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衍生集團(國際)控股有限公司

Hin Sang Group (International) Holding Co. Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6893)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

Financial Highlights	Year ended 31 March		Change %
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
Revenue	120,546	119,441	0.9
Gross profit	69,075	68,793	0.4
Loss for the year	(13,105)	(36,846)	(64.4)
Other comprehensive (expense)/income for the year	(4,670)	19,235	(124.3)
Loss per share – Basic and diluted (<i>HK cents</i>)	(1.09)	(2.93)	

RESULTS

The Board is pleased to announce the audited consolidated results of Hin Sang Group (International) Holding Co. Ltd. and its subsidiaries for the year ended 31 March 2022 together with the comparative figures for the year ended 31 March 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	120,546	119,441
Cost of sales		<u>(51,471)</u>	<u>(50,648)</u>
Gross profit		69,075	68,793
Other income	5	7,155	3,903
Other gains and losses	6	10,106	(357)
Selling and distribution expenses		(6,839)	(10,962)
Administrative expenses		(78,069)	(87,009)
Finance costs	7	<u>(12,846)</u>	<u>(11,040)</u>
Loss before tax		(11,418)	(36,672)
Income tax expense	8	<u>(1,687)</u>	<u>(174)</u>
Loss for the year	9	<u>(13,105)</u>	<u>(36,846)</u>
Other comprehensive (expense)/ income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value (loss)/gain on financial assets at fair value through other comprehensive income		(10,065)	7,444
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>5,395</u>	<u>11,791</u>
Other comprehensive (expense)/ income for the year		<u>(4,670)</u>	<u>19,235</u>
Total comprehensive expense for the year		<u>(17,775)</u>	<u>(17,611)</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to:			
– Owners of the Company		(11,910)	(31,950)
– Non-controlling interests		<u>(1,195)</u>	<u>(4,896)</u>
		<u>(13,105)</u>	<u>(36,846)</u>
Total comprehensive expense for the year attributable to:			
– Owners of the Company		(16,684)	(14,210)
– Non-controlling interests		<u>(1,091)</u>	<u>(3,401)</u>
		<u>(17,775)</u>	<u>(17,611)</u>
Loss per share	<i>10</i>		
– Basic (<i>HK cents</i>)		<u>(1.09)</u>	<u>(2.93)</u>
– Diluted (<i>HK cents</i>)		<u>(1.09)</u>	<u>(2.93)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		362,371	360,414
Right-of-use assets		230,204	242,939
Investment properties		10,243	10,523
Financial assets at fair value through profit or loss		6,029	5,806
Deposits for acquisition of property, plant and equipment		17	1,530
Financial assets at fair value through other comprehensive income		19,757	28,780
Deferred tax assets		389	371
		629,010	650,363
Current assets			
Inventories		27,258	20,091
Trade and other receivables	<i>12</i>	19,413	18,741
Financial assets at fair value through profit or loss		3,182	2,905
Tax refundable		513	616
Bank balances and cash		14,395	15,143
		64,761	57,496
Assets classified as held for sale		–	3,958
		64,761	61,454
Total assets		693,771	711,817
Current liabilities			
Trade and other payables	<i>13</i>	49,626	39,770
Contract liabilities		18,615	5,673
Bank borrowings		119,108	116,308
Lease liabilities		967	2,499
Current tax liabilities		2,394	620
		190,710	164,870
Net current liabilities		(125,949)	(103,416)
Total assets less current liabilities		503,061	546,947

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Bank borrowings	199,508	220,537
Lease liabilities	1,325	6,156
Deferred tax liabilities	428	679
	<u>201,261</u>	<u>227,372</u>
Net assets	<u>301,800</u>	<u>319,575</u>
Capital and reserves		
Share capital	109,180	109,180
Reserves	192,414	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	301,594	318,278
Non-controlling interests	<u>206</u>	<u>1,297</u>
Total equity	<u>301,800</u>	<u>319,575</u>

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Group incurred a net loss of approximately HK\$13,105,000 during the year ended 31 March 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$125,949,000. 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 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. As at 31 March 2022, the Group had unutilised banking facilities of approximately HK\$48,100,000. The Directors 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 31 March 2022. 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 31 March 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2021 for the preparation of the consolidated financial statements:

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

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

3. REVENUE

The following is an analysis of the Group’s revenue:

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Sales of goods	118,938	118,413
Provision of healthcare services	<u>1,608</u>	<u>1,028</u>
	<u><u>120,546</u></u>	<u><u>119,441</u></u>

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments under "HKFRS 8 Operating Segments" are as follows:

1. Product Development Segment – sales of products developed by the Group under own brands
2. Brand Development and Management Segment – sales and distribution of products with exclusive distribution rights
3. Trading of Goods Segment – sales and distribution of products purchased from authorised dealers, independent traders, manufacturers or parallel importers
4. Healthcare Segment – development of mother and child related health products, medical center and related services

Segment revenue and results

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

For the year ended 31 March 2022

	Product Development Segment HK\$'000	Brand Development and Management Segment HK\$'000	Trading of Goods Segment HK\$'000	Healthcare Segment HK\$'000	Total HK\$'000
Revenue					
External sales	<u>117,277</u>	<u>1,351</u>	<u>310</u>	<u>1,608</u>	<u>120,546</u>
Segment profit/(loss)	<u>786</u>	<u>123</u>	<u>(379)</u>	<u>(3,191)</u>	(2,661)
Interest income					120
Gain on disposal of assets classified as held for sale					8,221
Gain on fair value change of financial assets at fair value through profit or loss					518
Gain arising from use of trademark					1,042
Finance costs					(12,846)
Unallocated expenses					<u>(5,812)</u>
Loss before tax					<u>(11,418)</u>

For the year ended 31 March 2021

	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>115,950</u>	<u>1,974</u>	<u>489</u>	<u>1,028</u>	<u>119,441</u>
Segment profit/(loss)	<u>(16,796)</u>	<u>293</u>	<u>140</u>	<u>(4,402)</u>	(20,765)
Interest income					97
Gain on fair value change of financial assets at fair value through profit or loss					619
Finance costs					(11,040)
Unallocated expenses					<u>(5,583)</u>
Loss before tax					<u>(36,672)</u>

There were no sales transactions between operating segments.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of corporate expenses, gain on disposal of assets classified as held for sale, gain on fair value change of financial assets at fair value through profit or loss, gain arising from use of trademark, interest income and finance costs. This is the measure reported to the Board for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's operations are located in Hong Kong and the Mainland China.

Information about the Group's revenue from external customers is presented based on location of the operations. Information about the Group's non-current assets (excluding financial instruments and deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong, China	72,459	64,004	222,429	237,196
Mainland China	<u>48,087</u>	<u>55,437</u>	<u>380,406</u>	<u>378,210</u>
	<u>120,546</u>	<u>119,441</u>	<u>602,835</u>	<u>615,406</u>

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the years ended 31 March 2022 and 2021.

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on bank deposits	120	97
Rental income	821	217
Government grants	4,933	2,719
Others	<u>1,281</u>	<u>870</u>
	<u>7,155</u>	<u>3,903</u>

6. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on fair value change of financial assets at fair value through profit or loss	518	619
(Loss)/Gain on fair value change of investment properties	(719)	11
Gain on disposal of property, plant and equipment	1,251	–
Gain on disposal of assets classified as held for sale	8,221	–
Impairment loss recognised on trade receivables under expected credit loss model	(113)	(1,063)
Gain on lease termination	263	–
Gain on lease modification	–	67
Gain on deregistration of a subsidiary	16	–
Gain arising from use of trademark	1,042	–
Net foreign exchange (loss)/gain	(373)	9
	<u>10,106</u>	<u>(357)</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on bank loans	12,689	12,126
Interest expense on lease liabilities	157	258
Total borrowing costs	12,846	12,384
Less: amounts capitalised in the cost of qualifying assets	–	(1,344)
	<u>12,846</u>	<u>11,040</u>

Borrowing costs capitalised during the year ended 31 March 2021 were calculated by applying a capitalisation rate of 5.49% per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	2,187	608
– Over provision in prior year	<u>(198)</u>	<u>(662)</u>
	<u>1,989</u>	<u>(54)</u>
PRC Enterprise Income Tax		
– Current year	65	12
– Over provision in prior year	<u>(74)</u>	<u>(192)</u>
	<u>(9)</u>	<u>(180)</u>
Deferred tax		
– Current year	<u>(293)</u>	<u>408</u>
Total income tax recognised in profit or loss	<u><u>1,687</u></u>	<u><u>174</u></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%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. LOSS FOR THE YEAR

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation of property, plant and equipment	20,937	16,167
Depreciation of right-of-use assets	<u>7,952</u>	<u>10,444</u>
Total depreciation	28,889	26,611
Less: amounts capitalised in construction in progress	–	(68)
Less: amounts capitalised in inventories	<u>(8,500)</u>	<u>(5,260)</u>
	<u>20,389</u>	<u>21,283</u>
Staff costs, including directors' emoluments	39,327	45,887
Less: amounts capitalised in inventories	<u>(7,024)</u>	<u>(4,905)</u>
	<u>32,303</u>	<u>40,982</u>
Cost of inventories recognised as an expense	36,246	43,409
Auditors' remuneration	<u>850</u>	<u>900</u>
Gross rental income from investment properties	(821)	(217)
Less: direct operating expenses	<u>22</u>	<u>64</u>
Net rental income from investment properties	<u>(799)</u>	<u>(153)</u>

10. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	<u>(11,910)</u>	<u>(31,950)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,091,796</u>	<u>1,091,796</u>

The computation of diluted loss per share for the years ended 31 March 2022 and 2021 does not assume the conversion of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

12. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	14,777	7,981
Less: Allowance for credit losses	<u>(2,373)</u>	<u>(2,259)</u>
	12,404	5,722
Prepayments to suppliers	1,373	852
Prepayments for other expenses	1,620	1,259
Deposits	489	2,148
Value-added tax recoverable	3,527	8,211
Other receivables	<u>–</u>	<u>549</u>
	<u>19,413</u>	<u>18,741</u>

The following is an ageing 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	9,975	3,382
31–60 days	479	541
61–90 days	315	582
91–365 days	1,635	1,140
Over 365 days	<u>–</u>	<u>77</u>
	<u>12,404</u>	<u>5,722</u>

13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	11,901	7,499
Accruals and other payables	<u>37,725</u>	<u>32,271</u>
	<u>49,626</u>	<u>39,770</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	4,134	2,163
31-60 days	1,692	504
61-90 days	558	1,691
Over 90 days	<u>5,517</u>	<u>3,141</u>
	<u>11,901</u>	<u>7,499</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 the 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 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 Year, the Group’s revenue was approximately HK\$120.5 million, representing an increase of approximately 0.9% as compared to the Group’s revenue of approximately HK\$119.4 million for the last year. The Group has four business segments classified by their ownership, licensing rights and services rendered. During the Year, the Product Development Segment, selling the Group’s own brand products, was still the largest segment of the Group which contributed approximately 97.3% (2021: 97.1%) of the Group’s revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment fell from approximately 1.7% of the total revenue for the last year to approximately 1.1% of the total revenue for the Year. The Trading of Goods Segment recorded approximately 0.3% for the Year (2021: 0.4%). The Healthcare Segment accounted for only approximately 1.3% (2021: 0.8%) of the Group’s total revenue for the Year.

The Group’s business operations are mainly based in Hong Kong, though its products are distributed through distributors appointed in the Mainland China and Macau. Revenue generated from the Hong Kong market for the Year recorded approximately HK\$72.4 million (2021: HK\$64.0 million), representing approximately 60.1% of the total revenue for the Year (2021: 53.6%). On the other hand, revenue generated from the Mainland China market for the Year recorded approximately HK\$48.1 million (2021: HK\$55.4 million), representing approximately 39.9% of the total revenue for the Year (2021: 46.4%). The revenue generated from sales in Hong Kong increased due to the launch of COVID-19 antigen rapid testing kit during the Year.

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 the Year, including but not limited to “Care Plus Rapid Testing Kit – Nasal Swab (私+呵護鼻咽拭子快速測試套裝)”, “Hin Sang Lung Clearing Tea (衍生蓮花清肺茶包)”, “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 (彭祖衍生館酒筭箕草本精華)”.

The revenue of this segment was approximately HK\$117.3 million for the Year, represented an increase of approximately 1.1% comparing to a segment revenue of approximately HK\$116.0 million for the last year. This segment’s profit for the Year was approximately HK\$0.8 million, comparing to the segment loss of approximately HK\$16.8 million for the last year. This segment’s profit margin for the Year was approximately 0.7% while the loss margin for the last year was approximately 14.5%. Despite the adverse impact by COVID-19 pandemic on the retail and tourism industries in Hong Kong, the revenue of this segment slightly increased, mainly due to the launch of COVID-19 antigen rapid testing kit during the Year.

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\$1.3 million for the Year, represented a decrease of approximately 31.6% comparing to a segment revenue of approximately HK\$2.0 million for the last year. The segment profit also decreased by approximately 58.0% from approximately HK\$293,000 for the last year to approximately HK\$123,000 for the Year. Such decrease was mainly due to the shift of focus by the management of the Group to the Product Development Segment during the Year in order to enhance the brand image of the Group’s own-branded products.

Trading of Goods Segment

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

The revenue of this segment was approximately HK\$310,000 for the Year, comparing to approximately HK\$489,000 for the last year and it accounted for approximately 0.3% (2021: 0.4%) of the Group's revenue for the Year. The decrease in revenue of this segment was mainly attributable to the shift of focus by the management of the Group to the Product Development Segment during the Year.

Healthcare Segment

The Healthcare Segment provides different types of healthcare related services and products in Hong Kong and the Mainland China for mothers and children by establishment of clinics with medical treatment and consultation by experienced Chinese physician who specialised in Chinese medical healthcare.

The revenue of this segment was approximately HK\$1.6 million (2021: HK\$1.0 million) and it accounted for approximately 1.3% (2021: 0.8%) of the Group's revenue for the Year. While the clinic in Hong Kong ceased operation since October 2021, the revenue in this segment still increased, mainly because of the newly established clinic in Yunfu City of the Guangdong Province, the PRC during the Year. The segment loss decreased by approximately 27.5% from approximately HK\$4.4 million for the last year to approximately HK\$3.2 million for the Year.

HUMAN RESOURCES

The Group had a total of 262 staff as at 31 March 2022 (2021: 310). The employees of the Group are on fixed salary, sales commission individually 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 an appraisal provides the Group with an opportunity to assess each individual employee's strengths and areas for improvement, thereby enabling the Group to effectively train and develop each individual employee. A Share Option Scheme was adopted in September 2014 to recognise and acknowledge those employees who have made contribution to the Group.

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 the development of the Mainland China market, 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 emphasising 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 Mainland China.

(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.

(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 Mainland China can place orders online and enjoy home delivery services. Due to the gradual popularity of online shopping, especially in the Mainland China market, revenue from e-commerce platforms accounted for approximately HK\$29.3 million (2021: HK\$34.9 million) of the Group’s total revenue for the Year. 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\$120.5 million for the Year as compared to HK\$119.4 million for the last year, representing a slight increase of approximately 0.9%, which was mainly due to the increase in its sales of products under the Product Development Segment.

During the Year, the revenue generated from the Product Development Segment increased by approximately HK\$1.3 million, representing an increase of approximately 1.1% as compared to last year. The revenue generated from the Brand Development and Management Segment decreased by approximately HK\$0.7 million, representing a decrease of approximately 31.6% as compared to last year. Revenue generated from Trading of Goods Segment was approximately HK\$310,000 for the Year, comparing to approximately HK\$489,000 for the last year. Revenue generated from the Healthcare Segment was approximately HK\$1.6 million for the Year, comparing to approximately HK\$1.0 million for the last year.

Cost of Sales

The Group’s cost of sales increased by approximately 1.6% from approximately HK\$50.6 million for the last year to approximately HK\$51.5 million for the Year. The reason for the increase was primarily due to the increase in the cost of sales under the Product Development Segment as compared to last year.

Gross Profit and Gross Profit Margin

The Group’s gross profit increased slightly by approximately 0.4% from approximately HK\$68.8 million for the last year to approximately HK\$69.1 million for the Year. The gross profit margin for the Year decreased slightly from 57.6% to 57.3%, which was mainly resulted from the decrease in sales of higher profit margin products from the Product Development Segment.

Other Income

The Group's other income increased from approximately HK\$3.9 million for the last year to approximately HK\$7.2 million for the Year, which was mainly due to increase in government grants from approximately HK\$2.7 million for the last year to approximately HK\$4.9 million for the Year and increase in rental income from approximately HK\$0.2 million for the last year to approximately HK\$0.8 million for the Year.

Other Gains and Losses

The Group recorded other gains of approximately HK\$10.1 million for the Year (2021: other losses of HK\$357,000). It was mainly attributable to gain on disposal of assets classified as held for sale of approximately HK\$8.2 million (2021: Nil).

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 37.6% from approximately HK\$11.0 million for the last year to approximately HK\$6.8 million for the Year. 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

Administrative expenses decreased by approximately HK\$8.9 million or 10.3% from approximately HK\$87.0 million for the last year to approximately HK\$78.1 million for the Year, which was mainly attributable to the decrease in staff costs from approximately HK\$29.8 million for the last year to approximately HK\$25.2 million for the Year.

Taxation

The Group's tax charge increased from approximately HK\$174,000 for the last year to approximately HK\$1.7 million for the Year. The increase in income tax expense was due to the increase in assessable profits of the Group in Hong Kong for the Year.

Loss for the Year

During the Year, the Group recorded a net loss of approximately HK\$13.1 million for the Year compared to a net loss of approximately HK\$36.8 million for the last year.

Other Comprehensive (Expense)/Income

The Group recorded other comprehensive expense of approximately HK\$4.7 million for the Year, as compared to other comprehensive income of approximately HK\$19.2 million for the last year. Such change was mainly attributable to fair value loss on financial assets at fair value through other comprehensive income of approximately HK\$10.1 million (2021: fair value gain of approximately HK\$7.4 million).

Financial Assets at Fair Value through Other Comprehensive Income

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

The first listed equity security represents 118,765,000 shares in Fullshare (stock code: 607), and there was no acquisition or disposal of the shares of Fullshare during the Year. Fullshare is principally engaged in property, tourism, investment and financial services, healthcare and education and new energy businesses. As at 31 March 2022, the carrying amount of these shares amounted to approximately HK\$13.8 million (2021: HK\$19.8 million), with the fair value loss of approximately HK\$6.0 million was recognised as other comprehensive expense for the Year, and these shares represented approximately 0.6% of the issued ordinary shares of Fullshare as at 31 March 2022. The carrying amount of these shares represented approximately 2.0% of the total assets of the Group as at 31 March 2022.

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 this investment during the Year. 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 31 March 2022, the carrying amount of these shares amounted to approximately HK\$5.0 million (2021: HK\$8.9 million), with the fair value loss of approximately HK\$3.9 million was recognised as other comprehensive expense for the Year, and 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 31 March 2022. The carrying amount of these shares represented approximately 0.7% of the total assets of the Group as at 31 March 2022.

The fair value of these securities as at the date of this announcement was approximately HK\$20.7 million.

The unlisted equity security represents 10% equity interest in Hin Hong Homologous (Guangdong) Brand Management Company Limited* (衍康同源(廣東)品牌管理有限公司) (“**Hin Hong**”), a company incorporated in the PRC in January 2022. Hin Hong opened chain stores in the name of “Pengzu Hin Sang Pavilion* (彭祖衍生館)” in the PRC, exclusively selling products supplied by the Group. As at 31 March 2022, the fair value of these shares amounted to approximately HK\$1.0 million. The former proposed name of Hin Hong is Pengzu Hin Sang Pavilion (Guangdong) Brand Management Company Limited* (彭祖衍生館(廣東)品牌管理有限公司). For details, please refer to the Company’s announcement dated 29 December 2021.

Inventories

The Group’s inventories increased by approximately 35.7% from approximately HK\$20.1 million as at 31 March 2021 to approximately HK\$27.3 million as at 31 March 2022, which was primarily due to the increase in finished products for distribution by approximately 56.5% from approximately HK\$13.6 million as at 31 March 2021 to approximately HK\$21.3 million as at 31 March 2022.

Financial Assets at Fair Value through Profit or Loss – Held for Trading

The Group held two listed equity securities for short term trading purpose and they are stated at fair value. They include 13,710,000 shares in Nanjing Sinolife and 200,000 shares in Mansion International Holdings Limited (stock code: 8456). As at 31 March 2022, the carrying amount of equity securities held for trading amounted to approximately HK\$1.6 million and represented approximately 0.2% of the total assets of the Group as at 31 March 2022. The fair value of these securities as at the date of this announcement was approximately HK\$2.2 million.

Trade Receivables

The Group’s trade receivables increased by approximately 116.8% from approximately HK\$5.7 million as at 31 March 2021 to approximately HK\$12.4 million as at 31 March 2022, which was primarily attributable to the increase in trade receivables from customers arising from the purchase of healthcare products of the Product Development Segment.

Trade Payables

The Group’s trade payables increased by approximately 58.7% from approximately HK\$7.5 million as at 31 March 2021 to approximately HK\$11.9 million as at 31 March 2022.

Liquidity, Gearing Ratio and Capital Structure

The Group's bank balances and cash were mainly denominated in HKD and RMB. The bank balances decreased by approximately 4.9% from approximately HK\$15.1 million as at 31 March 2021 to approximately HK\$14.4 million as at 31 March 2022. As at 31 March 2022, the amount of Group's outstanding bank borrowings was approximately HK\$318.6 million (2021: HK\$336.8 million); and the amount of unutilised banking facilities was approximately HK\$48.1 million (2021: HK\$63.2 million). The gearing ratio (total debts divided by total equity) as at 31 March 2022 was 1.1 (2021: 1.1). The current ratio (total current assets divided by total current liabilities) as at 31 March 2022 was 0.3 (2021: 0.4).

Contingent Liabilities

As at 31 March 2022, the Directors were not aware of any significant events that would have resulted in material contingent liabilities of the Group.

Charges on the Group's Assets

As at 31 March 2022, the carrying value of the assets of the Group that were pledged in favor of banks was approximately HK\$530.6 million (2021: HK\$527.2 million).

Capital Commitment

As at 31 March 2022, the Group did not have any capital commitment in respect of the acquisition of property, plant and equipment (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 analysing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirements of the Group.

OTHER INFORMATION

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of independent auditors' report issued by the Company's external auditor:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$13,105,000 during the year ended 31 March 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$125,949,000. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 26 September 2022 to Thursday, 29 September 2022, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 23 September 2022.

CORPORATE GOVERNANCE PRACTICES

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

Compliance with Corporate Governance Code

Throughout the Year, the Company has applied the principles and complied with the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules except for the below deviations:

Under code provision A.2.1 of the CG Code (which has been renumbered as code provision C.2.1 of the CG Code with effect from 1 January 2022), 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 code provision A.2.1 is reasonably justified under such circumstances.

Under code provision A.6.7 of the CG Code (which has been renumbered as code provision C.1.6 of the CG Code with effect from 1 January 2022), independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Yuen Chi Ping, the former non-executive Director, did not attend the annual general meeting of the Company held on 29 September 2021 due to suspension of duties.

Under code provision F.1.1 of the CG Code (which has been renumbered as code provision C.6.1 of the CG Code with effect from 1 January 2022), the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. The Company engaged Ms. Kho Polien (“**Ms. Kho**”), an external provider, as the company secretary of the Company since 2 August 2021. Ms. Kho, in performing her duties as the company secretary of the Company, reports to the Board and maintains contact with the financial controller of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors and all Directors confirmed that they have complied with the standards required by the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold and redeemed any of the Shares during the Year.

REVIEW OF ANNUAL RESULTS

The Group’s consolidated financial statements for the Year have been reviewed by the Audit Committee.

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 Company
“Board”	the board of Directors
“Brand Development and Management Segment”	the business segment in which the Group purchases primarily personal care products from the brand proprietors and 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 directors 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 Hong Kong and the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	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
“PRC” or “Mainland China”	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)”, “Cheers Smart (千里馬)”, “Care Plus (私+呵護)”, “Shuang Long (雙龍)” and “King’s Antiseptic (殺菌王)”
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 25 September 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Trading of Goods Segment” the business segment in which the Group engages in trading and distributing skin care products, personal care products and household products purchased from various authorised dealers and independent traders or directly from suppliers

“Year” the year ended 31 March 2022

English translation of names in Chinese in this announcement which are marked “” are for identification purposes only.*

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

Hong Kong, 28 June 2022

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.