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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)

CONTINUING CONNECTED TRANSACTIONS SALES FRAMEWORK AGREEMENT

SALES FRAMEWORK AGREEMENT

The Board announces that on 30 March 2017, Hin Sang Hong entered into the Sales Framework Agreement with Brighten Hong, pursuant to which Hin Sang Hong has agreed to sell, and Brighten Hong has agreed to purchase, products under the brands including but not limited to “Hin Sang (衍生)”, “I love BB”, “Happy Baby (乖寶貝)” and “Beautymate (美肌の誌)” from the Group at a price to be determined from time to time with reference to the product types and specification, sales volume and selling price offered to Independent Third Parties for the period from 1 April 2017 to 31 March 2020.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Brighten Hong is a trading company incorporated in Hong Kong, wholly and beneficially owned by Mr. Zheng. Mr. Zheng is the brother-in-law of Mr. Pang. Therefore, Brighten Hong is a connected person of the Company as defined in Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Sales Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Sales Framework Agreement constitute continuing connected transactions and are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

SALES FRAMEWORK AGREEMENT

The principal terms of the Sales Framework Agreement are set out as below:

Date: 30 March 2017

Parties: (1) Hin Sang Hong (as supplier); and
(2) Brighten Hong (as purchaser)

Supply of products: Hin Sang Hong has agreed to sell, and Brighten Hong has agreed to purchase, products under the brands including but not limited to “Hin Sang (衍生)”, “I love BB”, “Happy Baby (乖寶貝)” and “Beautymate (美肌の誌)” from the Group at a price to be determined from time to time with reference to the product types and specification, sales volume and selling price offered to Independent Third Parties.

Pursuant to the Sales Framework Agreement, the parties will enter into individual supply of products contracts setting out specific terms including the products to be supplied, quantity, price, delivery method and payment arrangement. Such terms should be consistent with the terms of the Sales Framework Agreement unless agreed by Hin Sang Hong in writing.

Term: From 1 April 2017 to 31 March 2020

CONSIDERATION AND PAYMENT

The price for the products to be supplied under the Sales Framework Agreement will be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the purchasing costs of such products from time to time, the market price of such products and the operation costs incurred by the Group for supplying such products to Brighten Hong under the Sales Framework Agreement. The prices for the products to be supplied by Hin Sang Hong to Brighten Hong will not be more favorable than those offered to Independent Third Parties by the Group in similar transactions.

HISTORICAL AMOUNTS

On 25 September 2014, Hin Sang Hong entered into a sales framework agreement with Brighten Hong, pursuant to which, Hin Sang Hong agreed to sell, and Brighten Hong has agreed to purchase, products under the brands including but not limited to “Hin Sang (衍生)”, “I love BB”, “Happy Baby (乖寶貝)” and “Beautymate (美肌の誌)” from the Group at a price to be determined from time to time with reference to the product types and specification, sales volume and selling price offered to Independent Third Parties for the period from 1 April 2014 to 31 March 2017.

The aggregate historical fees paid by Brighten Hong to Hin Sang Hong for the purchase of products for the period from 1 April 2014 to 28 February 2017 (both days inclusive) were approximately HK\$18,469,415.

ANNUAL CAP

The maximum annual transaction amount payable by Brighten Hong for the financial year ending on 31 March 2018, 2019 and 2020 under the Sales Framework Agreement are set out as below:

Period	Maximum Transactions Amount (HKD)
From 1 April 2017 to 31 March 2018	9,900,000
From 1 April 2018 to 31 March 2019	9,900,000
From 1 April 2019 to 31 March 2020	9,900,000

Such maximum annual transaction amount is determined in accordance with:

1. the historical transaction amount for the purchase of products by Brighten Hong from Hin Sang Hong in the past;
2. the anticipated increasing demand for the Group's product in the prevailing markets; and
3. the historical sales amount of products and the anticipated increase of purchase by Brighten Hong from Hin Sang Hong.

In view of the above factors, the Directors are of the view that the above proposed annual cap is fair and reasonable.

INTERNAL CONTROL AND PRICING POLICY

In order to ensure that the terms of the Sales Framework Agreement and the transactions contemplated thereunder are not more favorable than these offered to Independent Third Parties, the Group has adopted the following measures:

1. The price for the products offered to Brighten Hong will be negotiated on arm's length basis which will be determined with reference to the purchasing costs of the products, the market price of such products as well as operation costs (including administrative costs and labor costs, etc) to be incurred by the Group for supplying products to Brighten Hong under the Sales Framework Agreement;
2. The Company will supervise the continuing connected transactions through relevant personnel from the business department of the Group and will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy;
3. The Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. The Company's audit committee will review the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company; and
5. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES FRAMEWORK AGREEMENT

Brighten Hong is a trading company incorporated in Hong Kong principally engaged in the selling and distribution of health care and skin care products in the PRC.

The Directors consider that the entering into of the Sales Framework Agreement will be essential for the growth of the Group's business, as distribution through the sales channels of Brighten Hong will help increase the coverage of the Group's products in the end-user market, and thus enhancing the sales of the Group's products in the PRC market.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Sales Framework Agreement is in the ordinary and usual course of business of the Group, and that the terms of the Sales Framework Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL BUSINESS ACTIVITIES OF THE PARTIES

The Company is principally engaged in the marketing, selling and manufacturing of health care products primarily targeting at children, among which “Hin Sang (衍生)” has been a long established reputable brand. The Company also trades reputable brands in skin care, personal care and slimming products. It is also developing its business in mother-infant Chinese medical healthcare as well as diagnosis and treatment services projects.

In order to leverage on the “two-child” policy in mainland China, on 27 April 2016, the Company entered into an agreement with Fullshare Holding Limited for establishment of a joint venture company to engage in the development of mother and child health products, pharmaceutical factory, hospital, medical care and related services.

Brighten Hong is a trading company incorporated in Hong Kong principally engaged in the selling and distribution of health care and skin care products in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Brighten Hong is 100% owned by Mr. Zheng. As Mr. Zheng is the brother-in-law of Mr. Pang, an executive Director, Chairman of the Board and also a substantial Shareholder, Brighten Hong is a connected person of the Company under the Listing Rules.

Since the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Sales Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Sales Framework Agreement constitute continuing connected transactions of the Company and are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BOARD'S APPROVAL

The Board has duly approved the Sales Framework Agreement.

Mr. Pang, being the brother-in-law of Mr. Zheng, has abstained from voting on the relevant Board resolutions to approve the Sales Framework Agreement.

Ms. Kwan, being the spouse of Mr. Pang, has also abstained from voting on the relevant Board resolutions to approve the Sales Framework Agreement.

Except for the above, none of the Directors has a material interest in the transactions contemplated under the Sales Framework Agreement and none of them has abstained from voting on the relevant board resolutions.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

“Board”	the board of Directors of the Company
“Brighten Hong”	Brighten Hong Limited (銘輝行有限公司), a company incorporated in Hong Kong with limited liability
“Company”	Hin Sang Group (International) Holding Co. Limited, 衍生集團(國際)控股有限公司, an exempted company incorporated with limited liability in the Cayman Islands on 28 October 2010
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hin Sang Hong”	Hin Sang Hong Company Limited (衍生行有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Independent Third Parties”	independent third parties who are not connected persons of the Company (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zheng”	Mr. Zheng Le Xiong (鄭樂雄)
“Mr. Pang”	Mr. Pang Siu Hin, an executive Director and Chairman of the Board

“Ms. Kwan”	Ms. Kwan Lai Man, an executive Director, spouse of Mr. Pang
“PRC” or “China”	the People's Republic of China
“Sales Framework Agreement”	the sales framework agreement entered into between Hin Sang Hong as supplier and Brighten Hong as purchaser on 30 March 2017
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 30 March 2017

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