

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

DISCLOSEABLE TRANSACTION CONSTRUCTION OF THE PRODUCTION PLANT

Reference is made to the announcement of the Company dated 21 June 2017 in relation to the proposed development of the Production Plant.

On 22 February 2019 (after trading hours), Hin Sang Guangdong (an indirect wholly-owned subsidiary of the Company) entered into the Second Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct certain facilities in the Production Plant for Hin Sang Guangdong at the consideration of RMB88 million.

Hin Sang Guangdong has, on 10 July 2018, entered into the First Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct an office building and a staff dormitory in the Production Plant for Hin Sang Guangdong at a consideration of RMB42 million. As the applicable percentage ratios were below 5%, the transaction contemplated under the First Phase Construction Agreement did not constitute a notifiable transaction to the Company under Chapter 14 of the Listing Rules.

Regarding the Second Phase Construction Agreement, as the applicable percentage ratios exceed 5% but are below 25%, the transaction contemplated thereunder, on a standalone basis or when aggregated with the transaction contemplated under the First Phase Construction Agreement, constitutes a discloseable transaction to the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 21 June 2017 in relation to the proposed development of the Production Plant.

On 22 February 2019 (after trading hours), Hin Sang Guangdong (an indirect wholly-owned subsidiary of the Company) entered into the Second Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct certain facilities in the Production Plant for Hin Sang Guangdong at a consideration of RMB88 million.

THE SECOND PHASE CONSTRUCTION AGREEMENT

The principal terms of the Second Phase Construction Agreement are as follows:

Date	22 February 2019
Parties	(i) Hin Sang Guangdong, an indirect wholly-owned subsidiary of the Company; and (ii) The Contractor

The Directors confirmed that, to the best of their knowledge, information and belief having made all reasonable enquiry, the Contractor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Scope of work	The Contractor will be responsible for the construction works of certain facilities in the Production Plant in accordance with the technical specifications prescribed by the relevant government authorities in Yunfu City, Guangdong Province, the PRC. The facilities to be constructed include a three-storey factory building, a power station, a sewage treatment plant and a warehouse storage facility.
----------------------	---

The Production Plant is situated in the Industrial Park in Yuncheng District, Yunfu City, Guangdong Province, the PRC, with a total site area of approximately 100 mu. The Production Plant is intended to be developed into a production plant of the Group for the manufacturing of health supplements targeting the infants and children market.

Construction period The construction period of the work contemplated under the Second Phase Construction Agreement will be approximately 260 days, which is expected to commence in February 2019 and complete in October 2019.

Consideration The aggregate Consideration payable by Hin Sang Guangdong under the Second Phase Construction Agreement is RMB88 million, which is subject to downward adjustment and final certification depending on any changes in the costs of raw materials.

The Consideration was determined based on the estimated construction cost, the construction experience of the Contractor and the specifications of the facilities to be constructed in the Production Plant.

Depending on the quality of the completed construction work, Hin Sang Guangdong may award a bonus to the Contractor, in an amount of up to RMB1.5 million.

The Company intends to finance the payment of the Consideration and the bonus (if any) with its internal resources and/or external bank financing.

Payment terms The Consideration will be payable in cash in the following manner:

- (i) the safe and civilized construction measures fees (安全文明施工費), in the amount of RMB2,664,559.78, is payable in full to the Contractor prior to the commencement date of the construction works under the Second Phase Construction Agreement;
- (ii) the construction fees will be settled in monthly payments. The Contractor will submit the actual amount of construction work completed in a month to the project supervisor on the 25th calendar day of that month. After assessment by the project supervisor and approval by Hin Sang Guangdong, an amount equal to the construction fees for 80% of the actual amount of construction work completed will be paid to the Contractor in that month;
- (iii) upon completion of the construction work, Hin Sang Guangdong will settle up to 90% of the total Consideration;

- (iv) upon completion of the construction work and final certification of total Consideration amount, Hin Sang Guangdong will settle up to 97% of the final certified amount of the Consideration; and
- (v) the remaining 3% of the Consideration will serve as retention money and will be settled after a two-year quality warranty period commencing from the date of completion (the “**Quality Warranty Period**”). The retention money will be settled by Hin Sang Guangdong within 15 calendar days following the expiry of the Quality Warranty Period.

THE FIRST PHASE CONSTRUCTION AGREEMENT

On 10 July 2018, Hin Sang Guangdong entered into the First Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct a five-storey office building and a six-storey staff dormitory in the Production Plant for Hin Sang Guangdong at a consideration of RMB42 million. The construction period of the work contemplated under the First Phase Construction Agreement is approximately 355 days and it is expected that the construction will be completed in July 2019. As at the date of this announcement, the construction of both the office building and the staff dormitory has been substantially completed.

INFORMATION ON THE PARTIES

The Group

Hin Sang Guangdong is an indirect wholly-owned subsidiary of the Company and is principally engaged in the manufacturing and sales of health supplements and products.

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 customers’ trend, the Group continues to expand its e-commerce business through electronic platforms. To leverage on existing resources to increase profit, the Group also looks for suitable brands as agency. It is also developing its business in mother-infant Chinese medical healthcare as well as diagnosis and treatment services projects.

The Contractor

The Contractor is a limited liability company incorporated in the PRC principally engaged in the construction business.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND PHASE CONSTRUCTION AGREEMENT

Both the First Phase Construction Agreement and the Second Phase Construction Agreement are for the construction of facilities in the Production Plant. As disclosed in the Company's announcement of 21 June 2017, the Directors considered that having a self-owned production plant would benefit the Group in facilitating the growing scale of its business, increasing production volume and efficiency, and attaining more stringent quality control. The Production Plant may also leverage on the resources of the Industrial Park and enhance the Group's competitiveness in expanding its existing business.

The Board is of the view that the Second Phase Construction Agreement is on normal commercial terms, its terms are fair and reasonable, and the transaction contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

The First Phase Construction Agreement

As the applicable percentage ratios were below 5%, the transaction contemplated under the First Phase Construction Agreement did not constitute a notifiable transaction to the Company under Chapter 14 of the Listing Rules.

The Second Phase Construction Agreement

As the applicable percentage ratios exceed 5% but are below 25%, the transaction contemplated under the Second Phase Construction Agreement, on a standalone basis or when aggregated with the transaction contemplated under the First Phase Construction Agreement, constitutes a discloseable transaction to the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Consideration”	the total consideration of RMB88 million payable to the Contractor by Hin Sang Guangdong in relation to the construction works contemplated under the Second Phase Construction Agreement, which includes tax and the safe and civilized construction measures fees (安全文明施工費) of RMB2,664,559.78
“Contractor”	廣東省六建集團有限公司(Guangdong No. 6 Construction Group Co., Ltd.*)
“Company”	Hin Sang Group (International) Holding Co. Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6893)
“Director(s)”	the director(s) of the Company
“First Phase Construction Agreement”	the construction agreement entered into between Hin Sang Guangdong and the Contractor on 10 July 2018 in respect of the construction of an office building and a staff dormitory in the Production Plant
“Group”	the Company and its subsidiaries
“Hin Sang Guangdong”	衍生健康醫藥(廣東)有限公司 (Hin Sang Health and Medical (Guangdong) Company Limited*), a company incorporated in the PRC which is an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Industrial Park”	雲浮市健康醫藥產業園 (Yunfu Health Medical Industrial Park*), which is located at 雲城區河口街布務村 (Hekou Street, Buwu Village, Yuncheng District*) of Yunfu City, Guangdong Province, the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	means the main board of the Stock Exchange
“percentage ratio”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Production Plant”	a production plant of the Group situated in the Industrial Park for the manufacturing of health supplements targeting the infants and children market
“RMB”	Renminbi, the lawful currency of the PRC
“Second Phase Construction Agreement”	the construction agreement entered into between Hin Sang Guangdong and the Contractor on 22 February 2019 in respect of the construction of certain facilities in the Production Plant
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* *For identification purpose only*

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

Hong Kong, 22 February 2019

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