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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

Financial Highlights	Year ended 31 March		Change %
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	
Revenue	176,209	183,977	-4.2%
Gross profit	118,391	127,384	-7.1%
Loss for the year	(32,253)	(11,619)	177.6%
Other comprehensive expense for the year	(128,969)	(444,541)	-71.0%
(Loss)/Earnings per share			
– Basic and diluted (<i>HK cents</i>)	(1.81)	0.43	

RESULTS

The Board is pleased to announce the audited consolidated results of Hin Sang Group (International) Holding Co. Ltd. and its subsidiaries for the year ended 31 March 2020 together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	3	176,209	183,977
Cost of sales		<u>(57,818)</u>	<u>(56,593)</u>
Gross profit		118,391	127,384
Other income	5	1,462	4,386
Other gains and losses	6	(28,051)	(11,665)
Selling and distribution expenses		(21,977)	(27,198)
Administrative expenses		(92,655)	(98,597)
Finance costs	7	<u>(5,799)</u>	<u>(1,823)</u>
Loss before tax		(28,629)	(7,513)
Income tax expense	8	<u>(3,624)</u>	<u>(4,106)</u>
Loss for the year	9	<u>(32,253)</u>	<u>(11,619)</u>
Other comprehensive (expense)/income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on equity instruments at fair value through other comprehensive income		(116,991)	(435,066)
Gain on revaluation of owner-occupied properties		-	3,519
Income tax relating to items that will not be reclassified to profit or loss		<u>-</u>	<u>(664)</u>
		<u>(116,991)</u>	<u>(432,211)</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(11,978)</u>	<u>(12,330)</u>
Other comprehensive expense for the year		<u>(128,969)</u>	<u>(444,541)</u>
Total comprehensive expense for the year		<u>(161,222)</u>	<u>(456,160)</u>

	2020	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the year attributable to:		
- Owners of the Company	(19,789)	4,668
- Non-controlling interests	(12,464)	(16,287)
	<u>(32,253)</u>	<u>(11,619)</u>
Total comprehensive expense for the year attributable to:		
- Owners of the Company	(146,909)	(437,146)
- Non-controlling interests	(14,313)	(19,014)
	<u>(161,222)</u>	<u>(456,160)</u>
(Loss)/Earnings per share		
- Basic (<i>HK cents</i>)	<i>10</i> <u>(1.81)</u>	<u>0.43</u>
- Diluted (<i>HK cents</i>)	<u>(1.81)</u>	<u>0.43</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		231,528	347,486
Right-of-use assets		250,968	–
Prepaid lease payments		–	44,789
Investment properties		11,766	13,408
Financial assets at fair value through profit or loss		5,589	5,377
Deposits for acquisition of property, plant and equipment		40,789	6,029
Equity instruments at fair value through other comprehensive income		21,336	138,327
Deferred tax assets		122	87
		<u>562,098</u>	<u>555,503</u>
Current assets			
Inventories		10,699	6,586
Trade and other receivables	<i>12</i>	44,081	34,192
Financial assets at fair value through profit or loss		2,657	5,160
Tax refundable		2,842	141
Bank balances and cash		12,428	63,768
		<u>72,707</u>	<u>109,847</u>
Total assets		<u>634,805</u>	<u>665,350</u>
Current liabilities			
Trade and other payables	<i>13</i>	26,175	20,367
Contract liabilities		9,416	2,222
Bank borrowings		68,059	134,799
Lease liabilities		2,612	–
Current tax liabilities		967	921
		<u>107,229</u>	<u>158,309</u>
Net current liabilities		<u>(34,522)</u>	<u>(48,462)</u>
Total assets less current liabilities		<u>527,576</u>	<u>507,041</u>

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank borrowings	182,517	–
Lease liabilities	7,994	–
	<u>190,511</u>	<u>–</u>
Net assets	<u>337,065</u>	<u>507,041</u>
Capital and reserves		
Share capital	109,180	109,380
Reserves	223,187	370,636
	<u>332,367</u>	<u>480,016</u>
Equity attributable to owners of the Company	332,367	480,016
Non-controlling interests	4,698	27,025
	<u>337,065</u>	<u>507,041</u>
Total equity	<u>337,065</u>	<u>507,041</u>

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Group incurred a net loss of approximately HK\$32,253,000 during the year ended 31 March 2020 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$34,522,000. Taking into account the cash flows from operations and unutilised banking facilities, the directors consider that the Group has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

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 year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

HKFRS 16 Leases

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

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.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. 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 terms 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.

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 incremental borrowing rate applied is 4.30%.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	<u>42,682</u>
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	<u>(1,280)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	<u><u>41,330</u></u>
Analysed as	
Current	6,370
Non-current	<u>34,960</u>
	<u><u>41,330</u></u>

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

	<i>Notes</i>	At 1 April 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		41,330
Reclassified from prepaid lease payments	<i>(a)</i>	46,166
Reclassified from property, plant and equipment	<i>(b)</i>	<u>218,177</u>
		<u><u>305,673</u></u>
By class:		
Leasehold land		264,343
Leased properties		36,877
Office equipment		<u>4,453</u>
		<u><u>305,673</u></u>

Notes:

- (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.

- (b) Leasehold land held for own use in Hong Kong was presented in property, plant and equipment as at 31 March 2019. Upon application of HKFRS 16, the leasehold land held for own use amounting to approximately HK\$218,177,000 was 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 consolidated financial statements of the Group for the current year.

The following adjustments were made to the amounts recognised in the 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 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	347,486	(218,177)	129,309
Right-of-use assets	–	305,673	305,673
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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

3. REVENUE

The following is an analysis of the Group's revenue:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	173,328	183,044
Provision of healthcare services	<u>2,881</u>	<u>933</u>
	<u>176,209</u>	<u>183,977</u>

4. SEGMENT INFORMATION

Information reported to the Board of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments under "HKFRS 8 Operating Segments" are as follows:

1. Product Development Segment – sales of products developed by the Group under own brands
2. Brand Development and Management Segment – sales and distribution of products with exclusive distribution rights
3. Trading of Goods Segment – sales and distribution of products purchased from authorised dealers, independent traders, manufacturers or parallel importers
4. Healthcare Segment – development of mother and child related health products, hospital, medical center and related services

Segment revenue and results

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

For the year ended 31 March 2020

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	<u>169,748</u>	<u>3,248</u>	<u>-</u>	<u>3,213</u>	<u>176,209</u>
Segment profit/(loss)	<u>8,135</u>	<u>(42)</u>	<u>-</u>	<u>(22,716)</u>	(14,623)
Interest income					201
Loss on fair value change of financial assets at fair value through profit or loss					(2,291)
Finance costs					(5,799)
Unallocated expenses					<u>(6,117)</u>
Loss before tax					<u>(28,629)</u>

For the year ended 31 March 2019

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	<u>177,169</u>	<u>4,937</u>	<u>372</u>	<u>1,499</u>	<u>183,977</u>
Segment profit/(loss)	<u>35,713</u>	<u>1,330</u>	<u>105</u>	<u>(26,657)</u>	10,491
Interest income					1,579
Dividend income					2,227
Loss on fair value change of financial assets at fair value through profit or loss					(10,039)
Finance costs					(1,823)
Unallocated expenses					<u>(9,948)</u>
Loss before tax					<u>(7,513)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of corporate expenses, loss on fair value change of financial assets at fair value through profit or loss, dividend income, interest income and finance costs. This is the measure reported to the Board for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on location of the operations. Information about the Group's non-current assets (excluding financial instruments and deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	123,388	144,706	251,280	270,133
PRC	<u>52,821</u>	<u>39,271</u>	<u>283,771</u>	<u>141,579</u>
	<u>176,209</u>	<u>183,977</u>	<u>535,051</u>	<u>411,712</u>

Information about major customers

Revenue from customers for the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	<u>23,629</u>	<u>38,540</u>

¹ Revenue from Product Development Segment and Brand Development and Management Segment.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income on bank deposits	201	1,579
Dividend income	–	2,227
Rental income	389	290
Forfeiture of customer's deposits	–	209
Others	872	81
	<u>1,462</u>	<u>4,386</u>

6. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/gain on fair value change of financial assets at fair value through profit or loss		
– Held for trading	(2,503)	(10,246)
– Others	212	207
Loss on fair value change of investment properties	(761)	–
Loss on disposal of property, plant and equipment	(5,389)	(293)
Loss on deregistration of a subsidiary	–	(1)
Impairment loss on property, plant and equipment and right-of-use assets	(20,128)	–
Impairment loss under expected credit loss model	(147)	(180)
Gain on lease termination	192	–
Net foreign exchange gain/(loss)	473	(1,152)
	<u>(28,051)</u>	<u>(11,665)</u>

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expense on bank loans	7,885	1,823
Interest expense on lease liabilities	1,024	–
	<u>8,909</u>	<u>1,823</u>
Total borrowing costs	8,909	1,823
Less: amounts capitalised in the cost of qualifying assets	(3,110)	–
	<u>5,799</u>	<u>1,823</u>

8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	3,544	5,920
– Over provision in prior year	<u>(209)</u>	<u>(1,788)</u>
	3,335	4,132
PRC Enterprise Income Tax		
– Current year	<u>323</u>	<u>585</u>
	3,658	4,717
Deferred tax:		
– Current year	<u>(34)</u>	<u>(611)</u>
Total income tax recognised in profit or loss	<u><u>3,624</u></u>	<u><u>4,106</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of the qualifying group entity 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.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation of property, plant and equipment	9,391	11,360
Depreciation of right-of-use assets	11,179	–
Amortisation of prepaid lease payments	–	1,473
	<u>20,570</u>	<u>12,833</u>
Total depreciation and amortisation	20,570	12,833
Less: amounts capitalised in construction in progress	(399)	(412)
	<u>20,171</u>	<u>12,421</u>
Staff costs, including directors' emoluments	45,532	44,571
Cost of inventories recognised as an expense	49,701	47,545
Auditors' remuneration	900	900
Write-down of inventories	3,787	–
	<u>99,990</u>	<u>93,916</u>
Gross rental income from investment properties	(389)	(290)
Less: direct operating expenses	79	14
	<u>(468)</u>	<u>(306)</u>
Net rental income from investment properties	<u>(310)</u>	<u>(276)</u>

10. (LOSS)/EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share ((Loss)/Profit for the year attributable to owners of the Company)	<u>(19,789)</u>	<u>4,668</u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,092,744	1,093,635
Effect of dilutive potential ordinary shares:		
– Share options	–	1,768
	<u>1,092,744</u>	<u>1,095,403</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,092,744</u>	<u>1,095,403</u>

The computation of diluted loss per share for the year ended 31 March 2020 does not assume the conversion of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

11. DIVIDENDS

	2020 HK\$'000	2019 <i>HK\$'000</i>
Dividends recognised as distribution during the year		
– 2019 Final – Nil (2018: HK\$0.01) per share	–	10,935
– 2020 Interim – Nil (2019: HK\$0.01) per share	–	10,938
	<u>–</u>	<u>21,873</u>

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 31 March 2020 (2019: Nil) has been proposed by the Directors.

12. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 <i>HK\$'000</i>
Trade receivables	17,507	18,656
Less: Allowance for credit losses	(1,196)	(1,055)
	16,311	17,601
Prepayments to suppliers	2,481	30
Prepaid lease payments	–	1,377
Prepayments for other expenses	2,248	6,091
Other deposits (mainly including rental and building management fee deposits)	1,856	2,552
Value-added tax recoverable	18,963	6,234
Other receivables	2,222	307
	44,081	34,192

The following is an ageing 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	5,062	8,412
31-60 days	8,668	4,552
61-90 days	2,410	3,624
Over 90 days	171	1,013
	<u>16,311</u>	<u>17,601</u>

13. TRADE AND OTHER PAYABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	14,386	5,702
Accruals (mainly including salaries and advertising expenses)	11,789	14,665
	<u>26,175</u>	<u>20,367</u>

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	12,468	4,874
31-60 days	1,309	410
61-90 days	-	-
Over 90 days	609	418
	<u>14,386</u>	<u>5,702</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 the consumer’s purchasing 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 Year, the Group’s revenue was approximately HK\$176.2 million, representing a decrease of approximately 4.2% as compared to the Group’s revenue of approximately HK\$184.0 million for the last year. The Group has four business segments classified by their ownership, licensing rights and services rendered. During the Year, the Product Development Segment, selling the Group’s own brand products with a relatively higher gross profit margin, was still the largest segment of the Group which contributed approximately 96.3% (2019: 96.3%) of the Group’s revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment fell from approximately 2.7% of the total revenue for the last year to approximately 1.9% of the total revenue for the Year. The Trading of Goods Segment recorded zero revenue for the Year (2019: 0.2%). The Healthcare Segment accounted for only approximately 1.8% (2019: 0.8%) of the Group’s total revenue for the Year.

The Group’s business operations are mainly based in Hong Kong, though its products are distributed through distributors appointed in the PRC, Macau, and export to markets such as Malaysia. Revenue generated from the Hong Kong market for the Year recorded approximately HK\$123.4 million (2019: HK\$144.7 million), representing approximately 70.0% of the total revenue for the Year (2019: 78.7%). On the other hand, revenue generated from the PRC market for the Year recorded approximately HK\$52.8 million (2019: HK\$39.3 million), representing approximately 30.0% of the total revenue for the Year (2019: 21.3%). The revenue generated from sales in Hong Kong decreased due to the decrease in general financial performance of the Hong Kong retail market as a result of the social movement and the outbreak of the Coronavirus disease 2019 (“**COVID-19**”) in the last quarter of the financial year, which weakened the purchasing power of tourists from the PRC under the Individual Visit Scheme. Also, the revenue generated from sales in the PRC decreased due to the outbreak of COVID-19 in the last quarter of the financial year.

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)”, “Care Plus (私+呵護)”, “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 brand products, the Group launched several products during 2019, including but not limited to “Hin Sang Pipa Juhong Honey for Kids (衍生小兒枇杷橘紅蜜)”, “Hin Sang Baby Cough Releasing Granules (衍生小兒止咳寶顆粒沖劑)”, “Hin Sang Baby Removing Lung Heat And Resolving Phlegm (Granules) (衍生小兒清肺化痰顆粒沖劑)”, “Care Plus 3-Ply Medical Face Mask (私+呵護三層醫用口罩)”, “Care Plus Disposal Face Mask For Kids (私+呵護兒童一次性防護口罩)”, “Care Plus Disinfectant Alcohol Wet Wipes (私+呵護殺菌消毒濕紙巾)”, “Care Plus Instant Hand Sanitiser (私+呵護免洗酒精搓手液)”, “Care Plus Anti-Bacterial Hand Wash (私+呵護殺菌消毒洗手液)”, “Care Plus Anti-Bacterial Hand Wash (私+呵護殺菌消毒噴霧)” and “Care Plus Antiseptic Germicide (私+呵護殺菌消毒藥水)”.

The revenue of this segment was approximately HK\$169.7 million for the Year, represented a slight decrease of approximately 4.2% comparing to a segment revenue of approximately HK\$177.2 million for the last year. This segment’s profit for the Year was approximately HK\$8.1 million, represented a decrease of approximately 77.2% comparing to the segment profit of approximately HK\$35.7 million for the last year. This segment’s profit margin for the Year was approximately 4.8% while the profit margin for the last year was approximately 20.2%.

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 “Pahmi (芭菲)”, “Enear (櫻雪)”, “Venic (花世界)”, “Zici (滋采)” and “Sunew (閃新)”. The revenue of this segment was approximately HK\$3.2 million for the Year, represented a decrease of approximately 34.2% comparing to a segment revenue of approximately HK\$4.9 million for the last year. Such significant decrease was mainly due to the shift of focus by the management of the Group to the Product Development Segment during the Year in order to enhance the brand image of the Group’s own-branded products. This segment recorded a loss of approximately HK\$42,000 for the Year while a profit of approximately HK\$1.3 million was recorded for the last year.

Trading of Goods Segment

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

The revenue of this segment was zero for the Year, comparing to approximately HK\$372,000 for the last year and it accounted for approximately 0.2% of the Group's revenue of last year, as the management of the Group focused on the Product Development Segment during the Year.

Healthcare Segment

The 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 specialised in mother-infant Chinese medical healthcare.

The revenue of this segment was approximately HK\$3.2 million and it accounted for approximately 1.8% of the Group's revenue for the Year. This segment's loss for the Year was approximately HK\$22.7 million as compared to a loss of approximately HK\$26.7 million for the last year, due to the cessation of business of two non-wholly owned operating subsidiaries of the Company and their holding companies in Nanjing during the Year.

HUMAN RESOURCES

The Group had a total of 194 staff as at 31 March 2020 (2019: 221). The employees of the Group are on fixed salary, sales commission individually and year-end discretionary performance bonus. The Group has devised an assessment system for its employees and the Group uses the assessment result for salary review and promotion decisions. All of the employees undergo a performance appraisal once a year. Such an appraisal provides the Group with an opportunity to assess each individual employee's strengths and areas for improvement, thereby enabling the Group to effectively train and develop each individual employee. A Share Option Scheme was adopted in September 2014 to recognise and acknowledge those employees who have made contribution to the Group.

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 the development of the China market, 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 emphasising 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

As part of the Group's plan to enhance the production efficiency of its own brand products in order to capture future opportunities, the Group has developed 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 31 March 2020, the Group has paid RMB162.3 million (equivalent to HK\$175.2 million) as construction in progress. Construction of the production plant has been completed on 30 April 2020 and production is expected to commence in June 2020.

(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\$28.9 million (2019: HK\$17.9 million) of the Group’s total revenue for the Year. The Group will continue to introduce more high quality health supplements on the online platforms to expand our product portfolio and market scale.

FINANCIAL REVIEW

Revenue

The Group’s revenue was approximately HK\$176.2 million for the Year as compared to HK\$184.0 million for the last year, representing a decrease of approximately 4.2%. Such decrease was mainly due to the decrease in its sales of products under the Product Development Segment and the Brand Development and Management Segment.

During the Year, the revenue generated from the Product Development Segment decreased by approximately HK\$7.4 million, representing a decrease of approximately 4.2% as compared to last year. The revenue generated from the Brand Development and Management Segment and the Trading of Goods Segment decreased by approximately HK\$1.7 million and HK\$372,000 respectively, representing a decrease of approximately 34.2% and 100.0% as compared to last year. The decrease in revenue for these segments was mainly due to the decline in revenue from the Hong Kong market, as a result of the stagnant retail market in Hong Kong which result in a cautious sentiment of the local customers. Revenue generated from the Healthcare Segment was approximately HK\$3.2 million and it accounted for approximately 1.8% of the Group’s revenue for the Year.

Cost of Sales

The Group’s cost of sales increased slightly by approximately 2.2% from approximately HK\$56.6 million for the last year to approximately HK\$57.8 million for the Year. The reason for the increase was primarily due to the increase in the cost of sales under the Product Development Segment as compared to last year.

Gross Profit and Gross Profit Margin

The Group’s gross profit decreased by approximately 7.1% from approximately HK\$127.4 million for the last year to approximately HK\$118.4 million for the Year. The gross profit margin for the Year decreased slightly from 69.2% to 67.2%, which was mainly resulted from the decrease in sales of higher profit margin products from the Product Development Segment.

Other Income

The Group's other income decreased from approximately HK\$4.4 million for the last year to approximately HK\$1.5 million for the Year. Such decrease in other income was mainly due to the fact that no dividend income was received by the Group from listed equity securities (2019: HK\$2.2 million).

Other Gains and Losses

The Group recorded other losses of approximately HK\$28.1 million for the Year (2019: HK\$11.7 million). The loss was attributable to an impairment loss on property, plant and equipment and right-of-use assets of approximately HK\$20.1 million for the Year (2019: Nil).

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 19.2% from approximately HK\$27.2 million for the last year to approximately HK\$22.0 million for the Year. Such decrease in selling and distribution expenses was attributable to the decrease in advertising expenses in Hong Kong due to the change of the Group's marketing and advertising strategy by conducting more marketing and advertising on outdoor media rather than on TV media in Hong Kong.

Administrative Expenses

Administrative expenses decreased by approximately HK\$5.9 million or 6.0% from approximately HK\$98.6 million for the last year to approximately HK\$92.7 million for the Year which was mainly attributable to the decrease in rental expenses as a result of the adoption of HKFRS 16 in the Year.

Taxation

The Group's tax charge decreased by approximately 11.7% from approximately HK\$4.1 million for the last year to approximately HK\$3.6 million for the Year. The decrease in tax charge was due to reduced provision of Hong Kong profits tax at 16.5% which has been made based on the assessment of profit before tax of the individual operating companies.

Loss for the Year

During the Year, the Group recorded a net loss of approximately HK\$32.3 million for the Year compared to a net loss of approximately HK\$11.6 million for the last year.

Other Comprehensive Expense

The other comprehensive expense recorded by the Group decreased by approximately 71.0% from comprehensive expense of approximately HK\$444.5 million for the last year to comprehensive expense of approximately HK\$129.0 million for the Year due to decrease in fair value loss on equity instruments at fair value through other comprehensive income.

Equity Instruments at Fair Value through Other Comprehensive Income

During the Year, the Group held certain investments 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 (stock code: 607), and there was no addition or disposal of the shares of Fullshare during the Year. As at 31 March 2020, the carrying amount of these shares amounted to approximately HK\$14.2 million (2019: HK\$124.7 million), and the fair value loss of approximately HK\$110.5 million was recognised as other comprehensive expense for the Year, and these shares represented approximately 0.6% of the issued ordinary shares of Fullshare as at 31 March 2020. The carrying amount of these shares represented approximately 2.2% of the total assets of the Group as at 31 March 2020.

The second listed equity security represents 45,411,600 shares in Nanjing Sinolife United Company Limited (“**Nanjing Sinolife**”) (stock code: 3332). With reference to the Company’s circular dated 21 September 2017, the Company purchased these shares from a wholly-owned subsidiary of Fullshare at the consideration of HK\$73,112,676 and the transaction was completed on 18 October 2017. There was no addition or disposal of this investment during the Year. As at 31 March 2020, the carrying amount of these shares amounted to approximately HK\$7.1 million, and a fair value loss of approximately HK\$6.5 million was recognised for the Year due to decline in the market value of the shares, and these shares represented approximately 16.7% of the issued ordinary shares of Nanjing Sinolife as at 31 March 2020. The carrying amount of these shares represented approximately 1.1% of the total assets of the Group as at 31 March 2020.

The fair value of these securities as at the date of this announcement was approximately HK\$23.6 million.

Inventories

The Group’s inventories increased by approximately 62.5% from approximately HK\$6.6 million as at 31 March 2019 to approximately HK\$10.7 million as at 31 March 2020, which was primarily due to the increase in finished products for distribution by approximately 67.3% from approximately HK\$5.2 million as at 31 March 2019 to approximately HK\$8.7 million as at 31 March 2020.

Financial Assets at Fair Value through Profit or Loss – Held For Trading

The Group held several listed equity securities for short term trading purpose and they are stated at fair value. The largest portion of listed equity security represents 13,710,000 shares in Nanjing Sinolife and 4,000,000 shares in Mansion International Holdings Limited (stock code: 8456). As at 31 March 2020, the carrying amount of equity securities held for trading amounted to approximately HK\$2.7 million and represented approximately 0.4% of the total assets of the Group as at 31 March 2020. The fair value of these securities as at the date of this announcement was approximately HK\$2.5 million.

Trade Receivables

The Group's trade receivables decreased by approximately 7.3% from approximately HK\$17.6 million as at 31 March 2019 to approximately HK\$16.3 million as at 31 March 2020, which was primarily attributable to the decrease in trade receivables from distributors arising from the purchase of healthcare products of the Product Development Segment.

Trade Payables

The Group's trade payables increased by approximately 152.6% from approximately HK\$5.7 million as at 31 March 2019 to approximately HK\$14.4 million as at 31 March 2020.

Liquidity, gearing ratio and capital structure

The Group's bank balances and cash were mainly denominated in HKD and RMB. The bank balances decreased by approximately 80.5% from approximately HK\$63.8 million as at 31 March 2019 to approximately HK\$12.4 million as at 31 March 2020. As at 31 March 2020, the amount of Group's outstanding bank borrowings was approximately HK\$250.6 million; and the amount of unutilised banking facilities was approximately HK\$145.1 million. The gearing ratio (total debts divided by total equity) as at 31 March 2020 was 0.7 (2019: 0.3). The current ratio (total current assets divided by total current liabilities) as at 31 March 2020 was 0.7 (2019: 0.7).

Contingent liabilities

As at 31 March 2020, the Directors were not aware of any significant events that would have resulted in material contingent liabilities of the Group.

Charges on the Group's assets

As at 31 March 2020, the carrying value of the assets of the Group that were pledged in favor of banks was approximately HK\$452.5 million.

Capital commitments

As at 31 March 2020, the Group had total capital commitments of approximately HK\$38.2 million in respect of the acquisition of property, plant and equipment.

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 analysing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirements of the Group.

OTHER INFORMATION

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of independent auditors' report issued by the Company's external auditor:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$32,253,000 during the year ended 31 March 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$34,522,000. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Thursday, 24 September 2020 to Tuesday, 29 September 2020, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 23 September 2020.

CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Group strive to maintain a high standard of corporate governance, to formulate sound corporate governance practice for improvement of accountability and transparency in operations, and to strengthen the internal control system from time to time so as to ensure Shareholders' expectations are met.

Compliance with Corporate Governance Code

Throughout the Year, the Company has applied the principles and complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules except for the below deviations:

Code Provision A.2.1

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Pang Siu Hin is both the chairman and the chief executive officer of the Company. In view of the fact that Mr. Pang is one of the co-founders of the Group and has been operating and managing the Group effectively 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 with his profound knowledge and experience in the industry. The Board therefore considers that the deviation from Code Provision A.2.1 is reasonably justified under such circumstances.

Code Provision F.1.1

Under 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. Kho Polien (“**Ms. Kho**”), an external provider, as Company Secretary during the Year. 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 executive officer of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors and all Directors confirmed that they have complied with the standards required by the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the Year have 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
“Brand Development and Management Segment”	the business segment in which the Group purchases primarily personal care products from the brand proprietors and manage and develop the brand of such products

“Company”	Hin Sang Group (International) Holding Co. Limited, 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 directors 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)
“Group”	the Company and its subsidiaries
“Healthcare Segment”	the business segment in which the Group engages in providing Chinese medical healthcare related services which targets for mothers and children in Hong Kong and the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“PRC” or “China”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Product Development Segment”	the business segment in which the Group develops own personal care products, health supplements and household products sold under its own brands, including but not limited to “Hin Sang (衍生)”, “Shuang Long (雙龍)” and “King’s Antiseptic (殺菌王)”
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Share Option Scheme”	the share option scheme adopted by the Company on 25 September 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trading of Goods Segment”	the business segment in which the Group engages in trading and distributing skin care products, personal care products and household products purchased from various authorized dealers and independent traders or directly from suppliers
“Year”	the year ended 31 March 2020

English translation of names in Chinese in this announcement which are marked “” are for identification purposes only.*

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

Hong Kong, 25 June 2020

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 (suspension of duties), and the independent non-executive Directors are Mr. Lau Chi Kit, Mr. Lee Luk Shiu and Dr. Tang Sing Hing, Kenny.