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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 2016**

#### **RESULTS**

The Board is pleased to announce the consolidated results of Hin Sang Group (International) Holding Co. Ltd. and its subsidiaries for the year ended 31 March 2016 together with the comparative figures for the year ended 31 March 2015 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Revenue	3	<b>227,460</b>	214,959
Cost of sales		<b>(89,091)</b>	(92,296)
Gross profit		<b>138,369</b>	122,663
Other income	4	<b>5,750</b>	3,571
Other gains and losses	5	<b>(3,842)</b>	(311)
Selling and distribution expenses		<b>(47,823)</b>	(45,129)
Administrative expenses		<b>(65,472)</b>	(54,939)
Listing expenses		<b>–</b>	(10,405)

	<i>Notes</i>	<b>2016</b> <b><i>HK\$'000</i></b>	2015 <i>HK\$'000</i>
Profit before tax		<b>26,982</b>	15,450
Income tax expense	6	<u><b>(5,767)</b></u>	<u>(4,399)</u>
<b>Profit for the year</b>	7	<b>21,215</b>	11,051
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u><b>(3,123)</b></u>	<u>(799)</u>
<b>Total comprehensive income for the year</b>		<u><b>18,092</b></u>	<u>10,252</u>
<b>Profit for the year attributable to:</b>			
– Owners of the Company		<b>21,214</b>	11,051
– Non-controlling interests		<u><b>1</b></u>	<u>–</u>
		<u><b>21,215</b></u>	<u>11,051</u>
<b>Total comprehensive income for the year attributable to:</b>			
– Owners of the Company		<b>18,091</b>	10,252
– Non-controlling interests		<u><b>1</b></u>	<u>–</u>
		<u><b>18,092</b></u>	<u>10,252</u>
<b>Earnings per share</b>			
– Basic (HK cents)	8	<u><b>2.65</b></u>	<u>1.60</u>
– Diluted (HK cents)		<u><b>2.64</b></u>	<u>1.60</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		40,749	16,831
Prepaid lease payments		27,393	18,891
Investment property		6,289	6,555
Intangible assets		3,480	–
Deposit and prepayments for life insurance policies		4,795	–
Deposits for acquisition of property, plant and equipment		387	6,333
		83,093	48,610
<b>Current assets</b>			
Inventories		13,081	18,890
Trade and other receivables	10	38,119	26,894
Tax refundable		–	3,327
Bank balances and cash		239,742	264,393
		290,942	313,504
<b>Total assets</b>		374,035	362,114
<b>Current liabilities</b>			
Trade and other payables	11	26,467	27,432
Current tax liabilities		1,070	–
		27,537	27,432
<b>Net current assets</b>		263,405	286,072
<b>Total assets less current liabilities</b>		346,498	334,682
<b>Capital and reserves</b>			
Share capital		80,047	80,000
Reserves		263,250	254,682
Equity attributable to owners of the Company		343,297	334,682
Non-controlling interests		3,201	–
<b>Total equity</b>		346,498	334,682

## 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 on the Stock Exchange and by the Hong Kong Companies Ordinance.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the 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.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>5</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2016
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>3</sup> Effective for annual periods beginning on or after a date to be determined
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2019
- <sup>5</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

## **HKFRS 16 Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company are assessing the impact of the application of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

The directors of the Company anticipate that the adoption of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for the sales of goods.

Information reported to the board of directors 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

#### Segment revenues 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 2016

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
External sales	<u>185,032</u>	<u>30,540</u>	<u>11,888</u>	<u>227,460</u>
Segment profit/(loss)	<u>24,292</u>	<u>4,421</u>	<u>(496)</u>	28,217
Interest income				4,907
Unallocated expenses				<u>(6,142)</u>
Profit before tax				<u>26,982</u>

For the year ended 31 March 2015

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
External sales	<u>166,803</u>	<u>33,823</u>	<u>14,333</u>	<u>214,959</u>
Segment profit/(loss)	<u>22,500</u>	<u>3,927</u>	<u>(341)</u>	26,086
Interest income				2,171
Unallocated expenses				<u>(12,807)</u>
Profit before tax				<u>15,450</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 and interest income. This is the measure reported to the board of directors for the purposes of resource allocation and assessment of segment performance.

#### Segment assets and liabilities

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Segment assets</b>		
Product Development Segment	<b>119,779</b>	81,908
Brand Development and Management Segment	<b>7,601</b>	9,460
Trading of Goods Segment	<b>2,118</b>	3,026
Total segment assets	<b>129,498</b>	94,394
Unallocated	<b>244,537</b>	267,720
Consolidated assets	<b>374,035</b>	362,114

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Segment liabilities</b>		
Product Development Segment	22,943	23,063
Brand Development and Management Segment	2,959	3,438
Trading of Goods Segment	565	931
	<hr/>	<hr/>
Total segment liabilities	26,467	27,432
Unallocated	1,070	–
	<hr/>	<hr/>
Consolidated liabilities	<u>27,537</u>	<u>27,432</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, deposit and prepayments for life insurance policies and tax refundable.
- all liabilities are allocated to operating segments other than current tax liabilities.

#### **Other segment information**

##### **For the year ended 31 March 2016**

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>				
Addition to non-current assets	43,820	427	166	44,413
Amortisation of intangible asset	1,610	–	–	1,610
Amortisation of prepaid lease payments	775	–	–	775
Depreciation of property, plant and equipment	3,145	242	94	3,481
Gain on disposal of property, plant and equipment	171	28	11	210
Reversal of write-down of inventories	399	–	–	399
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



For the year ended 31 March 2015

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>				
Addition to non-current assets	8,950	249	106	9,305
Amortisation of prepaid lease payments	665	–	–	665
Depreciation of property, plant and equipment	2,385	203	86	2,674
Gain on disposal of property, plant and equipment	19	4	2	25
Write-down of inventories	<u>749</u>	<u>–</u>	<u>–</u>	<u>749</u>

### **Geographical information**

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Taiwan.

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 deposit and prepayments for life insurance policies) is presented based on the geographical location of the assets.

### **Revenue from external customers**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	191,783	183,905
PRC	31,485	22,102
Taiwan	<u>4,192</u>	<u>8,952</u>
	<u>227,460</u>	<u>214,959</u>

### *Non-current assets*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	30,014	5,287
PRC	48,163	43,136
Taiwan	121	187
	<u>78,298</u>	<u>48,610</u>

### *Information about major customers*

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A <sup>1</sup>	43,681	42,132
Customer B <sup>1</sup>	24,053	25,809
	<u>24,053</u>	<u>25,809</u>

<sup>1</sup> Revenue from Product Development, and Brand Development and Management Segments.

#### **4. OTHER INCOME**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income on bank deposits	4,741	2,171
Interest income on deposit and prepayments for life insurance policies	166	–
Rental income	309	299
Forfeiture of customers' deposits	129	101
Compensation from a brand proprietor for breach of contract	302	215
Others	103	785
	<u>5,750</u>	<u>3,571</u>

## 5. OTHER GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	210	25
Bargain purchase gain arising on acquisition of subsidiaries	3,869	–
Net foreign exchange loss	<u>(7,921)</u>	<u>(336)</u>
	<u><b>(3,842)</b></u>	<u><b>(311)</b></u>

## 6. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	5,914	4,776
Over provision in prior year:		
– Hong Kong Profits Tax	<u>(147)</u>	<u>(377)</u>
Total income tax recognised in profit or loss	<u><b>5,767</b></u>	<u><b>4,399</b></u>

Hong Kong Profits Tax has been provided at 16.5% on the estimated assessable profits arising in or derived from Hong Kong for both years.

## 7. PROFIT FOR THE YEAR

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Staff costs, including directors' emoluments	39,717	31,417
Amortisation of intangible assets (included in cost of sales)	1,610	–
Amortisation of prepaid lease payments	775	665
Depreciation of property, plant and equipment	3,481	2,674
Cost of inventories recognised as an expense	83,645	89,927
Auditors' remuneration	700	650
(Reversal of write-down)/Write-down of inventories (included in cost of sales)	<u>(399)</u>	<u>749</u>
Gross rental income from investment property	(309)	(299)
Less: direct operating expenses	<u>54</u>	<u>55</u>
Net rental income from investment property	<u>(255)</u>	<u>(244)</u>

## 8. 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>21,214</u>	<u>11,051</u>

	<b>2016</b>	2015
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	<b>800,134</b>	691,507
Effect of dilutive potential ordinary shares:		
– Share options	<u>3,473</u>	<u>–</u>
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share	<u><b>803,607</b></u>	<u>691,507</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2015 has been retrospectively adjusted to reflect 300,000,000 shares issued upon capitalisation on 16 October 2014.

The computation of diluted earnings per share for the year ended 31 March 2015 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the year.

## 9. DIVIDENDS

	<b>2016</b>	2015
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividends recognised as distribution during the year		
– 2015 Final – HK\$0.01 (2014: Nil) per share	<b>8,000</b>	–
– 2016 Interim – HK\$0.01 (2015: Nil) per share	<u>8,005</u>	<u>–</u>
	<u><b>16,005</b></u>	<u>–</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2016 of HK\$0.01 (2015: HK\$0.01) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 10. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	25,333	21,510
Prepayments to suppliers	583	–
Prepaid lease payments	976	663
Prepayments for other expenses	5,641	3,509
Other deposits (mainly including rental and building management fee deposits)	2,285	1,107
Other receivables	3,301	105
	<u>38,119</u>	<u>26,894</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–30 days	12,138	7,163
31–60 days	6,652	8,827
61–90 days	4,690	4,206
Over 90 days	1,853	1,314
	<u>25,333</u>	<u>21,510</u>

## 11. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	7,646	10,246
Receipts in advance	1,476	1,284
Accruals (mainly including salaries and advertising expenses)	<u>17,345</u>	<u>15,902</u>
	<u><u>26,467</u></u>	<u><u>27,432</u></u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–30 days	4,075	4,087
31–60 days	1,925	4,119
61–90 days	926	1,353
Over 90 days	<u>720</u>	<u>687</u>
	<u><u>7,646</u></u>	<u><u>10,246</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the Period, the Group's revenue was approximately HK\$227.5 million, representing an increase of 5.8% as compared to HK\$215.0 million for the year ended 31 March 2015.

Despite that market situation continues to be difficult, a satisfactory growth in the PRC market was recorded. "Hin Sang" brand, now available in 19 PRC provinces, has been receiving continuous advertising support to effectively reach couples with children through high frequency new TV commercials broadcasted on nationwide networks. Effective promotion programs in Hong Kong also maximize our brand awareness and product trials amongst target consumers, thus contribute to a natural growth in Hong Kong market.

During the Period, the Product Development Segment was still the largest segment which contributed approximately 81.4% of the Group's revenue while it accounted for 77.6% of the total revenue for the last financial year. The revenue contribution from Brand Development and Management Segment decreased from 15.7% for the last financial year to 13.4% for the Period. The Trading of Goods Segment recorded a continuous drop in revenue and its revenue contribution to the Group dropped from approximately 6.7% for the last financial year to approximately 5.2% for the Period.

#### **Product Development Segment**

Under Product Development Segment, the Group develops and sells personal care products, health care products and household products under its own brand names, mainly being "Hin Sang (衍生)", "Beautymate (美肌の誌)" and "Shuang Long (雙龍)".

The revenue of this Segment increased to approximately HK\$185.0 million for the Period from approximately HK\$166.8 million for the year ended 31 March 2015. This Segment's profit for the Period was approximately HK\$24.3 million, representing an increase of approximately HK\$1.8 million or 8.0% as compared to that of the year ended 31 March 2015. This Segment's profit margin for the Period was approximately 13.1%, while the profit margin for the year ended 31 March 2015 was approximately 13.5%.

The aggregate revenue generated from the above three major brands amounted to approximately HK\$180.1 million for the Period, representing 97.4% of this Segment's revenue as compared to approximately HK\$164.4 million for the year ended 31 March 2015, representing 98.6% of this Segment's revenue.



## **Brand Development and Management Segment**

Under the Brand Development and Management Segment, the Group sells and distributes products with exclusive distribution rights. The three major brands of this Segment are “Acene (澳雪)”, “Sewame (雪完美)” and “See Young (滋源)”.

This Segment recorded revenue of approximately HK\$33.8 million and HK\$30.6 million for the years ended 31 March 2015 and 2016, representing a decrease of 9.5%. This Segment’s profit for the Period was approximately HK\$4.4 million, representing an increase of approximately HK\$0.5 million or 12.8% as compared to that of the year ended 31 March 2015. This Segment’s profit margin for the Period was approximately 14.4% while the profit margin for the year ended 31 March 2015 was approximately 11.5%.

The total revenue of these three major brands amounted to approximately HK\$16.9 million and HK\$15.9 million respectively for the year ended 31 March 2015 and 2016, accounting for approximately 50.0% and 52.0% of this Segment’s revenue of the respective periods.

## **Trading of Goods Segment**

Trading of Goods Segment distributes those products purchased from authorised dealers, independent traders, manufacturers or parallel importers and its contribution to total revenue and profit are small when compared with another two segments.

This Segment recorded revenue of approximately HK\$14.3 million and HK\$11.9 million for the years ended 31 March 2015 and 2016, representing a decrease of 16.8%. This Segment’s loss for the Period was approximately HK\$496,000, representing an increase of approximately HK\$155,000 or 45.5% as compared to the loss of approximately HK\$341,000 for the year ended 31 March 2015. This Segment’s loss margin for the Period was approximately 4.2% while the loss margin for the year ended 31 March 2015 was approximately 2.4%.

## **HUMAN RESOURCES**

The Group had a total of 157 staff as at 31 March 2016. The employees of the Group are remunerated by way of fixed salary. The Group has devised an assessment system for its employees and the Group uses the assessment result for salary review and promotion decisions. All the staff undergo a performance appraisal once a year. The appraisal provides the Group with an opportunity to assess each individual staff's strengths and areas for improvement, thereby enabling the Group to effectively train and develop each individual staff. A Share Options Scheme was adopted in September 2014 to recognise and acknowledge those employees who have made contribution to the Group.

## **PROSPECTS**

The Group believes that public listing status has enhanced its profile, while the net proceeds from the listing can strengthen its financial position and allow the Group to implement and execute its business plan. To better utilize the Listing proceeds, the Group reallocated the majority of the unutilised Listing proceeds to accommodate the change in business focus and strategies of the Group. For details of the reallocation, please refer to the announcement of the Company dated 19 February 2016. The Group intends to implement the following principal strategies to expand its business and create value for the Shareholders:

### **(a) To further expand the sales and distribution network for own-branded products**

The Group plans to expand the distribution network for own brands by entering into exclusive distribution agreements with distributors in other territories, mainly the PRC and other regions and countries including Taiwan, Macau, Singapore and Malaysia. The Group will continue to expand its business in the PRC market in terms of the number of distributors and its product portfolio in order to timely respond to changes in the preferences of the customers in the PRC. The Group also continues to expand the distribution of its own-branded products to other provinces in the PRC and increase the number of sales representatives to assist in the expansion of the sales network coverage. In light of the popularity of e-commerce, the Group set up "Hin Fai International Holding Company Limited" to promote e-commerce sales by selling the Group's products through online platforms operated by independent third party merchants. Further details are set out in the Company's announcement dated 20 April 2016.

**(b) To continue enhancing brand recognition of own brands through effective marketing strategy**

The Group has developed “Hin Sang (衍生)” brand into a well-recognised brand in Hong Kong through an effective and targeted advertising, marketing strategies and continuous emphasis on product safety and quality. To further enhance the popularity of the Group’s products in Hong Kong and brand awareness and image in the PRC, the Group will continue its effective and targeted marketing efforts. The Group also plans to make use of innovative multimedia promotional channels such as social media and mobile phone applications. In addition, the Group intends to enhance the online shop which will provide a convenient ordering system for its customers.

**(c) To expand the manufacturing arm of the Group and explore opportunities in health industry**

The Group plans to develop 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 Group 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 Group 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.

**(d) To expand in the mother-infant healthcare market through joint venture with the Fullshare Group**

The Group plans to cooperate with the Fullshare Group to expand the business of mother-infant Chinese medical healthcare as well as diagnosis and treatment services in mainland China, Hong Kong, southeast Asia and Australia in the future to capture the fast-growing market. The Group plans to carry out a traditional Chinese physical alliance plan and will discuss with the Fullshare Group relating to the feasibility to establish flagship clinic to provide traditional Chinese medical services for mother and children in Hong Kong. For details of the co-operation with the Fullshare Group, please refer to the Company’s announcement and circular on 27 April 2016 and 3 June 2016.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue was approximately HK\$227.5 million for the Period as compared to HK\$215.0 million for the same period in 2015, representing an increase of 5.8%. Such increase was mainly due to the increase in revenue from Product Development Segment, in particular "Hin Sang" brand as a result of expansion in China market and natural growth in Hong Kong market.

### **Cost of Sales**

The Group's cost of sales decreased by 3.5% from approximately HK\$92.3 million for the year ended 31 March 2015 to approximately HK\$89.1 million for the Period. Such decrease was primarily due to significant drop in purchase costs incurred under the Brand Development and Management Segment and the Trading of Goods Segment by 16.3% and 14.5% respectively as compared to that of previous period.

In relation to sales under the Product Development Segment, cost of sales increased slightly by 4.7% from approximately HK\$55.2 million for the year ended 31 March 2015 to approximately HK\$57.8 million for the Period.

The change in cost of sales for all business segments were in line with the corresponding fluctuation in revenue for the Period.

### **Gross Profit and Gross Profit Margin**

The Group's gross profit increased by 12.8% from approximately HK\$122.7 million for the year ended 31 March 2015 to approximately HK\$138.4 million for the Period. The gross profit margin for the Period increased from 57.1% to 60.8% which was mainly due to the increase in the proportion of revenue from Product Development Segment which has a relatively higher margin.

### **Other Income**

The Group's other income increased from approximately HK\$3.6 million for year ended 31 March 2015 to approximately HK\$5.8 million for the Period, which was mainly due to the increase in interest income from bank deposits of approximately HK\$2.6 million.

## **Other Gains and Losses**

Other losses increased by HK\$3.5 million from loss of approximately HK\$0.3 million for the year ended 31 March 2015 to loss of HK\$3.8 million for the Period. The significant change was attributable to (i) gain of approximately HK\$3.9 million from acquisition of Tai Wo Tong for the Period; and (ii) exchange loss from Renminbi of approximately HK\$7.9 million incurred during the Period as compared to loss of HK\$0.3 million for the year ended 31 March 2015.

## **Selling and Distribution Expenses**

The selling and distribution expenses increased by 6.0% from approximately HK\$45.1 million for the year ended 31 March 2015 to approximately HK\$47.8 million for the Period. Such increase was attributable to the increasing advertising expenses relating to television advertisements in China.

## **Administrative Expenses**

The administrative expenses increased by 19.3% from approximately HK\$54.9 million for the year ended 31 March 2015 to approximately HK\$65.5 million for the Period which was mainly attributable to (i) the increase of share-based payment expenses from approximately HK\$2.4 million for the year ended 31 March 2015 to approximately HK\$6.1 million for the Period; (ii) the increase in staff costs (excluding share-based payment expenses) from approximately HK\$29.0 million for the year ended 31 March 2015 to approximately HK\$33.8 million for the Period; (iii) the increase of depreciation and amortisation expenses from approximately HK\$3.3 million for the year ended 31 March 2015 to approximately HK\$4.3 million relating to the depreciation of newly acquired commercial properties (used as office) in Beijing, Shanghai and Chongqing, the PRC; (iv) the increase of travel and entertainment expense from approximately HK\$3.4 million for the year ended 31 March 2015 to approximately HK\$4.2 million for the Period; and (v) the increase in office expenses from approximately HK\$7.6 million for the year ended 31 March 2015 to approximately HK\$8.5 million for the Period.

## **Listing Expenses**

The Group's listing expenses decreased by 100% from approximately HK\$10.4 million for the year ended 31 March 2015 to nil for the Period. The decrease was due to the one-off expenses relating to the professional fees and printing costs of the prospectus of the Company in connection with the Listing.

## **Taxation**

The Group's tax charge increased by 31.8% from approximately HK\$4.4 million for year ended 31 March 2015 to approximately HK\$5.8 million for the Period, while the effective tax rates were 28.4% and 21.4% respectively. The increase in tax charge was in line with the increase in profit before tax from approximately HK\$15.5 million for the year ended 31 March 2015 to approximately HK\$27.0 million for the Period.

## **Profit for the Period**

As a result of the foregoing, the Group's net profit increased by 91.0% from approximately HK\$11.1 million for year ended 31 March 2015 to approximately HK\$21.2 million for the Period, and net profit margin increased from 5.1% to 9.3% for the Period.

## **Inventories**

The Group's inventories decreased by 30.7% from approximately HK\$18.9 million as at 31 March 2015 to approximately HK\$13.1 million as at 31 March 2016, which was primarily due to the decrease in finished products for distribution by 32.7% from approximately HK\$17.1 million as at 31 March 2015 to approximately HK\$11.5 million as at 31 March 2016. Such decrease was mainly due to the decrease in inventories of health care products under the Product Development Segment. The inventory turnover days increased from 63.1 days for the year ended 31 March 2015 to 66.6 days for the Period.

## **Trade Receivables**

The Group's trade receivables increased by 17.7% from approximately HK\$21.5 million as at 31 March 2015 to approximately HK\$25.3 million as at 31 March 2016, which was primarily attributable to the increase in trade receivables from distributors arising from the purchase of health care products under the Product Development Segment. The trade receivables turnover days decreased from 45.7 days for the year ended 31 March 2015 to 37.6 days for the Period.

## **Liquidity and Capital Resources**

The Group's cash and cash equivalents decreased by 9.3% from approximately HK\$264.4 million as at 31 March 2015 to approximately HK\$239.7 million as at 31 March 2016. As at 31 March 2016, the Group had no outstanding bank borrowings and the amount of unutilised banking facilities of approximately HK\$32.0 million. The gearing ratio (total debts divided by total equity) as at 31 March 2016 was nil (31 March 2015: nil). The current ratio (total current assets divided by total current liabilities) as at 31 March 2016 was 10.6 (31 March 2015: 11.4).

## **Financial Management and Policy**

The Group continues to adopt prudent financing and treasury policies. All the Group's 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 financial controller, 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 requirement of the Group.

## **Contingent Liabilities**

As at 31 March 2016, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

## **OTHER INFORMATION**

### **DIVIDENDS**

The Board recommends the payment of a final dividend of HK\$0.01 per Share for the year ended 31 March 2016 (the “**2016 Final Dividend**”) with a sum of approximately HK\$10,804,680, which is subject to Shareholders’ approval at the forthcoming 2016 annual general meeting of the Company to be held on Friday, 9 September 2016 (the “**AGM**”). The 2016 Final Dividend will be distributed on or about Tuesday, 11 October 2016 to Shareholders whose names appear on the register of members of the Company on Tuesday, 20 September 2016.

### **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the forthcoming AGM of the Company, the register of members of the Company will be closed from Wednesday, 7 September 2016 to Friday, 9 September 2016, 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 September 2016.

Subject to the approval of the proposed 2016 Final Dividend from the Shareholders at the AGM, the register of members of the Company will be closed from Thursday, 15 September 2016 to Tuesday, 20 September 2016, both days inclusive, during which period no transfer of Shares will be registered for ascertaining Shareholders’ entitlement to the proposed 2016 Final Dividend. In order to qualify for the proposed 2016 Final Dividend, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company’s branch share register in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 14 September 2016.

### **CORPORATE GOVERNANCE PRACTICES**

The Board and senior management of the Group strive to maintain a high standard of corporate governance, to formulate good 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 to meet with the expectations of the Shareholders.



The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules. Except for the deviation from CG Code provision A.2.1, the Company's corporate governance practices have complied with the Code on Corporate Governance 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 is the chairman and the chief executive officer of the Company. In view that Mr. Pang Siu Hin 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.

## **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 confirm that they have complied with the standards required by the Model Code during the Period.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the Period.

## **REVIEW OF ANNUAL RESULTS**

The Group's consolidated financial statements for the Period have been reviewed by the Audit Committee. The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Period as set out in this announcement have been agreed by the Company's external auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the Period. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below.

“Acquisition of Tai Wo Tong”	the acquisition of Tai Wo Tong Pharmaceutical (Hong Kong) Company Limited and Tai Wo Tong Company on 1 June 2015
“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
“BVI”	the British Virgin Islands
“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 Group”	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) and its subsidiaries
“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 BVI, the issued shares of which are owned as to 90% by Mr. Pang Siu Hin and 10% by his wife, Ms. Kwan Lai Man, a controlling shareholder of the Company under the Listing Rules

“GMP”	“Good Manufacturing Practice” is a quality assurance approach used by drug manufacturing industry worldwide to ensure that products are consistently produced and controlled according to appropriate quality standards. Hong Kong, like most other countries, has adopted the GMP guidelines promulgated by the World Health Organisation (WHO)
“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”	the listing of the Shares on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Period”	the year ended 31 March 2016
“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 “Beautymate (美肌の誌)”, “Hin Sang (衍生)”, “Shuang Long (雙龍)” and “King’s Antiseptic (殺菌王)”
“Shares”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company
“Shareholders”	holders 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 authorised dealers and independent traders or directly from suppliers

By order of the board

**Hin Sang Group (International) Holding Co. Ltd.**

**Pang Siu Hin**

*Chairman*

Hong Kong, 28 June 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.*