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 2017

## 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 2017*

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **96,275** | 106,840 |
| Cost of sales | | **(28,126)** | (38,191) |
| Gross profit | | **68,149** | 68,649 |
| Other income | *4* | **6,161** | 2,005 |
| Other gains and losses | *5* | **3,287** | (3,497) |
| Selling and distribution expenses | | **(17,871)** | (24,053) |
| Administrative expenses | | **(42,488)** | (35,886) |
| Finance costs | *6* | **–** | (3) |
| Profit before tax | | **17,238** | 7,215 |
| Income tax expense | *7* | **(4,472)** | (1,718) |
| Profit for the period | *8* | **12,766** | 5,497 |

| | Notes | Six months ended 30 September 2017 (Unaudited) HK$'000 | 2016 (Unaudited) HK$'000 |
|---|---|---|---|
| Other comprehensive (expense)/income | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **4,650** | (2,057) |
| Fair value (loss)/gain on available-for-sale investment | | **(4,751)** | 304,043 |
| Other comprehensive (expense)/income for the period | | **(101)** | 301,986 |
| Total comprehensive income for the period | | **12,665** | 307,483 |
| Profit/(loss) for the period attributable to: | | | |
| – Owners of the Company | | **14,602** | 5,618 |
| – Non-controlling interests | | **(1,836)** | (121) |
| | | **12,766** | 5,497 |
| Total comprehensive income/(expense) for the period attributable to: | | | |
| – Owners of the Company | | **13,293** | 307,604 |
| – Non-controlling interests | | **(628)** | (121) |
| | | **12,665** | 307,483 |
| Earnings per share | *10* | | |
| Basic *(HK cents)* | | **1.34** | 0.59 |
| Diluted *(HK cents)* | | **1.34** | 0.58 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2017*

| | *Notes* | **As at 30 September 2017 (Unaudited) *HK$'000*** | As at 31 March 2017 (Audited) *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **118,385** | 117,399 |
| Prepaid lease payments | | **30,961** | 30,268 |
| Intangible assets | | **582** | 1,548 |
| Deposit and prepayments for life insurance policies | | **4,933** | 4,954 |
| Deposits for acquisition of property, plant and equipment | | **5,633** | 2,871 |
| Available-for-sale investment | *11* | **403,801** | 408,552 |
| | | **564,295** | 565,592 |
| **Current assets** | | | |
| Inventories | | **8,150** | 8,899 |
| Held for trading investment | | **1,128** | – |
| Trade and other receivables | *12* | **41,389** | 33,562 |
| Tax refundable | | **–** | 2,983 |
| Bank balances and cash | | **312,209** | 288,851 |
| | | **362,876** | 334,295 |
| **Total assets** | | **927,171** | 899,887 |

| | Notes | As at 30 September 2017 (Unaudited) HK$'000 | As at 31 March 2017 (Audited) HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | *13* | **28,281** | 28,937 |
| Dividend payable | | **10,888** | – |
| Current tax liabilities | | **1,884** | 395 |
| | | **41,053** | 29,332 |
| **Net current assets** | | **321,823** | 304,963 |
| **Total assets less current liabilities** | | **886,118** | 870,555 |
| **Capital and reserves** | | | |
| Share capital | | **108,878** | 109,012 |
| Reserves | | **727,885** | 725,573 |
| Equity attributable to owners of the Company | | **836,763** | 834,585 |
| Non-controlling interests | | **49,355** | 35,970 |
| **Total equity** | | **886,118** | 870,555 |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2017*

## 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 financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

**Application of accounting policy in respect of financial assets at fair value through profit or loss ("FVTPL")**

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FTVPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses line item.

**Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")**

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements but additional disclosures about changes in liabilities arising from financing activities, including both change arising from cash flows and non-cash changes on application of amendments to HKAS 7 "Disclosure Initiative" will be provided in the consolidated financial statements for the year ending 31 March 2018.

## 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 2017 (unaudited)**

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

Six months ended 30 September 2016 (unaudited)

| | Product Development Segment *HK$'000* | Brand Development and Management Segment *HK$'000* | Trading of Goods Segment *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Revenue | | | | |
| External sales | 91,177 | 11,851 | 3,812 | 106,840 |
| Segment profit/(loss) | 12,593 | (2,601) | (320) | 9,672 |
| Interest income | | | | 1,778 |
| Unallocated expenses | | | | (4,232) |
| Finance costs | | | | (3) |
| Profit before tax | | | | 7,215 |

**Geographical information**

The following is an analysis of the Group's revenue from external customers based on location of operations:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **72,074** | 86,750 |
| PRC | **23,336** | 17,893 |
| Taiwan | **865** | 2,197 |
| | **96,275** | 106,840 |

## 4. OTHER INCOME

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest income on bank deposits | **2,143** | 1,668 |
| Interest income on deposit and prepayments for life insurance policies | **110** | 110 |
| Consultancy income | **307** | – |
| Dividend income | **2,013** | – |
| Rental income | **–** | 151 |
| Forfeiture of customers' deposits | **246** | – |
| Others | **1,342** | 76 |
| | **6,161** | 2,005 |

## 5. OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Gain on fair value change of held for trading investment | **67** | – |
| Gain on fair value change of investment property | **–** | 807 |
| Gain on disposal of property, plant and equipment | **–** | 30 |
| Net foreign exchange gain/(loss) | **3,220** | (4,334) |
| | **3,287** | (3,497) |

## 6. FINANCE COSTS

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **–** | 3 |

## 7. INCOME TAX EXPENSE

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| – Hong Kong Profits Tax | **4,472** | 1,718 |

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

## 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

| | Six months ended 30 September | |
|---|---|---|
| | **2017** | 2016 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Amortisation of prepaid lease payments | **543** | 463 |
| Amortisation of intangible assets | **966** | 966 |
| Depreciation of property, plant and equipment | **4,353** | 2,644 |

## 9. DIVIDENDS

During the current interim period, a final dividend of HK$0.01 per share in respect of the year ended 31 March 2017 (2016: HK$0.01) was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK$10,888,000 (2016: HK$10,853,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$0.01 per share (2016: an interim dividend of HK$0.01 per share and a special dividend of HK$0.01 per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on 11 December 2017.

## 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** | |
|---|---|---|
| | **2017** | 2016 |
| | **(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) | **14,602** | 5,618 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,089,130,426** | 954,094,557 |
| Effect of dilutive potential ordinary shares: | | |
| – Share options | **4,284,412** | 10,924,980 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,093,414,838** | 965,019,537 |

## 11. AVAILABLE-FOR-SALE INVESTMENT

| | **As at 30 September 2017 (Unaudited)** | As at 31 March 2017 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Equity securities listed in Hong Kong | **403,801** | 408,552 |

Included in equity securities listed in Hong Kong above as at 30 September 2017 is the Group's investment in Fullshare Holdings Limited ("Fullshare"), a company incorporated in the Cayman Islands, with a carrying amount of approximately HK$403,801,000. The investment represents approximately 0.60% holding of the ordinary shares of Fullshare and more than 10% of the Group's total assets as at 30 September 2017.

## 12. TRADE AND OTHER RECEIVABLES

| | **As at 30 September 2017 (Unaudited)** | As at 31 March 2017 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **17,698** | 16,651 |
| Prepayments to suppliers | **–** | 1,463 |
| Prepaid lease payments | **1,111** | 1,067 |
| Prepayments for other expenses | **19,506** | 9,882 |
| Other deposits (mainly including rental and building management fee deposits) | **2,515** | 3,626 |
| Other receivables | **559** | 873 |
| | **41,389** | 33,562 |

The Group's sales to most customers are made on cash on delivery, whilst the Group generally allows an average credit period of 60 days (with 15 days of grace period in certain cases) to certain major trade customers with established trading records.

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

| | **As at 30 September 2017 (Unaudited)** ***HK$'000*** | As at 31 March 2017 (Audited) *HK$'000* |
|---|---|---|
| 0 – 30 days | **7,769** | 7,433 |
| 31 – 60 days | **5,587** | 4,604 |
| 61 – 90 days | **3,330** | 3,833 |
| Over 90 days | **1,012** | 781 |
| | **17,698** | 16,651 |

## 13. TRADE AND OTHER PAYABLES

| | **As at 30 September 2017 (Unaudited)** ***HK$'000*** | As at 31 March 2017 (Audited) *HK$'000* |
|---|---|---|
| Trade payables | **10,750** | 9,571 |
| Receipts in advance | **2,517** | 5,443 |
| Accruals (mainly including salaries and advertising expenses) | **15,014** | 13,923 |
| | **28,281** | 28,937 |

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 2017 (Unaudited)** ***HK$'000*** | As at 31 March 2017 (Audited) *HK$'000* |
|---|---|---|
| 0 – 30 days | **6,126** | 7,686 |
| 31 – 60 days | **3,007** | 1,169 |
| 61 – 90 days | **1,382** | 390 |
| Over 90 days | **235** | 326 |
| | **10,750** | 9,571 |

# 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 the consumer's 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$96.3 million, representing a decrease of approximately 9.8% as compared to approximately HK$106.8 million for the same period in 2016. 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 95.3% (2016: 85.3%) of the Group's revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment fell from approximately 11.1% of the total revenue for the same period in 2016 to approximately 4.0% of the total revenue for the Period. The Trading of Goods Segment recorded a continuous drop in revenue and its revenue contribution to the Group dropped from approximately 3.6% for the same period in 2016 to approximately 0.4% for the Period. Healthcare Segment, being in start-up stage, only accounted for approximately 0.3% 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, Taiwan, Macau, and export to markets such as Malaysia. Revenue generated from Hong Kong market for the Period recorded approximately HK$72.1 million (2016: HK$86.8 million), representing approximately 74.9% of the total revenue for the Period (2016: 81.3%). On the other hand, revenue generated from the PRC market for the Period recorded approximately HK$23.3 million (2016: HK$17.9 million), representing approximately 24.2% of the total revenue for the Period (2016: 16.8%). The revenue generated from sales in Hong Kong decreased due to weakened purchasing power of tourists from the PRC under the Individual Visit Scheme. However, the revenue generated from sales in the PRC increased due to more points of sales and larger customer base in the PRC.

**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）", "Beautymate（美肌の誌）", "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, and targeting at non-alcoholic beverage market, the Group launched canned botanical beverages, "Hin Sang Health Star Botanical Beverage（衍生十星茶草本飲品）" and "Hin Sang Shiny Eye Botanical Beverage（衍生采瞳草本飲品）" in June 2017.

The revenue of this segment was approximately HK$91.8 million for the Period, represented a slightly increase of approximately 0.7% comparing to approximately HK$91.2 million for the six months ended 30 September 2016. This segment's profit for the Period was approximately HK$21.3 million, representing an increase of approximately HK$8.7 million or approximately 69.1% as compared with the same period in 2016, which was mainly due to (i) increase in profit contribution from products developed by the Group under its own brands with improved profit margin and (ii) there was an unrealised net exchange gain for the Period, as compared to an unrealised net exchange loss for the six months ended 30 September 2016. This segment's profit margin for the Period was approximately 23.2% while the profit margin for the six months ended 30 September 2016 was approximately 13.8%.

**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$3.8 million for the Period, represented a decrease of approximately 68.1% comparing to approximately HK$11.9 million for the six months ended 30 September 2016. Such significant decrease was mainly due to the shift of focus by the management of the Group to the Product Development Segment during the Period in order to enhance the brand image of the Group's own-branded products. This segment recorded a profit of approximately HK$317,000 for the Period while a loss of approximately HK$2.6 million was incurred for the six months ended 30 September 2016.

### Trading of Goods Segment

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

The revenue of this segment was approximately HK$398,000 for the Period, represented a significantly decrease of approximately 89.5% comparing to approximately HK$3.8 million for the six months ended 30 September 2016 and it accounted for approximately 0.4% and 3.6% of the Group's revenue for the Period and for the six months ended 30 September 2016 respectively, as the management of the Group focused on the Product Development Segment during the Period. This segment's loss for the Period was approximately HK$127,000 as compared to approximately HK$320,000 for the six months ended 30 September 2016.

### Healthcare Segment

Healthcare segment provides different types of healthcare related services in Hong Kong and the PRC for mothers and children. Hin Sang Herbaby Health Centre was officially opened in Shek Mun, Shatin, Hong Kong on 25 June 2017. On the other hand, the healthcare projects in the PRC are underway. The first Chinese medical clinic in joint venture with Nanjing South Chinese Medical Fullshare Health Institute Company (the "Health Institute")（南京南中醫豐盛健康學院有限公司）, commenced its soft opening in Nanjing City, the PRC on 16 September 2017. For the Period, this segment recorded revenue and loss of approximately HK$257,000 and HK$4.2 million respectively.

## HUMAN RESOURCES

The Group had a total of 125 staff as at 30 September 2017. 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. First, in order to expand in the mother-infant healthcare market, the Group has established a joint venture company with Fullshare to expand the business of mother-infant Chinese medical healthcare as well as diagnosis and treatment services to capture this fast-growing market. With reference to the Company's announcement dated 8 June 2017, the Group has formed two joint venture companies with Health Institute to operate Chinese medical clinics in Nanjing City, the PRC. The Directors believe that these joint venture companies can further leverage on the financial resources, management experience and expertise of the Group and the Health Institute to take advantage of the opportunity brought by the "two-child" policy of the PRC.

Second, 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.

Third, for the purpose of expanding 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. With reference to the Company's announcement dated 21 June 2017, the Group intends to develop a production plant for manufacturing health supplements in Yunfu City of the Guangdong Province, the PRC, aiming to increase the production volume and efficiency and attaining more stringent quality control on its own brand products. On 9 October 2017, the Group paid RMB17.4 million (equivalent to HK$20.2 million) as land use right payment in relation to acquisition of a piece of land for construction of the production plant.

Last, 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. Revenue from e-commerce platform accounted for approximately HK$7.5 million (2016: HK$2.7 million) of the Group's total revenue for the Period. The Group will continue to introduce more high quality health supplements on this online platform to expand our product portfolio and marketing scale.

## FINANCIAL REVIEW

### Revenue

The Group's revenue was approximately HK$96.3 million for the Period as compared to HK$106.8 million for the same period in 2016, representing a decrease of approximately 9.8%. 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 increased by approximately HK$596,000, representing an increase of 0.7% as compared to the same period in 2016. The revenue generated from the Brand Development and Management Segment and the Trading of Goods Segment decreased by approximately HK$8.1 million and HK$3.4 million respectively, representing a decrease of approximately 68.1% and 89.5% as compared to the same period in 2016. 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 compensated by the increase in sales in the PRC.

### Cost of sales

The Group's cost of sales decreased by 26.4% from approximately HK$38.2 million for the six months ended 30 September 2016 to approximately HK$28.1 million for the Period. Such decrease was primarily due to the drop in the cost of sales under the Brand Development and Management Segment and Trading of Goods Segment by approximately 63.8% and 85.2% respectively as compared to the same period in 2016.

### Gross profit and gross profit margin

The Group's gross profit decreased by approximately 0.7% from approximately HK$68.6 million for the six months ended 30 September 2016 to approximately HK$68.1 million for the Period. The gross profit margin for the Period increased from approximately 64.3% to 70.8% which was resulted from introduction of higher profit margin products from the Product Development Segment.

**Other income**

The Group's other income increased from approximately HK$2.0 million for the six months ended 30 September 2016 to approximately HK$6.1 million for the Period, which was mainly due to dividend income from an available-for-sale investment of approximately HK$2.0 million, increase in interest income from bank deposits of approximately HK$475,000 and consultancy income of HK$307,000 arising from provision of services to a related party.

**Other gains and losses**

Other gains and losses for the Period recorded a gain of approximately HK$3.3 million compared to a loss of approximately HK$3.5 million for the six months ended 30 September 2016. The change was attributable to an unrealised net exchange gain of approximately HK$3.2 million for the Period as compared to an unrealised net exchange loss of approximately HK$4.3 million for the six months ended 30 September 2016.

**Selling and distribution expenses**

The selling and distribution expenses decreased by approximately 25.7% from approximately HK$24.1 million for the six months ended 30 September 2016 to approximately HK$17.9 million for the Period.

**Administrative expenses**

The administrative expenses increased by approximately 18.4% from approximately HK$35.9 million for the six months ended 30 September 2016 to approximately HK$42.5 million for the Period which was primarily attributable to (i) the increase in depreciation and amortization expenses of approximately HK$1.8 million; (ii) the increase in travelling and entertainment expenses of approximately HK$1.6 million; (iii) the increase in rental expenses of approximately HK$1.1 million; (iv) the increase in staff costs of approximately HK$873,000; and (v) the increase in office expenses of approximately HK$486,000.

**Taxation**

The Group's income tax expense increased by approximately 164.7% from approximately HK$1.7 million for the six months ended 30 September 2016 to approximately HK$4.5 million for the Period, while the effective tax rates were approximately 23.8% and 25.9% respectively. The increase in income tax expense was in line with the increase in profit before tax from approximately HK$7.2 million for the six months ended 30 September 2016 to approximately HK$17.2 million for the Period.

**Profit for the Period**

During the Period, the net profit increased by approximately 132.7% from approximately HK$5.5 million for the six months ended 30 September 2016 to approximately HK$12.8 million for the Period, while net profit margin increased from approximately 5.1% to 13.3% for the Period.

**Other comprehensive expense**

During the Period, the Group has recorded a fair value loss on an available-for-sale investment of approximately HK$4.8 million and exchange gain on translation of foreign operations of approximately HK$4.7 million.

**Investments in listed equity securities**

The available-for-sale investment represented the Group's shareholding of 118,765,000 shares in Fullshare (stock code: 607), and there was no addition or disposal of the shares of Fullshare during the Period. As at 30 September 2017, the carrying amount of these shares amounted to approximately HK$403.8 million (as at 31 March 2017: HK$408.6 million), with the fair value loss of approximately HK$4.8 million was recognised as other comprehensive expenses for the Period, and these shares represented approximately 0.6% of the issued ordinary shares of Fullshare. The carrying amount of these shares represented approximately 43.6% of the total assets of the Group as at 30 September 2017.

**Inventories**

The Group's inventories decreased by approximately 8.5% from approximately HK$8.9 million as at 31 March 2017 to approximately HK$8.2 million as at 30 September 2017, which was primarily due to the decrease in finished goods for distribution by approximately 6.6% from approximately HK$7.6 million as at 31 March 2017 to approximately HK$7.1 million as at 30 September 2017. The inventory turnover days improved from 58.5 days for the year ended 31 March 2017 to 55.5 days for the Period.

**Trade and other receivables**

The Group's trade receivables increased by approximately 6.0% from approximately HK$16.7 million as at 31 March 2017 to approximately HK$17.7 million as at 30 September 2017. The trade receivables turnover days improved from 38.0 days for the year ended 31 March 2017 to 32.6 days for the Period.

**Trade and other payables**

The Group's trade payables increased by approximately 12.5% from approximately HK$9.6 million as at 31 March 2017 to approximately HK$10.8 million as at 30 September 2017. The trade payables turnover days increased form 45.8 days for the year ended 31 March 2017 to 66.1 days for the Period.

**Liquidity, gearing ratio and capital structure**

The Group's bank balances and cash were mainly denominated in HKD and RMB, the balances were increased by approximately 8.1% from approximately HK$288.9 million as at 31 March 2017 to approximately HK$312.2 million as at 30 September 2017. As at 30 September 2017, the Group had no outstanding bank borrowings; and the amount of unutilized banking facilities was approximately HK$120 million. The gearing ratio (total debts divided by total equity) as at 30 September 2017 was nil (31 March 2017: nil). The current ratio (total current assets divided by total current liabilities) as at 30 September 2017 was 8.8 (31 March 2017: 11.4).

**Contingent liabilities**

As at 30 September 2017, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

**Charges on the Group's assets**

As at 30 September 2017, none of the assets of the Group were pledged in favor of any banks.

**Capital commitments**

As at 30 September 2017, the Group had total capital commitments in respect of construction of production plant of RMB3.1 million (equivalent to HK$3.6 million).

**Event after the reporting period**

On 31 July 2017, the Company entered into a share purchase agreement with a wholly-owned subsidiary of Fullshare. According to the agreement, subject to satisfaction of certain conditions precedent, upon completion, the Group will acquire approximately 16.67% of the issued H Shares in Nanjing Sinolife United Company Limited ("Nanjing Sinolife") for a consideration of HK$73.1 million (the "Acquisition"). The Acquisition would be classified as an available-for-sale investment in the accounts of the Group. Nanjing Sinolife and its subsidiaries are engaged in manufacturing and sale of nutritional supplements and trading of packaged health food products. Management of the Group believed that the Acquisition would produce potential synergy and cooperation opportunities for business development of the Group in future. For details of the Acquisition, please refer to the Company's circular dated 22 September 2017. The Acquisition was completed on 18 October 2017.

**Financial management and policy**

The Group continues to adopt prudent financing and treasury policies. The Group's entire financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk. The executive Directors, with the assistance of the Group's chief financial officer, are responsible for identifying, reviewing, evaluating and analyzing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirements of the Group.

**Interim dividend**

The Board has approved to pay an interim dividend of HK$0.01 per Share for the six months ended 30 September 2017, totaling HK$10,935,080.

The total interim dividend of HK$10,935,080 will be paid on or around 2 January 2018 to the shareholders whose names appeared on the register of members of the Company at the close of business on 11 December 2017.

**Closure of register of members**

The register of members of the Company will be closed from 7 December 2017 to 11 December 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 6 December 2017.

# OTHER INFORMATION

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company repurchased a total of 1,336,000 Shares on the Stock Exchange during the six months ended 30 September 2017 and details of which are as follows:

| Date of Repurchase | Number of Shares Repurchased | Purchase Price per Share | | Aggregate Consideration Paid |
|---|---|---|---|---|
| | | Highest | Lowest | |
| | | *HK$* | *HK$* | |
| 25 April 2017 | 1,142,000 | 1.35 | 1.33 | 1,527,860 |
| 26 April 2017 | 186,000 | 1.35 | 1.35 | 251,100 |
| 27 April 2017 | 8,000 | 1.35 | 1.35 | 10,800 |
| | 1,336,000 | | | 1,789,760 |

The Shares repurchased were subsequently cancelled on 19 May 2017. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold and redeemed any of the Shares during the Period.

## CORPORATE GOVERNANCE

### Corporate Governance Practice

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

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

Under the code provision F.1.1 of the CG Code, the Company engages Ms. Polien Kho ("Ms. Kho") as its company secretary. Ms. Kho is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators respectively and in performing her duties as the company secretary of the Company, she reports to the Board and maintains contact with the 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 2017 |
| "PRC" or "China" | the People's Republic of China |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Share(s)" | ordinary share(s) with a nominal value of HK$0.1 each in the share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

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

Hong Kong, 22 November 2017

*As at the date of this announcement, the executive Directors are Mr. Pang Siu Hin, Dr. Dong Meixian 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.*