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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Hin Sang Group (International) Holding Co. Ltd (the “**Company**”) dated 30 September 2014 (the “**Prospectus**”) in relation to the placing and public offer (the “**Share Offer**”) of the Company’s shares for the listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS

It was disclosed in the section headed “Future Plan and Prospects” in the Prospectus that the Company intended to use the net proceeds of the Share Offer (assuming the net proceeds was HK\$201.7 million) for the following purposes:

1. up to 48% or approximately HK\$96.8 million will be used for exploring business collaboration opportunities with new brand proprietors;
2. up to 25% or approximately HK\$50.4 million will be used for expanding the sales and distribution network;

3. up to 15% or approximately HK\$30.3 million will be used for enhancing marketing and promotion activities in the PRC;
4. up to 6% or approximately HK\$12.1 million will be used for expanding product portfolio;
5. the remaining balance of 6% or approximately HK\$12.1 million will be used as the general working capital.

The actual net proceeds from the Share Offer was approximately HK\$217.3 million (“**IPO Proceeds**”). There is approximately HK\$157.6 million of the IPO Proceeds remain unutilized as at the date of this announcement.

CHANGE IN USE OF PROCEEDS

The Board has resolved to change the use of approximately HK\$157.6 million out of the remaining unutilised IPO Proceeds. Breakdown of the use of the proceeds as stated in the Prospectus, breakdown of the IPO Proceeds utilised up to the date of this announcement and the proposed change of use of the remaining unutilised IPO Proceeds (the “**Proposed Change**”) are summarized as follows:

	Proposed Use of Proceeds stated in the Prospectus (adjusted on a pro-rata basis according to the actual IPO Proceeds) (HK\$ million) approximately	Utilised IPO Proceeds up to the date of this announcement (HK\$ million) approximately	Unutilised IPO Proceeds (HK\$ million) approximately	Proposed Change of Use of Proceeds (HK\$ million) approximately
Exploring business collaboration opportunities with new brand proprietors (“Brand Management Use”)				
– conducting feasibility studies, due diligence works and researches in order to select potential brand proprietors in the PRC	21.7	0.3	21.4	1.0
– launching various marketing activities to promote brand awareness relating to such business collaborations	60.9	–	60.9	0.5
– enhancement of sales support and customer services to strengthen target market	21.7	–	21.7	0.5

	Proposed Use of Proceeds stated in the Prospectus (adjusted on a pro-rata basis according to the actual IPO Proceeds) (HK\$ million) approximately	Utilised IPO Proceeds up to the date of this announcement (HK\$ million) approximately	Unutilised IPO Proceeds (HK\$ million) approximately	Proposed Change of Use of Proceeds (HK\$ million) approximately
Expanding sales and distribution network ("Sales and Distribution Use")				
– expansion of sales team by recruiting more promoters to sell the Company’s own-branded products directly to the consumers in the PRC	21.7	3.0	18.7	3.0
– expanding distribution network to other provinces in the PRC	21.7	9.4	12.3	2.3
– strengthening promoter training activities in order to support and assist in expansion of sale network coverage including the PRC, Taiwan, Macau, Singapore and Malaysia	10.8	–	10.8	10.8
– set up and development of e-commerce platform	–	–	–	8.0
Enhancing marketing and promotion activities in the PRC	32.6	32.6	–	–
Expanding product portfolio (engagement of Chinese medicine institution to perform laboratory tests on our products and obtain relevant licences; and developing more new PCM and health supplements of the Group’s own brand)	13.1	1.3	11.8	1.3
Expanding the manufacturing arm of the Group (through acquisition of manufacturing plant and/or acquisition of property to construct manufacturing plant thereon) and exploring opportunities in health industry	–	–	–	41.5
Acquiring commercial property in Hong Kong to use as the Group’s own office	–	–	–	80.0
General working capital	13.1	13.1	–	8.7
Total	217.3	59.7	157.6	157.6

REASONS FOR THE PROPOSED CHANGE

The IPO Proceeds allocated for the Brand Management Use and the Sales and Distribution Use have largely not been utilized. With the Company obtaining a listing status on the Stock Exchange, the customers' confidence in the Group was enhanced and the Group has been able to negotiate for better commercial terms with the brand proprietors, which effectively lowered the Group's cost and expenses in the Brand Development and Management Segment.

The IPO Proceeds allocated to the Sales and Distribution Use was also not fully utilised as a result of the change in market trend on the sales channel from traditional retail distributors to e-commerce platforms.

While the need of funds for the Brand Management Use and the Sales and Distribution Use decreased, the Company envisages the need of funds for developing its own manufacturing arm to enhance the effectiveness of the Group's own branded products because of the recent implementation of the two-child policy in the PRC. To capture such opportunity, the Company considers acquiring manufacturing plant and production facilities so as to better monitor the quality of the products and to secure a stable source of the same. In this regard, the Company also considers acquiring industrial property to construct its own GMP manufacturing plant to manufacture products of GMP standard for export so to expand the overseas market of the Group, mainly in the South East Asia region.

Furthermore, the general public is more health conscious and requires more health-related products and services. To bring better return to the shareholders, the Company is in search for other strategic acquisitions and joint ventures business opportunities for new potential project(s) to explore other segments in the health industry. In this regard, the Board will study the feasibility and explore the potential of acquiring or setting up medical care and health centres to promote health care related business.

In light of the recent downturn of the property market in Hong Kong, the Group may also explore the property market and capture the opportunity to acquire commercial property to use as its own office, if suitable property is identified, in view of the Group's long term strategy to mitigate the risk of fluctuation in Hong Kong's property leasing market in the future.

To better utilize the IPO Proceeds, the Company decides to reallocate the majority of the unutilised IPO proceeds under the Brand Management Use and the Sales and Distribution Use to accommodate the above change in business focus and strategies of the Company.

The Board considers that the Proposed Change is in the best interest of the Company and its shareholders as a whole. The Proposed Change will allow the Company to deploy its financial resources more effectively. The Board believes that the Proposed Change will strengthen the Group's image as an integrated player in the health industry.

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

Hong Kong, 19 February 2016

As at the date of this announcement, the executive directors are Mr. Pang Siu Hin and Ms. Kwan Lai Man, the non-executive director is Ms. Wong Wai Ling, and the independent non-executive directors are Mr. Lee Luk Shiu, Dr. Tang Sing Hing, Kenny and Mr. Tsui Nam Hung.