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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 2024

FINANCIAL HIGHLIGHTS

	Six months ended		Change %
	30 September 2024	2023	
	HK\$'000	HK\$'000	
Revenue	46,214	52,318	(11.7)
Gross profit	30,012	32,597	(7.9)
Loss for the period	(19,242)	(10,462)	83.9
Other comprehensive income (expense) for the period	8,744	(8,606)	
Loss per share			
– Basic and diluted (<i>HK cents</i>)	(1.73)	(0.96)	

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 2024

	<i>Notes</i>	Six months ended	
		2024	2023
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	46,214	52,318
Cost of sales		(16,202)	(19,721)
Gross profit		30,012	32,597
Other income	5	1,773	990
Other gains and losses	6	677	773
Selling and distribution expenses		(7,082)	(2,787)
Administrative expenses		(36,041)	(33,911)
Finance costs	7	(8,573)	(7,895)
Loss before tax		(19,234)	(10,233)
Income tax expense	8	(8)	(229)
Loss for the period	9	(19,242)	(10,462)
Other comprehensive income/(expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		5,690	(3,765)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		3,054	(4,841)
Other comprehensive income/(expense) for the period		8,744	(8,606)
Total comprehensive expense for the period		(10,498)	(19,068)

	Six months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:		
– Owners of the Company	(18,873)	(10,450)
– Non-controlling interests	(369)	(12)
	<u>(19,242)</u>	<u>(10,462)</u>
Total comprehensive expense for the period attributable to:		
– Owners of the Company	(10,106)	(18,864)
– Non-controlling interests	(392)	(204)
	<u>(10,498)</u>	<u>(19,068)</u>
Loss per share	<i>11</i>	
Basic (<i>HK cents</i>)	<u>(1.73)</u>	<u>(0.96)</u>
Diluted (<i>HK cents</i>)	<u>(1.73)</u>	<u>(0.96)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	<i>Notes</i>	As at 30 September 2024 (Unaudited) <i>HK\$'000</i>	As at 31 March 2024 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		293,299	287,833
Right-of-use assets		203,821	207,130
Investment properties		12,396	12,099
Financial assets at fair value through profit or loss		6,494	6,494
Financial assets at fair value through other comprehensive income	<i>12</i>	33,646	27,956
Deferred tax assets		697	697
		<u>550,353</u>	<u>542,209</u>
Current assets			
Inventories		12,483	14,216
Trade and other receivables	<i>13</i>	21,471	11,972
Financial assets at fair value through profit or loss		9,888	8,119
Current tax assets		134	106
Bank balances and cash		5,231	11,232
		<u>49,207</u>	<u>45,645</u>
Total assets		<u>599,560</u>	<u>587,854</u>

		As at 30 September 2024 (Unaudited) <i>HK\$'000</i>	As at 31 March 2024 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Trade and other payables	14	43,238	40,283
Contract liabilities		17,990	17,063
Bank and other borrowings		184,215	186,467
Lease liabilities		422	351
Current tax liabilities		46	81
		<u>245,911</u>	<u>244,245</u>
Net current liabilities		<u>(196,704)</u>	<u>(198,600)</u>
Total assets less current liabilities		<u>353,649</u>	<u>343,609</u>
Non-current liabilities			
Bank and other borrowings		153,685	132,892
Lease liabilities		1,131	1,386
		<u>154,816</u>	<u>134,278</u>
Net assets		<u>198,833</u>	<u>209,331</u>
Capital and reserves			
Share capital		109,180	109,180
Reserves		89,550	99,656
Equity attributable to owners of the Company		198,730	208,836
Non-controlling interests		103	495
Total equity		<u>198,833</u>	<u>209,331</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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\$19,242,000 during the period ended 30 September 2024 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$196,704,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concern.

In view of these circumstances, 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 2024. 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 economic recovery after 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 2024. 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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2024.

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 2024 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback

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 2024 (unaudited)				
	Product Development Segment	Brand Development and Management Segment	Trading of Goods Segment	Healthcare Segment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of goods and service					
Sales of healthcare products	44,980	-	21	-	45,001
Sales of personal care products	207	267	317	-	791
Sales of household products	93	-	-	-	93
Healthcare service	-	-	-	329	329
Total	<u>45,280</u>	<u>267</u>	<u>338</u>	<u>329</u>	<u>46,214</u>
Geographical markets					
Hong Kong, China	28,834	267	338	-	29,439
Mainland China	16,446	-	-	329	16,775
Total	<u>45,280</u>	<u>267</u>	<u>338</u>	<u>329</u>	<u>46,214</u>
Timing of revenue recognition					
A point of time	<u>45,280</u>	<u>267</u>	<u>338</u>	<u>329</u>	<u>46,214</u>

For the six months ended 30 September 2023 (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	50,618	-	-	-	50,618
Sales of personal care products	545	560	35	-	1,140
Sales of household products	189	75	-	-	264
Healthcare service	-	-	-	296	296
Total	51,352	635	35	296	52,318
Geographical markets					
Hong Kong, China	38,359	635	35	-	39,029
Mainland China	12,993	-	-	296	13,289
Total	51,352	635	35	296	52,318
Timing of revenue recognition					
A point of time	51,352	635	35	296	52,318

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 2024 (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	45,280	267	338	329	46,214
Segment (loss)/profit	(8,854)	16	(61)	(339)	(9,238)
Interest income					36
Gain arising on financial assets measured at fair value through profit or loss					1,769
Unallocated expenses					(3,228)
Finance costs					(8,573)
Loss before tax					(19,234)

Six months ended 30 September 2023 (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	51,352	635	35	296	52,318
Segment profit/(loss)	279	77	(396)	(397)	(437)
Interest income					62
Gain arising on financial assets measured at fair value through profit or loss					1,950
Unallocated expenses					(3,913)
Finance costs					(7,895)
Loss before tax					(10,233)

5. OTHER INCOME

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Interest income on bank deposits	36	62
Rental income	299	215
Government grants	762	418
Forfeiture of customers' deposits	300	-
Others	376	295
	<u>1,773</u>	<u>990</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Gain on fair value change of financial assets at fair value through profit or loss	1,769	1,949
Prepayments and other receivables written off	(602)	-
Net foreign exchange loss	(490)	(1,176)
	<u>677</u>	<u>773</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Interest expense on bank loans	7,726	7,879
Interest expense on other borrowings	805	-
Interest expense on lease liabilities	42	16
	<u>8,573</u>	<u>7,895</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$000	HK\$000
Current tax:		
Hong Kong Profits Tax	8	229
PRC Enterprise Income Tax	-	-
	8	229

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$000	HK\$000
Depreciation of property, plant and equipment	6,714	8,541
Depreciation of right-of-use assets	3,496	3,572

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2023: Nil). The Directors have determined that no dividend will be paid in respect of the interim period (2023: 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 2024 (Unaudited) HK\$000	2023 (Unaudited) 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>(18,873)</u>	<u>(10,450)</u>
	Six months ended 30 September 2024	2023
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 2024 and 2023 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2024 (Unaudited) HK\$000	As at 31 March 2024 (Audited) HK\$000
Equity securities listed in Hong Kong	<u>33,646</u>	<u>27,956</u>

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2024 (Unaudited) <i>HK\$000</i>	As at 31 March 2024 (Audited) <i>HK\$000</i>
Trade receivables	10,504	12,061
Less: Allowance for credit losses	<u>(4,122)</u>	<u>(4,122)</u>
	6,382	7,939
Prepayments to suppliers	13,817	1,120
Prepayments for other expenses	681	2,448
Deposits	<u>591</u>	<u>465</u>
	<u>21,471</u>	<u>11,972</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 2024 (Unaudited) <i>HK\$000</i>	As at 31 March 2024 (Audited) <i>HK\$000</i>
0–30 days	2,690	3,914
31–60 days	2,033	2,094
61–90 days	1,592	1,929
91–365 days	<u>67</u>	<u>2</u>
	<u>6,382</u>	<u>7,939</u>

14. TRADE AND OTHER PAYABLES

	As at 30 September 2024 (Unaudited) <i>HK\$000</i>	As at 31 March 2024 (Audited) <i>HK\$000</i>
Trade payables	7,695	9,002
Accruals and other payables	<u>35,543</u>	<u>31,281</u>
	<u>43,238</u>	<u>40,283</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 2024 (Unaudited) <i>HK\$000</i>	As at 31 March 2024 (Audited) <i>HK\$000</i>
0-30 days	2,514	4,323
31-60 days	680	481
61-90 days	546	401
Over 90 days	<u>3,955</u>	<u>3,797</u>
	<u>7,695</u>	<u>9,002</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the marketing, selling and manufacturing of healthcare products primarily targeting children, among which “Hin Sang (衍生)” is a long-established reputable brand. The Group continues to expand its e-commerce business through various popular and influential online and mobile platforms in order to keep pace with consumer trends and seize business opportunities. In addition, the Group trades in personal care products of reputable brands, to leverage existing resources to increase profits. Furthermore, the Group is 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\$46.2 million, representing a decrease of approximately 11.7% as compared to the revenue of approximately HK\$52.3 million for the same period in 2023. The Group has four business segments which are classified according to their ownership, licensing rights and services rendered. During the Period, the Product Development Segment, which engages in the sale of the Group’s own branded products, remained the largest business segment of the Group and contributed approximately 98.0% (2023: approximately 98.1%) of the Group’s revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment decreased from approximately 1.2% of the total revenue for the same period in 2023 to approximately 0.6% of the total revenue for the Period. The Trading of Goods Segment accounted for approximately 0.7% of total revenue for the Period (2023: approximately 0.1%), and the Healthcare Segment accounted for approximately 0.7% (2023: approximately 0.6%) of the Group’s total revenue for the Period.

The Group’s business operations are based in both Hong Kong and Mainland China. Revenue generated from the Hong Kong market for the Period recorded approximately HK\$29.4 million (2023: approximately HK\$39.0 million), representing approximately 63.7% of the total revenue for the Period (2023: approximately 74.6%). On the other hand, revenue generated from the Mainland China market for the Period recorded approximately HK\$16.8 million (2023: approximately HK\$13.3 million), representing approximately 36.3% of the total revenue for the Period (2023: approximately 25.4%). The decrease in the revenue generated from the Hong Kong market was mainly due to the decrease in demand for our products as the post-pandemic rebound of customer sentiments had subsided.

Product Development Segment

In the Product Development Segment, the Group develops and sells healthcare products, personal care products and household products under its own brand names, which are mainly “Hin Sang (衍生)”, “Tai Wo Tong (太和堂)”, “Care Plus (私+呵護)” and “King’s Antiseptic (殺菌王)”. The Group launched the “Hin Sang (衍生)” brand in 2004, mainly for health supplements. In 2012, the Group launched “Tai Wo Tong (太和堂)” mainly for the Group’s proprietary Chinese medicine category. With a view to further leverage its brand value and explore the opportunities of the less tapped markets, the Group launched several products during the Period, including but not limited to “Hin Sang Lingzhi Dangshen Paste (衍生靈芝黨參膏)”, “Hin Sang Shihu xiyangshen Paste (衍生石斛西洋參膏)” and “Hin Sang Hong Can Guiyuan Paste (衍生紅參桂圓膏)”.

The revenue of this segment was approximately HK\$45.3 million for the Period, representing a decrease of approximately 11.8% as compared to the segment revenue of approximately HK\$51.4 million for the same period in 2023. Such decrease was mainly due to the decrease in demand for our products as the post-pandemic rebound of consumer sentiments had subsided. The segment's loss and loss margin for the Period were approximately HK\$8.9 million and 19.6% respectively, representing a turnaround from profit and profit margin of approximately HK\$0.3 million and 0.5% respectively for the same period in 2023.

Brand Development and Management Segment

Since 1999, the Group has been a trusted partner for various brand proprietors of personal care products mainly in the Hong Kong market. The Group offers one-stop solutions for marketing, sales and distribution, logistics and delivery services for their branded products under exclusive distribution agreements with each of the brand proprietors. The Group has a track record of successfully managing and developing a number of brands for its clients, who are primarily manufacturers and owners of the products.

Among the products managed and developed by the Group for the brand proprietors, the major brands are “Acene (澳雪)” and “Zici (滋采)”. The revenue of this segment was approximately HK\$0.3 million for the Period, representing a decrease of approximately 58.0% as compared to the segment revenue of approximately HK\$0.6 million for the same period in 2023. Such decrease was mainly due to the concentration of resources allocated to the Product Development Segment during the Period, to enhance the brand image of the Group's own branded products. The revenue of this segment contributed approximately 0.6% of the total revenue of the Group for the Period (2023: approximately 1.2%). The segment's profit and profit margin for the Period were approximately HK\$16,000 and 6.0% respectively, as compared to the profit and profit margin of approximately HK\$77,000 and 12.1% respectively for the same period in 2023.

Trading of Goods Segment

The Group has served its customers with high quality products sourced from authorised dealers and overseas suppliers. The low-margin products in this segment will be phased out, and more resources will be devoted to the Product Development Segment, which is expected to yield higher profit margin.

The revenue of this segment was approximately HK\$338,000 for the Period, representing an increase of approximately 865.7% as compared to the segment revenue of approximately HK\$35,000 for the same period in 2023. The revenue of this segment contributed approximately 0.7% of the total revenue of the Group for the Period (2023: approximately 0.1%). Despite the increase in revenue of this segment, the Group had always focused on the Product Development Segment during the Period in order to enhance the brand image of its own branded products.

Healthcare Segment

The Healthcare segment provides various types of healthcare-related services and products in Mainland China to mothers and children. The Group has established clinics to provide medical treatment and consultation by experienced Chinese physicians specialising in Chinese medical healthcare.

The revenue of this segment was approximately HK\$0.3 million (2023: approximately HK\$0.3 million) for the Period. The segment loss for the Period was approximately HK\$0.3 million (2023: approximately HK\$0.4 million).

HUMAN RESOURCES

The Group had a total of 230 staff as at 30 September 2024. The remuneration of the employees consists of fixed salary, individual sales commission and year-end discretionary performance bonus. The Group has devised an assessment system for its employees and the Group uses the assessment result for salary review and promotion decisions. All of the employees undergo a performance appraisal once a year. Such appraisal provides the Group with an opportunity to assess each employee's strengths and areas for improvement, and facilitate the Group to provide necessary training and career development opportunities accordingly. A share option scheme was adopted in September 2014 to recognise and acknowledge those employees who have made a contribution to the Group, which was expired on 15 October 2024 and no new share option scheme has been adopted as at the date of this announcement.

PROSPECTS

The Group is confident that the Hong Kong market can continue to provide a stable platform for its business growth and expansion. The Group continues its efforts in new product development to enrich its health supplement portfolio and enhance its brand image as a health supplement specialist. The Group ensures that only those products with high sales volume potential are retained in the product portfolio. At the same time, the Group will also focus on the development of the Mainland China market, especially the children's health supplement market. The Group believes that this market will benefit greatly from the implementation of China's "Three-child" policy. To seize this opportunity, the Group will continue to expand its distribution network by recruiting additional distributors and devoting more resources to promoting its corporate image to expand its customer base.

The Group has prudently outlined the following strategies for its future business development with the aim of creating value 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 effective, targeted and well-positioned advertising programs that emphasise product safety and quality.

The Group continued to focus on and implement its brand strategies of multi-channel marketing and diverse product portfolios. The Group adopted a market-driven research and product development strategy to meet evolving customer demands and needs while achieving rapid growth. The new product launches aim to meet the needs and preferences of different age groups and markets by broadening the Group's product portfolio and customer base.

(b) To expand the manufacturing arm of the Group

As part of the Group's plan to enhance the production efficiency of its own branded products and to capture future opportunities, the Group has developed a production plant for health supplements in Yunfu City of the Guangdong Province, the PRC. This facility has enabled the Group to manufacture health supplement products in-house, rather than outsourcing them to an external Original Equipment Manufacturer ("OEM"). This initiative aims to reduce production costs, increase operational efficiency and productivity, and ensure stricter quality control of the Group's own branded healthcare products. This facility is a long-term investment that will help the Group seize future opportunities in the health supplements market.

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

The Group will continue to develop and upgrade its e-commerce platform, which focuses on online sales of products under "Hin Sang (衍生)", enabling customers, particularly customers in Mainland China, to place orders online and enjoy home delivery services. Due to the popularity of online shopping, especially in the Mainland China market, revenue from the Group's e-commerce platforms accounted for approximately HK\$8.2 million (2023: approximately HK\$8.1 million) of the Group's total revenue for the Period.

Recognising the significant growth of e-commerce, the Group has implemented a marketing strategy to enhance brand influence, cultivate customer loyalty and expand its market share in the healthcare products industry. The Group has established a presence on popular e-commerce and social media platforms such as Xiaohongshu (小紅書), Douyin (抖音), Kuaishou (快手), Tmall (天貓), JD.com (京東) and Pinduoduo (拼多多). To further expand its online sales network, the Group has partnered with influential key opinion leaders (KOLs) in e-commerce livestreaming. The Group will continue to introduce high-quality health supplements on these platforms while remaining innovative in its marketing approach to keep pace with consumer trends and reach a wider audience.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$46.2 million for the Period as compared to the revenue of approximately HK\$52.3 million for the same period in 2023, representing a decrease of approximately 11.7%. Such decrease was mainly due to the decrease in its sales of products under the Product Development Segment.

During the Period, the revenue generated from the Product Development Segment decreased by approximately HK\$6.1 million, representing a decrease of approximately 11.8% as compared to the same period in 2023, which was mainly due to the decrease in revenue from the Hong Kong market. The revenue generated from the Brand Development and Management Segment decreased by approximately HK\$0.3 million, representing a decrease of approximately 58.0% as compared to the same period in 2023. The revenue generated from Trading of Goods Segment increased by approximately HK\$0.3 million, representing an increase of approximately 865.7% as compared to the same period in 2023. The revenue generated from the Healthcare Segment increased by approximately HK\$33,000, representing an increase of approximately 11.1% as compared to the same period in 2023.

Cost of Sales

The Group's cost of sales decreased by approximately 17.8% from approximately HK\$19.7 million for the six months ended 30 September 2023 to approximately HK\$16.2 million for the Period. The decrease was primarily due to the decrease in cost of sales under the Product Development Segment as compared to same period in 2023.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately 7.9% from approximately HK\$32.6 million for the six months ended 30 September 2023 to approximately HK\$30.0 million for the Period. The gross profit margin for the Period increased from approximately 62.3% for the six months ended 30 September 2023 to approximately 64.9% for the Period, which was resulted from the increase in sales of higher profit margin products from the Product Development Segment.

Other Income

The Group's other income increased by approximately 79.1% from approximately HK\$1.0 million for the six months ended 30 September 2023 to approximately HK\$1.8 million for the Period, which was mainly attributable to the increase in government grants from approximately HK\$0.4 million for the six months ended 30 September 2023 to approximately HK\$0.8 million for the Period and the recognition of a forfeiture of customers' deposits of approximately HK\$0.3 million for the Period.

Other Gains and Losses

The Group's other gains decreased by approximately 12.4% from approximately HK\$0.8 million for the six months ended 30 September 2023 to approximately HK\$0.7 million for the Period. The change was mainly attributable to the decrease in gain on fair value change of financial assets at fair value through profit or loss by approximately 9.2% from approximately HK\$1.9 million for the six months ended 30 September 2023 to approximately HK\$1.8 million for the Period.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 154.1% from approximately HK\$2.8 million for the six months ended 30 September 2023 to approximately HK\$7.1 million for the Period. Such increase was mainly attributable to the increase in advertising and promotion expenses, as compared to the same period in 2023.

Administrative Expenses

The administrative expenses increased by approximately 6.3% from approximately HK\$33.9 million for the six months ended 30 September 2023 to approximately HK\$36.0 million for the Period, which was mainly attributable to a provision of approximately HK\$1.8 million being made in relation to a litigation dispute lodged in August 2021 between the Group and Guangdong Liujian Group Co., Ltd* (廣東省六建集團有限公司) (“**Liujian**”) in respect of the construction of the Group's production plant located in Yunfu City of the Guangdong Province. For further details, please refer to “Other Information – Events After Reporting Period” of this announcement.

* *For identification purpose only*

Taxation

The Group's income tax expense decreased from approximately HK\$229,000 for the six months ended 30 September 2023 to approximately HK\$8,000 for the Period.

Loss for the Period

During the Period, the Group recorded a net loss of approximately HK\$19.2 million, as compared to a net loss of approximately HK\$10.5 million for the six months ended 30 September 2023.

Other Comprehensive Income/(Expense)

The other comprehensive income was approximately HK\$8.7 million for the Period, representing a turnaround from the other comprehensive expense of approximately HK\$8.6 for the six months ended 30 September 2023. The exchange gain on translating foreign operations was approximately HK\$3.1 million for the Period, as compared to a loss of approximately HK\$4.8 million for the same period in 2023. The Group recorded a fair value gain on financial assets at fair value through other comprehensive income of approximately HK\$5.7 million for the Period, as compared to a fair value loss on financial assets at fair value through other comprehensive income of approximately HK\$3.8 million for the six months ended 30 September 2023.

Financial assets 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 2,375,300 shares (a share consolidation of every 50 ordinary shares into 1 consolidated share was effective on 4 December 2023) in Fullshare (stock code: 607), 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 2024, the carrying amount of these shares amounted to approximately HK\$1.0 million (31 March 2024: approximately HK\$1.2 million), with the fair value loss of approximately HK\$0.2 million being recognised as other comprehensive expense for the Period, and these shares represented approximately 0.4% of the issued ordinary shares of Fullshare as at 30 September 2024. The carrying amount of these shares represented approximately 0.2% of the total assets of the Group as at 30 September 2024.

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 2024, the carrying amount of these shares amounted to approximately HK\$32.7 million (as at 31 March 2024: approximately HK\$26.8 million), with the fair value gain of approximately HK\$5.9 million being recognised as other comprehensive income 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 2024. The carrying amount of these shares represented approximately 5.5% of the total assets of the Group as at 30 September 2024.

The fair value of these securities as at the date of this announcement was approximately HK\$29.4 million.

Inventories

The Group's inventories decreased by approximately 12.2% from approximately HK\$14.2 million as at 31 March 2024 to approximately HK\$12.5 million as at 30 September 2024, which was primarily due to the decrease in raw materials by approximately 48.0% from approximately HK\$4.0 million as at 31 March 2024 to approximately HK\$2.1 million as at 30 September 2024.

Trade Receivables

The Group's trade receivables decreased by approximately 19.6% from approximately HK\$7.9 million as at 31 March 2024 to approximately HK\$6.4 million as at 30 September 2024.

Trade Payables

The Group's trade payables decreased by approximately 14.5% from approximately HK\$9.0 million as at 31 March 2024 to approximately HK\$7.7 million as at 30 September 2024.

Liquidity, Gearing Ratio and Capital Structure

The Group's bank balances and cash were mainly denominated in HKD and RMB. The bank balances decreased from approximately HK\$11.2 million as at 31 March 2024 to approximately HK\$5.2 million as at 30 September 2024.

The Group's borrowings were denominated in HKD, RMB and USD. As at 30 September 2024, bank borrowings of approximately HK\$309.3 million (as at 31 March 2024: approximately HK\$309.4 million) bore floating interest rates and other borrowings of approximately HK\$28.6 million (as at 31 March 2024: approximately HK\$10.0 million) bore fixed interest rates and the amount of unutilised banking facilities was approximately HK\$16.4 million (as at 31 March 2024: approximately HK\$8.3 million). The maturity profile of the bank borrowings was as follows:

	As at 30 September 2024 (Unaudited) HK\$000	As at 31 March 2024 (Audited) HK\$000
Within 1 year	184,215	186,467
More than 1 year, but not more than 2 years	42,489	28,823
More than 2 years, but not more than 5 years	89,377	83,844
More than 5 years	21,819	20,225

The gearing ratio (total debts divided by total equity) as at 30 September 2024 was 1.7 (as at 31 March 2024: 1.5). The current ratio (total current assets divided by total current liabilities) as at 30 September 2024 was 0.2 (as at 31 March 2024: 0.2).

Foreign Exchange Exposure

The business transactions, assets and liabilities and bank borrowings of the Group are mainly denominated in HKD and RMB. In view of the prevailing macro-economic environment, the Group may be exposed to the foreign exchange rate risks. The Group has not entered into any instrument to hedge against foreign exchange risk exposure during the Period. Nevertheless, the Group will closely monitor the volatility of foreign exchange rate and apply appropriate hedging strategy if and when necessary.

Contingent Liabilities

As at 30 September 2024, the Directors were not aware of any significant events that would have resulted in material contingent liabilities (as at 31 March 2024: Nil).

Charges on the Group's Assets

As at 30 September 2024, the carrying value of the assets of the Group were pledged in favor of banks was approximately HK\$440.4 million (as at 31 March 2024: approximately HK\$451.1 million).

Capital Commitments

As at 30 September 2024, the Group did not have any capital commitment in respect of the acquisition of property, plant and equipment (as at 31 March 2024: Nil).

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 analysing 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 declare an interim dividend for the Period (six months ended 30 September 2023: Nil).

Material Acquisition and Disposals and Significant Investments

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

The Group held a significant investment in Nanjing Sinolife, which is classified as financial assets at fair value through other comprehensive income. The investment in Nanjing Sinolife is to be held for long-term strategic purposes. Further details of the investment Nanjing Sinolife are set out in the sub-section headed “Financial assets at Fair Value through Other Comprehensive Income” in the section headed “Management Discussion and Analysis” in this announcement.

Save as disclosed above, the Group had no other significant investment held with a value of 5% or more of the Company’s total assets for the period ended 30 September 2024.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

In August 2021, Hin Sang Health and Medical (Guangdong) Company Limited* (衍生健康醫藥(廣東)有限公司) (“**Hin Sang Guangdong**”), an indirect wholly-owned subsidiary of the Company, initiated a legal proceeding in the PRC against Liujian, in respect of the failure of Liujian to complete the construction of the Group’s production plant located in Yunfu City of the Guangdong Province pursuant to a schedule as agreed by the parties, and Hin Sang Guangdong claimed for an amount of approximately HK\$12,572,000.

Liujian counterclaimed the Group for outstanding construction cost of approximately HK\$17,981,000 plus accrued interest thereon. At the trial, the court dismissed the Group’s claims and the Group has to settle the outstanding construction cost and accrued interest thereon of an amount of approximately HK\$15,797,000. On 12 August 2022, the Group lodged an appeal to object the court’s decision. On 6 November 2024, the Group received a civil judgement from the court, pursuant to which, (i) the Group shall settle the outstanding construction cost thereon of approximately HK\$14.7 million and the accrued interest to the settlement date respectively and (ii) the Group shall bear a legal cost totaling approximately HK\$0.3 million. During the Period, a provision of approximately HK\$1.8 million, being an amount of the accrued interest of approximately HK\$1.5 million and the amount of legal cost of approximately HK\$0.3 million was recognised in the profit and loss account of the Group.

Save as disclosed above, there have been no significant events occurred after 30 September 2024 and up to the date to this announcement which require disclosure.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

* *For identification purpose only*

CORPORATE GOVERNANCE

Corporate Governance Practice

The Board and senior management of the Company strive to maintain a high standard of corporate governance, formulate sound 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 the expectations of the Shareholders are met.

Save for the below deviation, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set forth in Appendix C1 to the Listing Rules as its corporate governance code of practices.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Pang Siu Hin is both the chairman and the chief executive officer of the Company. In view of the fact that Mr. Pang is one of the co-founders of the Group and has been operating and managing the Group effectively 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 with his profound knowledge and experience in the industry. The Board therefore considers that the deviation from the CG Code provision C.2.1 is reasonably justified under such circumstances.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. The Company has made specific enquiries with all Directors and all Directors confirmed that they had complied with the standards required by the Model Code during the Period.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the Period has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at “www.hkexnews.hk” and on the website of the Company at “www.hinsanggroup.com”. The interim report of the Company for the six months ended 30 September 2024 will be published on the above websites and despatched to the Shareholders by December 2024 according to the Listing Rules.

DEFINITIONS

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

“Audit Committee”	the audit committee of the Board
“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 manages and develops the brand of such products
“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
“Director(s)”	the director(s) of the Company
“Fullshare”	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)
“Group”	the Company and its subsidiaries
“Healthcare Segment”	the business segment in which the Group engages in providing Chinese medical healthcare related services which targets for mothers and children in the Mainland China
“HK\$” or “HKD”	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
“Period”	the six months ended 30 September 2024
“PRC”	the People’s Republic of China

“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 “Hin Sang (衍生)”, “Tai Wo Tong (太和堂)”, “Care Plus (私+呵護)” and “King’s Antiseptic (殺菌王)”
“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)”	holders of the Share(s)
“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
“USD”	United States Dollars, the lawful currency of the United States

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

Hong Kong, 28 November 2024

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 Ms. Tian Shanshan, and the independent non-executive Directors are Mr. Lau Chi Kit, Mr. Lee Luk Shiu and Dr. Tang Sing Hing, Kenny.