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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 2022

#### FINANCIAL HIGHLIGHTS

	Six months ended		Change %
	2022	2021	
	HK\$'000	HK\$'000	
Revenue	<b>40,986</b>	42,697	-4.0%
Gross profit	<b>19,519</b>	20,202	-3.4%
Loss for the period	<b>(24,237)</b>	(17,905)	35.4%
Other comprehensive expense for the period	<b>(1,111)</b>	(6,591)	-83.1%
Loss per share			
– Basic and diluted ( <i>HK cents</i> )	<b>(2.22)</b>	(1.58)	

## 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 2022*

		Six months ended	
		30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	<b>40,986</b>	42,697
Cost of sales		<b>(21,467)</b>	(22,495)
Gross profit		<b>19,519</b>	20,202
Other income	5	<b>3,693</b>	961
Other gains and losses	6	<b>(1,725)</b>	9,745
Selling and distribution expenses		<b>(2,645)</b>	(3,652)
Administrative expenses		<b>(36,726)</b>	(38,350)
Finance costs	7	<b>(6,137)</b>	(6,560)
Loss before tax		<b>(24,021)</b>	(17,654)
Income tax expense	8	<b>(216)</b>	(251)
Loss for the period	9	<b>(24,237)</b>	(17,905)
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		<b>14,297</b>	(9,243)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(15,408)</b>	2,652

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Other comprehensive expense for the period	<u>(1,111)</u>	<u>(6,591)</u>
Total comprehensive expense for the period	<u><b>(25,348)</b></u>	<u><b>(24,496)</b></u>
Loss for the period attributable to:		
– Owners of the Company	<b>(24,222)</b>	(17,212)
– Non-controlling interests	<u>(15)</u>	<u>(693)</u>
	<u><b>(24,237)</b></u>	<u><b>(17,905)</b></u>
Total comprehensive expense for the period attributable to:		
– Owners of the Company	<b>(25,028)</b>	(24,044)
– Non-controlling interests	<u>(320)</u>	<u>(452)</u>
	<u><b>(25,348)</b></u>	<u><b>(24,496)</b></u>
Loss per share	<i>11</i>	
Basic ( <i>HK cents</i> )	<u><b>(2.22)</b></u>	<u><b>(1.58)</b></u>
Diluted ( <i>HK cents</i> )	<u><b>(2.22)</b></u>	<u><b>(1.58)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2022*

		As at <b>30 September</b> <b>2022</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 March 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>318,385</b>	362,371
Right-of-use assets		<b>217,004</b>	230,204
Investment properties		<b>13,815</b>	10,243
Financial assets at fair value through profit or loss		<b>6,416</b>	6,029
Deposits for acquisition of property, plant and equipment		-	17
Financial assets at fair value through other comprehensive income	<i>12</i>	<b>34,054</b>	19,757
Deferred tax assets		<b>389</b>	389
		<hr/> <b>590,063</b> <hr/>	<hr/> 629,010 <hr/>
<b>Current assets</b>			
Inventories		<b>18,682</b>	27,258
Trade and other receivables	<i>13</i>	<b>11,896</b>	19,413
Financial assets at fair value through profit or loss		<b>2,139</b>	3,182
Tax refundable		<b>347</b>	513
Bank balances and cash		<b>11,246</b>	14,395
		<hr/> <b>44,310</b> <hr/>	<hr/> 64,761 <hr/>
<b>Total assets</b>		<hr/> <b>634,373</b> <hr/>	<hr/> 693,771 <hr/>

		As at <b>30 September</b> 2022 (Unaudited) <i>HK\$'000</i>	As at 31 March 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and other payables	14	39,619	49,626
Contract liabilities		17,582	18,615
Bank borrowings		127,493	119,108
Lease liabilities		488	967
Current tax liabilities		2,354	2,394
		<u>187,536</u>	<u>190,710</u>
<b>Net current liabilities</b>		<u>(143,226)</u>	<u>(125,949)</u>
<b>Total assets less current liabilities</b>		<u>446,837</u>	<u>503,061</u>
<b>Non-current liabilities</b>			
Bank borrowings		168,632	199,508
Lease liabilities		1,325	1,325
Deferred tax liabilities		428	428
		<u>170,385</u>	<u>201,261</u>
<b>Net assets</b>		<u><u>276,452</u></u>	<u><u>301,800</u></u>
<b>Capital and reserves</b>			
Share capital		109,180	109,180
Reserves		167,386	192,414
		<u>276,566</u>	301,594
Equity attributable to owners of the Company		(114)	206
Non-controlling interests		<u>276,452</u>	<u>301,800</u>
<b>Total equity</b>		<u><u>276,452</u></u>	<u><u>301,800</u></u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2022*

### 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\$24,237,000 during the period ended 30 September 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$143,226,000. In view of these circumstances and the impact of COVID-19, the Group has been continuously implementing measures to improve its profitability and operating performance and to mitigate the liquidity pressure. These measures include (1) implementing business strategies to enhance the production efficiency of the Group’s own brand products and aiming to reduce the product cost by self-production, (2) continuing its measures to control administrative and operating costs, and (3) looking for other sources of finance including equity financing to enhance the capital structure and reduce the overall finance costs.

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

The directors have assessed the Group’s cash flow projections cover a period of not less than twelve months from 30 September 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 30 September 2022. 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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

### **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 2022 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 2022 (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>
<b>Type of goods and service</b>					
Sales of healthcare products	34,869	-	4	-	34,873
Sales of personal care products	4,216	885	611	-	5,712
Sales of household products	-	-	-	-	-
Healthcare service	-	-	-	401	401
Total	<b>39,085</b>	<b>885</b>	<b>615</b>	<b>401</b>	<b>40,986</b>
<b>Geographical markets</b>					
Hong Kong, China	18,987	885	615	-	20,487
Mainland China	20,098	-	-	401	20,499
Total	<b>39,085</b>	<b>885</b>	<b>615</b>	<b>401</b>	<b>40,986</b>
<b>Timing of revenue recognition</b>					
A point of time	39,085	885	615	401	40,986

For the six months ended 30 September 2021 (unaudited)

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

#### 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 2022 (unaudited)

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	<u>39,085</u>	<u>885</u>	<u>615</u>	<u>401</u>	<u>40,986</u>
Segment (loss)/profit	<u>(15,934)</u>	<u>(32)</u>	<u>607</u>	<u>(427)</u>	<u>(15,786)</u>
Interest income					32
Loss arising on financial assets measured at fair value through profit or loss					933
Unallocated expenses					(3,063)
Finance costs					<u>(6,137)</u>
Loss before tax					<u>(24,021)</u>

##### Six months ended 30 September 2021 (unaudited)

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

5. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Interest income on bank deposits	32	55
Rental income	231	305
Government grants	2,210	234
Others	1,220	367
	<u>3,693</u>	<u>961</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Loss on fair value change of financial assets at fair value through profit or loss	(656)	(708)
(Loss)/Gain on disposal of property, plant and equipment	(6)	9,788
Loss on revaluation of property, plant and equipment and right-of-use assets	(635)	-
Gain on lease termination	-	263
Net foreign exchange (loss)/gain	(428)	402
	<u>(1,725)</u>	<u>9,745</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Interest expense on bank loans	6,101	6,458
Interest expense on lease liabilities	36	102
	<u>6,137</u>	<u>6,560</u>

## 8. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$000</b>	HK\$000
Current tax:		
Hong Kong Profits Tax	215	251
PRC Enterprise Income Tax	<u>1</u>	<u>–</u>
	<b><u>216</u></b>	<b><u>251</u></b>

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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$000</b>	HK\$000
Depreciation of property, plant and equipment	9,663	6,647
Depreciation of right-of-use assets	<u>3,622</u>	<u>4,548</u>

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2021: Nil). The Directors have determined that no dividend will be paid in respect of the interim period (2021: 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:

	<b>Six months ended 30 September 2022 (Unaudited) HK\$000</b>	<b>2021 (Unaudited) HK\$000</b>
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	<u>(24,222)</u>	<u>(17,212)</u>
	<b>Six months ended 30 September 2022</b>	<b>2021</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,091,796,000</b>	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><b>1,091,796,000</b></u>	<u>1,091,796,000</u>

The computation of diluted loss per share for the six months ended 30 September 2022 and 2021 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

	<b>As at 30 September 2022 (Unaudited) HK\$000</b>	<b>As at 31 March 2022 (Audited) HK\$000</b>
Equity securities listed in Hong Kong	<b>34,054</b>	18,772
Unlisted equity securities	<u>-</u>	<u>985</u>
	<u><b>34,054</b></u>	<u>19,757</u>

### 13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 (Unaudited) HK\$000	As at 31 March 2022 (Audited) HK\$000
Trade receivables	8,405	14,777
Less: Allowance for credit losses	<u>(2,373)</u>	<u>(2,373)</u>
	6,032	12,404
Prepayments to suppliers	3,124	1,373
Prepayments for other expenses	2,134	1,620
Deposits	606	489
Value-added tax recoverable	<u>-</u>	<u>3,527</u>
	<b><u>11,896</u></b>	<b><u>19,413</u></b>

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 2022 (Unaudited) HK\$000	As at 31 March 2022 (Audited) HK\$000
0-30 days	2,890	9,975
31-60 days	955	479
61-90 days	739	315
91-365 days	-	1,635
Over 365 days	<u>1,448</u>	<u>-</u>
	<b><u>6,032</u></b>	<b><u>12,404</u></b>

#### 14. TRADE AND OTHER PAYABLES

	As at 30 September 2022 (Unaudited) <i>HK\$000</i>	As at 31 March 2022 (Audited) <i>HK\$000</i>
Trade payables	6,103	11,901
Accruals and other payables	<u>33,516</u>	<u>37,725</u>
	<u><b>39,619</b></u>	<u><b>49,626</b></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 2022 (Unaudited) <i>HK\$000</i>	As at 31 March 2022 (Audited) <i>HK\$000</i>
0-30 days	984	4,134
31-60 days	1,050	1,692
61-90 days	829	558
Over 90 days	<u>3,240</u>	<u>5,517</u>
	<u><b>6,103</b></u>	<u><b>11,901</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The Group is principally engaged in the marketing, selling and manufacturing of healthcare products primarily targeting at children, among which “Hin Sang (衍生)” has been a long established reputable brand. To align with consumers’ trend, the Group continues to expand the e-commerce business through electronic platforms. To leverage on existing resources to increase profit, the Group also trades in personal care and slimming products of reputable brands. It is also developing its business in Chinese medical healthcare as well as diagnosis and treatment services projects.

For the Period, the Group’s revenue was approximately HK\$41.0 million, representing a decrease of approximately 4.0% as compared to approximately HK\$42.7 million for the same period in 2021. The Group has four business segments classified by their ownership, licensing rights and services rendered. During the Period, the Product Development Segment, selling the Group’s own brand products with a relatively high gross profit margin, was still the largest segment of the Group which contributed approximately 95.4% (2021: 95.3%) of the Group’s revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment slightly increased from approximately 1.2% of the total revenue for the same period in 2021 to approximately 2.1% of the total revenue for the Period. The Trading of Goods Segment recorded approximately 1.5% for the Period (2021: 0.5%). The Healthcare Segment accounted for approximately 1.0% (2021: 3.0%) of the Group’s total revenue for the Period.

The Group’s business operations are based in both Hong Kong and the Mainland China. Revenue generated from Hong Kong market for the Period recorded approximately HK\$20.5 million (2021: HK\$19.3 million), representing approximately 50.0% of the total revenue for the Period (2021: 45.2%). On the other hand, revenue generated from the Mainland China market for the Period recorded approximately HK\$20.5 million (2021: HK\$23.4 million), representing approximately 50.0% of the total revenue for the Period (2021: 54.8%). Benefiting from the Government’s Consumption Voucher Scheme for stimulating consumption, the revenue generated from sales in Hong Kong stopped declining and slightly increased during the Period. In contrast, the revenue generated from sales in the Mainland China decreased, mainly due to weakened purchasing power of citizens in the Mainland China.

## **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)” 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. To further enhance brand recognition of the Group’s own brand products, the Group launched a new product during the Period, namely “Hin Sang Bei Er Qi Xing Solid Beverage (衍生蓓兒七星固體飲料)”. The Group will launch several new products in the coming few months.

The revenue of this segment was approximately HK\$39.1 million for the Period, represented a decrease of approximately 4.0% comparing to approximately HK\$40.7 million for the same period in 2021. This segment’s loss increased by approximately 167.3% from HK\$6.0 million for the six months ended 2021 to HK\$15.9 million for the Period, which was mainly due to a one-off gain on disposal of property, plant and equipment of approximately HK\$9.8 million during the six months ended 30 September 2021. This segment’s loss margin increased from 14.6% for the six months ended 30 September 2021 to 40.8% for the Period.

## **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 for the Period was approximately HK\$0.9 million, represented an increase of approximately 70.8% comparing to approximately HK\$0.5 million for the same period in 2021. The revenue of this segment contributed approximately 2.1% of the total revenue of the Group for the Period (2021: 1.2%). Despite the increase in revenue of this segment, it was still the focus of the Group to expand and develop the Product Development Segment. This segment’s loss for the Period was approximately HK\$32,000, comparing to approximately HK\$38,000 for the same period in 2021.

## **Trading of Goods Segment**

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

The revenue of this segment was approximately HK\$0.6 million for the Period, represented an increase of approximately 207.5% comparing to approximately HK\$0.2 million for the same period in 2021. The increase in revenue was mainly attributable to the new partnership opportunities with authorized dealers and overseas suppliers during the Period. The revenue of this segment contributed approximately 1.5% of the total revenue of the Group for the Period (2021: 0.5%). While there was an increase in revenue of this segment, it was still the focus of the Group to expand and develop the Product Development Segment. This segment's profit for the Period was approximately HK\$0.6 million, comparing to segment loss of approximately HK\$4,000 for the same period in 2021.

## **Healthcare Segment**

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

The revenue of this segment was approximately HK\$0.4 million for the Period, represented a decrease of approximately 68.8% comparing to approximately HK\$1.3 million for the same period in 2021. The decrease in revenue was mainly attributable to the cease of operation of the Chinese clinic in Hong Kong since October 2021. The revenue of this segment contributed approximately 1.0% of the total revenue of the Group for the Period (2021: 3.0%). This segment's loss for the Period was approximately HK\$0.4 million, representing a decrease of approximately 76.4% comparing to approximately HK\$1.8 million for the same period in 2021.

## **HUMAN RESOURCES**

The Group had a total of 254 staff as at 30 September 2022. The remuneration of the employees consist 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 an appraisal provides the Group with an opportunity to assess the strengths and the areas for improvement of each individual employee, thereby enabling the Group to effectively train and develop each individual employee. The Share Option Scheme was adopted by the Company in September 2014 to recognise and acknowledge employees who have made contributions 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 continue to benefit from the Mainland China's "three-child" policy. To seize this opportunity, the Group will continue to expand its distribution network by recruiting additional distributors and put more resources to promote corporate image in order to expand its customer base.

The Group has outlined the following strategies for its future business development, with caution but aim to creating values for the Shareholders:

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

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

The Group continued focusing on and applying its brand strategies of multichannel marketing and diverse product portfolios. The Group adopted a market oriented research and product development strategy to meet evolving customer demands and needs while achieving rapid growth. The Group's new product development initiative for the coming year will focus on developing more products in mother and children health supplements in Hong Kong and the 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\$15.0 million (2021: HK\$15.5 million) of the total revenue of the Group for the Period. The Group will continue to introduce more high quality health supplements on the online platforms to expand our product portfolio and market scale.

## **FINANCIAL REVIEW**

### **Revenue**

The Group’s revenue was approximately HK\$41.0 million for the Period as compared to HK\$42.7 million for the same period in 2021, representing a decrease of approximately 4.0%. 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\$1.6 million, representing a decrease of approximately 4.0% as compared to the same period in 2021, which was mainly due to the decline in revenue from the Mainland China market. The revenue generated from the Brand Development and Management Segment increased by approximately HK\$0.4 million, representing an increase of approximately 70.8% as compared to the same period in 2021. Revenue generated from Trading of Goods Segment increased by approximately HK\$0.4 million, representing an increase of approximately 207.5% as compared to the same period in 2021. Revenue generated from the Healthcare Segment decreased by approximately HK\$0.9 million, representing a decrease of approximately 68.8% as compared to the same period in 2021.

### **Cost of Sales**

The Group’s cost of sales decreased by 4.6% from approximately HK\$22.5 million for the six months ended 30 September 2021 to approximately HK\$21.5 million for the Period. The reason for the decrease was primarily due to the decrease in sales under the Product Development Segment as compared to same period in 2021.

## **Gross Profit and Gross Profit Margin**

The Group's gross profit decreased by approximately 3.4% from approximately HK\$20.2 million for the six months ended 30 September 2021 to approximately HK\$19.5 million for the Period. The gross profit margin for the Period slightly increased from approximately 47.3% for the six months ended 30 September 2021 to 47.6% 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 284.3% from approximately HK\$1.0 million for the six months ended 30 September 2021 to approximately HK\$3.7 million for the Period, which was mainly attributable to the increase in government grants from approximately HK\$0.2 million for the six months ended 30 September 2021 to approximately HK\$2.2 million for the Period.

## **Other Gains and Losses**

The Group recorded other losses of approximately HK\$1.7 million for the Period, as compared to other gains of approximately HK\$9.7 million for the six months ended 30 September 2021. The change was mainly attributable to an one-off gain on disposal of property, plant and equipment of approximately HK\$9.8 million for the six months ended 30 September 2021.

## **Selling and Distribution Expenses**

The selling and distribution expenses decreased by approximately 27.6% from approximately HK\$3.7 million for the six months ended 30 September 2021 to approximately HK\$2.6 million for the Period. Such decrease in selling and distribution expenses was attributable to the decrease in advertising expenses in Hong Kong due to the change of the Group's marketing and advertising strategy by conducting more online marketing and advertising rather than on TV media in Hong Kong.

## **Administrative Expenses**

The administrative expenses decreased by approximately 4.2% from approximately HK\$38.4 million for the six months ended 30 September 2021 to approximately HK\$36.7 million for the Period, which was mainly attributable to the decrease in staff costs from approximately HK\$12.6 million for the six months ended 30 September 2021 to approximately HK\$11.5 million for the Period.

## **Taxation**

The Group's income tax expense slightly decreased from approximately HK\$251,000 for the six months ended 30 September 2021 to approximately HK\$216,000 for the Period. The decrease in income tax expense was in line with the decrease in assessable profits in Hong Kong for the Period compared to that for the six months ended 30 September 2021.

## Loss for the Period

During the Period, the Group recorded a net loss of approximately HK\$24.2 million, compared to a net loss of approximately HK\$17.9 million for the six months ended 30 September 2021.

## Other Comprehensive Expense

The other comprehensive expense decreased by approximately 83.1% from approximately HK\$6.6 million for the six months ended 30 September 2021 to approximately HK\$1.1 million for the Period. Although the Group recorded exchange loss on translating foreign operations of approximately HK\$15.4 million for the Period, as compared to exchange gain on translating foreign operations of approximately HK\$2.6 million for the six months ended 30 September 2021, the Group recorded a fair value gain on financial assets at fair value through other comprehensive income of approximately HK\$14.3 million for the Period, as compared to a fair value loss on financial assets at fair value through other comprehensive income of approximately HK\$9.2 million for the six months ended 30 September 2021.

## 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 and one unlisted equity security which are stated at fair value.

The first listed equity security represents 118,765,000 shares in Fullshare Holdings Limited (“**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 2022, the carrying amount of these shares amounted to approximately HK\$27.2 million (31 March 2022: HK\$13.8 million), with the fair value gain of approximately HK\$13.4 million being recognised as other comprehensive income for the Period, and these shares represented approximately 0.4% of the issued ordinary shares of Fullshare as at 30 September 2022. The carrying amount of these shares represented approximately 4.3% of the total assets of the Group as at 30 September 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 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 2022, the carrying amount of these shares amounted to approximately HK\$6.9 million (31 March 2022: HK\$5.0 million), with the fair value gain of approximately HK\$1.9 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 2022. The carrying amount of these shares represented approximately 1.1% of the total assets of the Group as at 30 September 2022.

The fair value of these securities as at the date of this announcement was approximately HK\$18.3 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)” (the “**Chain Stores**”) in the PRC, exclusively selling products supplied by the Group. Due to the COVID-19 pandemic, the progress of opening of the Chain Stores was adversely delayed than anticipated. Thus, a termination agreement was entered into and the 10% equity interest in Hin Hong was disposed on 3 August 2022. For details, please refer to the Company’s announcement dated 3 August 2022.

### **Inventories**

The Group’s inventories decreased by approximately 31.5% from approximately HK\$27.3 million as at 31 March 2022 to approximately HK\$18.7 million as at 30 September 2022, which was primarily due to the decrease in finished goods for distribution by approximately 28.6% from approximately HK\$21.3 million as at 31 March 2022 to approximately HK\$15.2 million as at 30 September 2022.

### **Trade Receivables**

The Group’s trade receivables decreased by approximately 51.4% from approximately HK\$12.4 million as at 31 March 2022 to approximately HK\$6.0 million as at 30 September 2022, which was primarily attributable to the decrease in trade receivables from distributors arising from the purchase of healthcare products of the Product Development Segment.

### **Trade Payables**

The Group’s trade payables decreased by approximately 48.7% from approximately HK\$11.9 million as at 31 March 2022 to approximately HK\$6.1 million as at 30 September 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 from approximately HK\$14.4 million as at 31 March 2022 to approximately HK\$11.2 million as at 30 September 2022. As at 30 September 2022, the Group had HK\$296.1 million bank borrowings; and the amount of unutilised banking facilities was approximately HK\$28.9 million. The gearing ratio (total debts divided by total equity) as at 30 September 2022 was 1.1 (31 March 2022: 1.1). The current ratio (total current assets divided by total current liabilities) as at 30 September 2022 was 0.2 (31 March 2022: 0.3).

### **Contingent Liabilities**

As at 30 September 2022, the Directors were not aware of any significant events that would have resulted in material contingent liabilities (31 March 2022: Nil).

### **Charges on the Group’s Assets**

As at 30 September 2022, the carrying value of the assets of the Group were pledged in favor of banks was approximately HK\$489.2 million (31 March 2022: HK\$530.6 million).

## **Capital Commitments**

As at 30 September 2022, the Group did not have any capital commitment in respect of the acquisition of property, plant and equipment (31 March 2022: 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 analyzing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirements of the Group.

## **Interim Dividend**

The Board has resolved not to pay an interim dividend for the Period (six months ended 30 September 2021: Nil).

## **Material Acquisition and Disposals and Significant Investments**

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

## **OTHER INFORMATION**

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **CORPORATE GOVERNANCE**

### **Corporate Governance Practice**

The Board and senior management of the Company are committed to maintaining a high standard of corporate governance, formulating good corporate governance practice for improvement of accountability and transparency in operations, and strengthening the internal control system from time to time so as to ensure to meet with the expectations of the shareholders of the Company.

Save for the below deviations, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set forth in Appendix 14 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.

Under code provision C.6.1 of the CG Code, the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. During the period from 1 April 2022 to 1 July 2022, the Company engaged Ms. Kho Polien, an external provider, as the company secretary of the Company (the “**Company Secretary**”). On 1 July 2022, the Company appointed Mr. Wong Octokid, the financial controller of the Company, as the Company Secretary. The Company has been in compliance with this code provision C.6.1 since then.

### **Model Code of Securities Transactions by Directors**

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 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.

### **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. Ltd. (衍生集團(國際)控股有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 October 2010
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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\$”	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 2022
“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)”, “Cheers Smart (千里馬)”, “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)”	holder(s) of the Shares

“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

By Order of the Board

**Hin Sang Group (International) Holding Co. Ltd.**

**Pang Siu Hin**

*Chairman*

Hong Kong, 29 November 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.*