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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)

ANNOUNCEMENT ON INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

FINANCIAL HIGHLIGHTS

	Six months ended		Change %
	2021	2020	
	HK\$'000	HK\$'000	
Revenue	42,697	64,129	-33.4%
Gross profit	20,202	36,692	-45.0%
Loss for the period	(17,905)	(12,214)	46.6%
Other comprehensive (expense)/income for the period	(6,591)	11,495	-157.3%
Loss per share			
– Basic and diluted (<i>HK cents</i>)	(1.58)	(1.03)	

RESULTS

The Board announces 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 2021

		Six months ended	
		30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	42,697	64,129
Cost of sales		<u>(22,495)</u>	<u>(27,437)</u>
Gross profit		20,202	36,692
Other income	5	961	2,936
Other gains and losses	6	9,745	(296)
Selling and distribution expenses		(3,652)	(6,577)
Administrative expenses		(38,350)	(40,167)
Finance costs	7	<u>(6,560)</u>	<u>(4,553)</u>
Loss before tax		(17,654)	(11,965)
Income tax expense	8	<u>(251)</u>	<u>(249)</u>
Loss for the period	9	<u>(17,905)</u>	<u>(12,214)</u>
Other comprehensive (expense)/income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value (loss)/gain on equity instruments at fair value through other comprehensive income		(9,243)	5,806
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>2,652</u>	<u>5,689</u>

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (expense) /income for the period	<u>(6,591)</u>	<u>11,495</u>
Total comprehensive expense for the period	<u><u>(24,496)</u></u>	<u><u>(719)</u></u>
Loss for the period attributable to:		
– Owners of the Company	(17,212)	(11,278)
– Non-controlling interests	<u>(693)</u>	<u>(936)</u>
	<u><u>(17,905)</u></u>	<u><u>(12,214)</u></u>
Total comprehensive income/(expense) for the period attributable to:		
– Owners of the Company	(24,044)	282
– Non-controlling interests	<u>(452)</u>	<u>(1,001)</u>
	<u><u>(24,496)</u></u>	<u><u>(719)</u></u>
Loss per share	<i>11</i>	
Basic (<i>HK cents</i>)	<u><u>(1.58)</u></u>	<u><u>(1.03)</u></u>
Diluted (<i>HK cents</i>)	<u><u>(1.58)</u></u>	<u><u>(1.03)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		353,639	360,414
Right-of-use assets		234,399	242,939
Investment properties		10,702	10,523
Financial assets at fair value through profit or loss		5,806	5,806
Deposits for acquisition of property, plant and equipment		560	1,530
Equity instruments at fair value through other comprehensive income	<i>12</i>	19,537	28,780
Deferred tax assets		371	371
		625,014	650,363
Current assets			
Inventories		17,940	20,091
Trade and other receivables	<i>13</i>	16,697	18,741
Financial assets at fair value through profit or loss		2,197	2,905
Tax refundable		616	616
Bank balances and cash		15,159	15,143
		52,609	57,496
Assets classified as held for sale		–	3,958
		52,609	61,454
Total assets		677,623	711,817

		As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Current liabilities			
Trade and other payables	14	34,547	39,770
Contract liabilities		7,697	5,673
Bank borrowings		125,025	116,308
Lease liabilities		950	2,499
Current tax liabilities		844	620
		<u>169,063</u>	<u>164,870</u>
Net current liabilities		<u>(116,454)</u>	<u>(103,416)</u>
Total assets less current liabilities		<u>508,560</u>	<u>546,947</u>
Non-current liabilities			
Bank borrowings		210,989	220,537
Lease liabilities		1,813	6,156
Deferred tax liabilities		679	679
		<u>213,481</u>	<u>227,372</u>
Net assets		<u><u>295,079</u></u>	<u><u>319,575</u></u>
Capital and reserves			
Share capital		109,180	109,180
Reserves		185,054	208,929
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale		<u>–</u>	<u>169</u>
Equity attributable to owners of the Company		<u>294,234</u>	318,278
Non-controlling interests		<u>845</u>	<u>1,297</u>
Total equity		<u><u>295,079</u></u>	<u><u>319,575</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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.

The Group incurred a net loss of approximately HK\$17,905,000 during the period ended 30 September 2021 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$116,454,000. In view of these circumstances and the impact of COVID-19, the Group has been continuously implementing measures to improve its profitability and operating performance and to mitigate the liquidity pressure. These measures include (1) implementing business strategies to enhance the production efficiency of the Group’s own brand products and aiming to reduce the product cost by self-production, (2) continuing its measures to control administrative and operating costs, and (3) looking for other sources of finance including equity financing to enhance the capital structure and reduce the overall finance costs.

With respect to the Group’s bank financing, the Group maintains continuous communication with its principal banks. The directors of the Company are not aware of any intention of the principal banks to withdraw their banking facilities or require early repayment of the bank borrowings. Taking into account the good track record and relationships with the banks and the fair value of the pledged properties, the directors believe that the Group will be able to renew the banking facilities upon maturity dates.

The directors have assessed the Group’s cash flow projections cover a period of not less than twelve months from 30 September 2021. The key factors that are taken into account by management in the cash flow projections include the anticipated cash flows from the Group’s operations, capital expenditures, continuous availability of banking facilities and the impact of COVID-19. The Group’s ability to achieve the projected cash flows depends on management’s ability to successfully implement the aforementioned improvement measures on profitability and liquidity and the continuous availability of banking facilities.

The directors are of the opinion that, taking into account the expected renewals of the bank borrowings and the unutilised banking facilities, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 September 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

	For the six months ended 30 September 2021 (unaudited)				
	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods and service					
Sales of healthcare products	36,691	–	144	–	36,835
Sales of personal care products	3,698	459	56	–	4,213
Sales of household products	306	59	–	–	365
Healthcare service	–	–	–	1,284	1,284
Total	<u>40,695</u>	<u>518</u>	<u>200</u>	<u>1,284</u>	<u>42,697</u>
Geographical markets					
Hong Kong	17,984	518	200	599	19,301
PRC	<u>22,711</u>	–	–	<u>685</u>	<u>23,396</u>
Total	<u>40,695</u>	<u>518</u>	<u>200</u>	<u>1,284</u>	<u>42,697</u>
Timing of revenue recognition					
A point of time	<u>40,695</u>	<u>518</u>	<u>200</u>	<u>1,284</u>	<u>42,697</u>

For the six months ended 30 September 2020 (unaudited)

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods and service					
Sales of healthcare products	45,324	–	–	280	45,604
Sales of personal care products	16,392	1,107	–	–	17,499
Sales of household products	758	134	–	–	892
Healthcare service	–	–	–	134	134
Total	<u>62,474</u>	<u>1,241</u>	<u>–</u>	<u>414</u>	<u>64,129</u>
Geographical markets					
Hong Kong	38,062	1,241	–	414	39,717
PRC	<u>24,412</u>	–	–	–	<u>24,412</u>
Total	<u>62,474</u>	<u>1,241</u>	<u>–</u>	<u>414</u>	<u>64,129</u>
Timing of revenue recognition					
A point of time	<u>62,474</u>	<u>1,241</u>	<u>–</u>	<u>414</u>	<u>64,129</u>

4. SEGMENT INFORMATION

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

Six months ended 30 September 2021 (unaudited)

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	<u>40,695</u>	<u>518</u>	<u>200</u>	<u>1,284</u>	<u>42,697</u>
Segment loss	<u>(5,960)</u>	<u>(38)</u>	<u>(4)</u>	<u>(1,811)</u>	(7,813)
Interest income					55
Loss arising on financial assets measured at fair value through profit or loss					(708)
Unallocated expenses					(2,628)
Finance costs					<u>(6,560)</u>
Loss before tax					<u>(17,654)</u>

Six months ended 30 September 2020 (unaudited)

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	<u>62,474</u>	<u>1,241</u>	<u>–</u>	<u>414</u>	<u>64,129</u>
Segment profit/(loss)	<u>(3,259)</u>	<u>480</u>	<u>–</u>	<u>(1,887)</u>	(4,666)
Interest income					54
Loss arising on financial assets measured at fair value through profit or loss					(151)
Unallocated expenses					(2,649)
Finance costs					<u>(4,553)</u>
Loss before tax					<u>(11,965)</u>

5. OTHER INCOME

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	55	54
Rental income	305	107
Government grants	234	2,531
Others	367	244
	<u>961</u>	<u>2,936</u>

6. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss arising on financial assets measured at fair value through profit or loss	(708)	(151)
Gain on disposal of property, plant and equipment	9,788	–
Gain on lease termination	263	–
Net foreign exchange gain/(loss)	402	(145)
	<u>9,745</u>	<u>(296)</u>

7. FINANCE COSTS

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	6,458	4,327
Interest on lease liabilities	102	226
	<u>6,560</u>	<u>4,553</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong Profits Tax	251	237
– PRC Enterprise Income Tax	–	12
	<u>251</u>	<u>249</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period.

9. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	6,647	5,926
Depreciation of right-of-use assets	<u>4,548</u>	<u>5,866</u>

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2020: Nil). The Directors have determined that no dividend will be paid in respect of the interim period (2020: Nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	<u>(17,212)</u>	<u>(11,278)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,091,796,000	1,091,796,000
Effect of dilutive potential ordinary shares:		
– Share options	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,091,796,000</u>	<u>1,091,796,000</u>

The computation of diluted loss per share for the six months ended 30 September 2021 and 2020 does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

12. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at	As at
	30 September	31 March
	2021	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	<u>19,537</u>	<u>28,780</u>

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
Trade receivables	8,446	7,981
Less: Allowance for credit losses	<u>(2,259)</u>	<u>(2,259)</u>
	6,187	5,722
Prepayments to suppliers	736	852
Prepayments for other expenses	1,948	1,259
Deposits	837	2,148
Value-added tax recoverable	6,989	8,211
Other receivables	<u>–</u>	<u>549</u>
	<u>16,697</u>	<u>18,741</u>

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 net of allowance for credit losses at the end of the reporting period, presented based on invoice date:

	As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
0–30 days	1,205	3,382
31–60 days	802	541
61–90 days	382	582
91–365 days	3,421	1,140
Over 365 days	<u>377</u>	<u>77</u>
	<u>6,187</u>	<u>5,722</u>

14. TRADE AND OTHER PAYABLES

	As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
Trade payables	11,614	7,499
Accruals and other payables	<u>22,933</u>	<u>32,271</u>
	<u>34,547</u>	<u>39,770</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:

	As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
0-30 days	4,901	2,163
31-60 days	624	504
61-90 days	446	1,691
Over 90 days	<u>5,643</u>	<u>3,141</u>
	<u>11,614</u>	<u>7,499</u>

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 consumers’ 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 Chinese medical healthcare as well as diagnosis and treatment services projects.

For the Period, the Group’s revenue was approximately HK\$42.7 million, representing a decrease of approximately 33.4% as compared to approximately HK\$64.1 million for the same period in 2020. 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% (2020: 97.5%) of the Group’s revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment decreased from approximately 1.9% of the total revenue for the same period in 2020 to approximately 1.2% of the total revenue for the Period. The Trading of Goods Segment recorded approximately 0.5% for the Period (2020: Nil). The Healthcare Segment accounted for approximately 3.0% (2020: 0.6%) of the Group’s 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 and Macau. Revenue generated from Hong Kong market for the Period recorded approximately HK\$19.3 million (2020: HK\$39.7 million), representing approximately 45.2% of the total revenue for the Period (2020: 61.9%). On the other hand, revenue generated from the PRC market for the Period recorded approximately HK\$23.4 million (2020: HK\$24.4 million), representing approximately 54.8% of the total revenue for the Period (2020: 38.1%). The revenue generated from sales in Hong Kong decreased due to the continued and prolonged outbreak of the COVID-19 pandemic, which has adversely impacted the retail and tourism industries in Hong Kong.

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)”, “Cheers Smart (千里馬)”, “Care Plus (私+呵護)”, “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 brand products, the Group launched several products during 2021, including but not limited to “Hin Sang Kids Appetite Support (Granules) (衍生蓓食無憂夥粒沖劑)”, “Hin Sang Kids Cough Care (Granules) (衍生蓓兒咳畏夥粒沖劑)” and “Peng Zu Yan Sheng AlcoEasy Essence (彭祖衍生館酒筍箕草本精華)”.

The revenue of this segment was approximately HK\$40.7 million for the Period, represented a decrease of approximately 34.9% comparing to approximately HK\$62.5 million for the same period in 2020. This segment’s loss for the Period was approximately HK\$6.0 million, represented an increase of approximately 82.9% comparing to approximately HK\$3.3 million for the same period in 2020. This segment’s loss margin increased from 5.2% for the six months ended 30 September 2020 to 14.6% for the Period. The decrease in revenue is due to the fact that the retail market is greatly impacted by COVID-19. The number of tourists in Hong Kong drastically decreased because of the travel restriction and quarantine measures, which in turn adversely affected the demand of our products.

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 “Pahmi (芭菲)”, “Enear (櫻雪)”, “Venic (花世界)”, “Zici (滋采)” and “Sunew (閃新)”. The revenue of this segment was approximately HK\$0.5 million for the Period, represented a decrease of approximately 58.3% comparing to approximately HK\$1.2 million for the same period in 2020. Such 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 loss of approximately HK\$38,000 for the Period while a profit of approximately HK\$480,000 was recorded for the same period in 2020.

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\$200,000 for the Period, comparing to zero for the same period in 2020 and it accounted for approximately 0.5% of the Group's revenue of the Period. The increase in revenue was contributed by the new partnership opportunities with authorized dealers and overseas suppliers during the Period. While there was an increase in revenue of this segment, it was still the focus of the Group to expand and develop the Product Development Segment during the Period.

Healthcare Segment

Healthcare segment provides different types of healthcare related services and products in Hong Kong and the PRC for mothers and children by establishment of clinics with medical treatment and consultation by experienced Chinese physician who specialized in mother-infant Chinese medical healthcare.

The revenue of this segment was approximately HK\$1.3 million for the Period, represented an increase of approximately 210.1% comparing to approximately HK\$0.4 million for the same period in 2020. The increase in revenue was contributed by the newly established clinic in Yunfu City of the Guangdong Province, the PRC during the Period. This segment's loss for the Period was approximately HK\$1.8 million as compared to a loss of approximately HK\$1.9 million for the same period in 2020.

HUMAN RESOURCES

The Group had a total of 292 staff as at 30 September 2021. 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 "three-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, with caution but aim to creating values for the Shareholders:

(a) To continue enhancing brand recognition of the Group's own brands

The Group has developed the "Hin Sang (衍生)" brand into a well-recognised brand in Hong Kong through an effective targeted advertising program which is well-positioned emphasizing on product safety and quality.

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.

(b) To expand the manufacturing arm of the Group

As part of the Group's plan to enhance the production efficiency of its own brand products in order to capture future opportunities, the Group has developed a production plant for manufacturing health supplements in Yunfu City of the Guangdong Province, the PRC, aiming to reduce the product cost by self-production rather than Original Equipment Manufacturer ("OEM") to outside supplier, and increase efficiency and attaining more stringent quality control on its own brand healthcare products. The construction of the production plant has been completed on 30 April 2020 and it has started production on 19 September 2020.

(c) To expand e-commerce for own-branded products

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. Due to the gradual popularity of online shopping, especially in the PRC market, revenue from e-commerce platforms accounted for approximately HK\$15.5 million (2020: HK\$17.8 million) of the total revenue of the Group for the Period. The Group will continue to introduce more high quality health supplements on the online platforms to expand our product portfolio and market scale.

FINANCIAL REVIEW

Revenue

The Group’s revenue was approximately HK\$42.7 million for the Period as compared to HK\$64.1 million for the same period in 2020, representing a decrease of approximately 33.4%. Such decrease was mainly due to the decrease in its sales of products under the Product Development Segment and Brand Development and Management Segment.

During the Period, the revenue generated from the Product Development Segment decreased by approximately HK\$21.8 million, representing a decrease of approximately 34.9% as compared to the same period in 2020. The revenue generated from the Brand Development and Management Segment decreased by approximately HK\$0.7 million, representing a decrease of approximately 58.3% as compared to the same period in 2020. The decrease in revenue for these segments was mainly due to the decline in revenue from the Hong Kong market, as a result of the stagnant retail market in Hong Kong which result in a cautious sentiment of the local customers. Revenue generated from Trading of Goods Segment was approximately HK\$200,000 for the Period, comparing to zero for the same period in 2020. Revenue generated from the Healthcare Segment was approximately HK\$1.3 million and it accounted for approximately 3.0% of the Group’s revenue for the Period.

Cost of Sales

The Group’s cost of sales decreased by 17.9% from approximately HK\$27.4 million for the six months ended 30 September 2020 to approximately HK\$22.5 million for the Period. The reason for the decrease was primarily due to the decrease in sales under the Product Development Segment as compared to same period in 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately 45.0% from approximately HK\$36.7 million for the six months ended 30 September 2020 to approximately HK\$20.2 million for the Period. The gross profit margin for the Period decreased from approximately 57.2% to 47.3% which was resulted from the decrease in sales of higher profit margin products from the Product Development Segment.

Other Income

The Group's other income decreased by approximately 65.5% from approximately HK\$2.9 million for the six months ended 30 September 2020 to approximately HK\$1.0 million for the Period, which was mainly attributable to the decrease in government grants from approximately HK\$2.5 million for the six months ended 30 September 2020 to approximately HK\$0.2 million for the Period.

Other Gains and Losses

The Group recorded other gains of approximately HK\$9.7 million for the Period, as compared to other losses of approximately HK\$0.3 million for the six months ended 30 September 2020. The change was attributable to gain on disposal of property, plant and equipment of approximately HK\$9.8 million for the Period.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 44.5% from approximately HK\$6.6 million for the six months ended 30 September 2020 to approximately HK\$3.7 million for the Period. Such decrease in selling and distribution expenses was attributable to the decrease in advertising expenses in Hong Kong due to the change of the Group's marketing and advertising strategy by conducting more online marketing and advertising rather than on TV media in Hong Kong.

Administrative Expenses

The administrative expenses decreased by approximately 4.5% from approximately HK\$40.2 million for the six months ended 30 September 2020 to approximately HK\$38.4 million for the Period, which was mainly attributable to the decrease in staff costs from approximately HK\$15.2 million for the six months ended 30 September 2020 to approximately HK\$12.6 million for the Period.

Taxation

The Group's income tax expense slightly increased from approximately HK\$249,000 for the six months ended 30 September 2020 to approximately HK\$251,000 for the Period.

Loss for the Period

During the Period, the Group recorded a net loss of approximately HK\$17.9 million, compared to a net loss of approximately HK\$12.2 million for the six months ended 30 September 2020.

Other Comprehensive (Expense)/Income

During the Period, the Group has recorded a fair value loss on equity instruments at fair value through other comprehensive income of approximately HK\$9.2 million, as compared to a fair value gain on equity instruments at fair value through other comprehensive income of approximately HK\$5.8 million for the six months ended 30 September 2020.

Equity Instruments at Fair Value through Other Comprehensive Income

During the Period, the Group held certain investments for medium to long term purpose, and it represented investment in two listed equity securities which are stated at fair value.

The first listed equity security represents 118,765,000 shares in Fullshare Holdings Limited (“**Fullshare**”) (stock Code: 00607), and there was no acquisition or disposal of the shares of Fullshare during the Period. Fullshare is principally engaged in property, tourism, investment and financial services, healthcare and education and new energy businesses. As at 30 September 2021, the fair value of these shares amounted to approximately HK\$12.6 million (31 March 2021: HK\$19.8 million), with the fair value loss of approximately HK\$7.2 million was recognised as other comprehensive expense for the Period, and these shares represented approximately 0.6% of the issued ordinary shares of Fullshare as at 30 September 2021. The carrying amount of these shares represented approximately 1.9% of the total assets of the Group as at 30 September 2021.

The second listed equity security represents 45,411,600 shares in Nanjing Sinolife United Company Limited (“**Nanjing Sinolife**”) (stock code: 3332). There was no acquisition or disposal of the shares of Nanjing Sinolife during the Period. Nanjing Sinolife is principally engaged in the manufacturing and sale of nutritional supplements and the trading of packaged health food products in the PRC, Australia and New Zealand. As at 30 September 2021, the fair value of these shares amounted to approximately HK\$6.9 million (31 March 2021: HK\$8.9 million), with an fair value loss of approximately HK\$2.0 million recognised as other comprehensive expense for the Period. These shares represented approximately 16.7% and 4.8% of the issued H shares and the total issued ordinary shares of Nanjing Sinolife respectively as at 30 September 2021. The carrying amount of these shares represented approximately 1.0% of the total assets of the Group as at 30 September 2021.

The fair value of these securities as at the date of this announcement was approximately HK\$20.3 million.

Inventories

The Group's inventories decreased by approximately 10.7% from approximately HK\$20.1 million as at 31 March 2021 to approximately HK\$17.9 million as at 30 September 2021, which was primarily due to the decrease in finished goods for distribution by approximately 9.6% from approximately HK\$13.6 million as at 31 March 2021 to approximately HK\$12.3 million as at 30 September 2021.

Trade Receivables

The Group's trade receivables increased by approximately 8.1% from approximately HK\$5.7 million as at 31 March 2021 to approximately HK\$6.2 million as at 30 September 2021, which was primarily attributable to the increase in trade receivables from distributors arising from the purchase of healthcare products of the Product Development Segment.

Trade Payables

The Group's trade payables increased by approximately 54.9% from approximately HK\$7.5 million as at 31 March 2021 to approximately HK\$11.6 million as at 30 September 2021.

Liquidity, Gearing Ratio and Capital Structure

The Group's bank balances and cash were mainly denominated in HKD and RMB. The bank balances slightly increased from approximately HK\$15.1 million as at 31 March 2021 to approximately HK\$15.2 million as at 30 September 2021. As at 30 September 2021, the Group had HK\$336.0 million bank borrowings; and the amount of unutilised banking facilities was approximately HK\$67.4 million. The gearing ratio (total debts divided by total equity) as at 30 September 2021 was 1.1 (31 March 2021: 1.1). The current ratio (total current assets divided by total current liabilities) as at 30 September 2021 was 0.3 (31 March 2021: 0.4).

Contingent Liabilities

As at 30 September 2021, the Directors were not aware of any significant events that would have resulted in material contingent liabilities (31 March 2021: Nil).

Charges on the Group's Assets

As at 30 September 2021, the carrying value of the assets of the Group were pledged in favor of banks was approximately HK\$524.2 million (31 March 2021: HK\$527.2 million).

Capital Commitments

As at 30 September 2021, the Group had total capital commitments of approximately HK\$824,000 in respect of the acquisition of property, plant and equipment (31 March 2021: HK\$744,000).

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 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 requirements of the Group.

Interim Dividend

The Board has resolved not to pay an interim dividend for the Period (six months ended 30 September 2020: Nil).

Material Acquisition and Disposals and Significant Investments

The Group had no significant investments, material acquisition or disposal during the Period.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold and redeemed any of the Shares.

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 deviations, the Company has adopted and complied with all the code provisions of 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.

“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“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 2021
“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
“Shareholder(s)”	holder(s) of the Shares
“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 2021

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. Lau Chi Kit, Mr. Lee Luk Shiu and Dr. Tang Sing Hing, Kenny.