$22.8 million for the Period. The reason was primarily due to the drop in costs of sales under Product Development, Brand Development and Management Segment and Healthcare Segment decreased by approximately 6.4%, 6.1% and 3.0% respectively for the six months ended 30 September 2019.

* *The English name is for identification purposes only*

Gross profit and gross profit margin

The Group's gross profit increased by approximately 6.5% from approximately HK$64.0 million for the six months ended 30 September 2018 to approximately HK$68.2 million for the Period. The gross profit margin for the Period increased from approximately 67.7% to 75.0% which was resulted from decrease in the cost of sales of Product Development Segment as mentioned above.

Other income

The Group's other income decreased from approximately HK$3.1 million for the six months ended 30 September 2018 to approximately HK$1.1 million for the Period, which was mainly due to decrease in dividend income from listed equity investments of approximately HK$2.2 million.

Other gains and losses

Other gains and losses for the Period recorded a loss of approximately HK$3.7 million compared to approximately HK$8.6 million for the six months ended 30 September 2018. The change was attributable to the reduction of fair value loss of approximately HK$6.1 million for financial assets measured at fair value through profit and loss for the Period and decrease in net exchange loss of approximately HK$0.9 million for the Period as compared to that for the six months ended 30 September 2018.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 15.4% from approximately HK$11.4 million for the six months ended 30 September 2018 to approximately HK$13.1 million for the Period. Such change was consistent with the increase in media advertising expense in Hong Kong market and the trade promotional expenses.

Administrative expenses

The administrative expenses decreased by approximately 1.9% from approximately HK$48.1 million for the six months ended 30 September 2018 to approximately HK$47.1 million for the Period.

Taxation

The Group's income tax expense decreased by approximately 36.2% from approximately HK$3.6 million for the six months ended 30 September 2018 to approximately HK$2.3 million for the Period. The decrease in income tax expense was in line with the decrease in assessable profits in Hong Kong for the Period compared to that for the six months ended 30 September 2018.

Profit for the Period

During the Period, the Group incurred net profit of approximately HK$70,000 compared with net loss of approximately HK$4.6 million for the six months ended 30 September 2018.

Other comprehensive expense

During the Period, the Group has recorded a fair value loss on equity instruments at fair value through other comprehensive income of approximately HK$96.9 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 Holdings Limited ("**Fullshare**") (stock Code: 00607). There was no addition or disposal of the shares of Fullshare during the Period. Fullshare is principally engaged in property, tourism, investment and financial services, healthcare and education and new energy businesses. As at 30 September 2019, the fair value of these shares amounted to approximately HK$30.3 million (31 March 2019: HK$124.7 million), with the fair value loss of approximately HK$94.4 million was recognised as other comprehensive expense for the Period, and these shares represented approximately 0.6% of the issued ordinary shares of Fullshare as at 30 September 2019. The carrying amount of these shares represented approximately 4.8% of the total assets of the Group as at 30 September 2019. During the Period, no dividend income from Fullshare was recognised in the profit or loss (2019: HK$2.2 million).

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 the shares of Nanjing Sinolife during the Period. Nanjing Sinolife is principally engaged in the manufacturing and sale of nutritional supplements and the trading of packaged health food products in the PRC, Australia and New Zealand. As at 30 September 2019, the fair value of these shares amounted to approximately HK$11.1 million (31 March 2019: HK$13.6 million), with an fair value loss of approximately HK$2.5 million recognised as other comprehensive expense for the Period, and these shares represented approximately 4.8% of the issued ordinary shares of Nanjing Sinolife as at 30 September 2019. During the Period, no dividend income from Nanjing Sinolife was recognised in the profit or loss (2019: nil).

The Group will continue to hold these equity securities, unless there are changes in its investment strategy or potential opportunities in realising its existing investments in securities arise. The Group's objective to optimise the returns from its equity securities and create value for the Shareholders.

Inventories

The Group's inventories increased by approximately 89.7% from approximately HK$6.6 million as at 31 March 2019 to approximately HK$12.5 million as at 30 September 2019, which was primarily due to the increase in finished goods for distribution by approximately 92.3% from approximately HK$5.2 million as at 31 March 2019 to approximately HK$10.0 million as at 30 September 2019. The inventory turnover days increased from 52.2 days for the year ended 31 March 2019 to 76.7 days for the Period.

Trade and other receivables

The Group's trade receivables decreased by approximately 94.3% from approximately HK$17.6 million as at 31 March 2019 to approximately HK$1.0 million as at 30 September 2019. The trade receivables turnover days decreased from 39.1 days for the year ended 31 March 2019 to 18.7 days for the Period.

Trade and other payables

The Group's trade payables decreased by approximately 82.9% from approximately HK$5.7 million as at 31 March 2019 to approximately HK$1.0 million as at 30 September 2019. The trade payables turnover days decreased from 49.0 days for the year ended 31 March 2019 to 26.8 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 48.5% from approximately HK$63.8 million as at 31 March 2019 to approximately HK$32.8 million as at 30 September 2019. As at 30 September 2019, the Group had HK$181.0 million bank borrowings; and the amount of unutilised banking facilities was approximately HK$65.0 million. The gearing ratio (total debts divided by total equity) as at 30 September 2019 was 0.5 (31 March 2019: 0.3). The current ratio (total current assets divided by total current liabilities) as at 30 September 2019 was 1.1 (31 March 2019: 0.7).

Contingent liabilities

As at 30 September 2019, the Directors were not aware of any significant events that would have resulted in material contingent liabilities (31 March 2019: Nil).

Charges on the Group's assets

As at 30 September 2019, the carrying value of the assets of the Group were pledged in favor of banks was approximately HK$257.4 million. (31 March 2019: 264.7 million).

Capital commitments

As at 30 September 2019, the Group had total capital commitments in respect of construction of production plant of HK$175.7 million (31 March 2019: HK$228.4 million).

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 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 resolved not to pay an interim dividend for the six months ended 30 September 2019.

Material Acquisition and Disposals and Significant Investments

The Group had no significant investments, material acquisition or disposal during the Period.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, the Company repurchased a total of 2,000,000 shares on the Stock Exchange at an aggregate consideration (before brokerage and expenses) of approximately of HK$1,404,520.00. 1,000,000 Shares repurchased had been cancelled on 10 September 2019 and the remaining 1,000,000 Shares repurchased had been cancelled on 3 October 2019. As at the date of this announcement, all the aforesaid repurchased Shares have been cancelled.

Details of the Share repurchases during the Period are as follows:

Date of Repurchase	Number of Shares Repurchased	Purchase Price per Share Highest *(HK$)*	Purchase Price per Share Lowest *(HK$)*	Aggregate consideration *(HK$)*
27 August 2019	180,000	0.65	0.60	115,140.00
28 August 2019	340,000	0.70	0.67	231,640.00
29 August 2019	480,000	0.70	0.68	333,060.00
18 September 2019	1,000,000	0.73	0.71	724,680.00

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold and redeemed any of the Shares during the Period.

SPECIFIC PERFORMANCE OBLIGATION OF THE CONTROLLING SHAREHOLDER

The Company's indirect wholly-owned subsidiary, Hin Sang Hong Company Limited ("**HSH**"), as borrower and the Company as guarantor had entered into a facility letter (the "**Facility Letter**") with a bank as lender, pursuant to which the Lender has agreed to make available an uncommitted instalment loan, an uncommitted revolving loan facility and an uncommitted corporate tax loan in an aggregate amount of up to HK$19.9 million to HSH for a term of up to 5 years.

Pursuant to the Facility Letter, the Company and HSH have undertaken to ensure that Mr. Pang Siu Hin ("**Mr. Pang**") and Ms. Kwan Lai Man ("**Ms. Kwan**"), the controlling shareholders of the Company, shall have the single largest shareholding interest (directly or indirectly) in the issued share capital of the Company. A breach of this specific performance obligation will constitute an event of default under the Facility Letter and upon which all accrued interest and any other sums payable under the Facility Letter shall be immediately due and payable.

As at 30 September 2019, Mr. Pang and Ms. Kwan, collectively, are beneficially interested in 567,850,000 shares and 14,010,000 underlying shares of the Company, representing approximately 53.2% of the issued share capital of the Company.

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.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Wong Wai Ling and Mr. Yuen Chi Ping, the non-executive Directors, were unable to attend the annual general meeting of the Company held on 16 September 2019 due to other commitments.

Under the code provision F.1.1 of the CG Code, the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. The Company engages Ms. Polien Kho ("**Ms. Kho**"), an external service provider, 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 financial controller and finance manager 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"	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, 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 2019
"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, 30 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.