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HS

衍生集團(國際)控股有限公司

Hin Sang Group (International) Holding Co. Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6893)

ANNOUNCEMENT ON INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

	Six months ended		Change %
	2023	2022	
	HK\$'000	HK\$'000	
Revenue	52,318	40,986	27.6%
Gross profit	32,597	19,519	67.0%
Loss for the period	(10,462)	(24,237)	-56.8%
Other comprehensive expense for the period	(8,606)	(1,111)	674.6%
Loss per share			
– Basic and diluted (<i>HK cents</i>)	(0.96)	(2.22)	

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 2023

		Six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	52,318	40,986
Cost of sales		(19,721)	(21,467)
Gross profit		32,597	19,519
Other income	5	990	3,693
Other gains and losses	6	773	(1,725)
Selling and distribution expenses		(2,787)	(2,645)
Administrative expenses		(33,911)	(36,726)
Finance costs	7	(7,895)	(6,137)
Loss before tax		(10,233)	(24,021)
Income tax expense	8	(229)	(216)
Loss for the period	9	(10,462)	(24,237)
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		(3,765)	14,297
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(4,841)	(15,408)

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive expense for the period	<u>(8,606)</u>	<u>(1,111)</u>
Total comprehensive expense for the period	<u>(19,068)</u>	<u>(25,348)</u>
Loss for the period attributable to:		
– Owners of the Company	(10,450)	(24,222)
– Non-controlling interests	<u>(12)</u>	<u>(15)</u>
	<u>(10,462)</u>	<u>(24,237)</u>
Total comprehensive expense for the period attributable to:		
– Owners of the Company	(18,864)	(25,028)
– Non-controlling interests	<u>(204)</u>	<u>(320)</u>
	<u>(19,068)</u>	<u>(25,348)</u>
Loss per share	<i>11</i>	
Basic (<i>HK cents</i>)	<u>(0.96)</u>	<u>(2.22)</u>
Diluted (<i>HK cents</i>)	<u>(0.96)</u>	<u>(2.22)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		296,672	322,230
Right-of-use assets		210,374	214,789
Investment properties		12,981	13,679
Financial assets at fair value through profit or loss		6,266	6,267
Financial assets at fair value through other comprehensive income	<i>12</i>	14,776	18,541
Deferred tax assets		437	437
		541,506	575,943
Current assets			
Inventories		16,997	15,865
Trade and other receivables	<i>13</i>	17,605	13,808
Financial assets at fair value through profit or loss		3,614	1,665
Tax refundable		-	221
Bank balances and cash		3,621	10,775
		41,837	42,334
Total assets		583,343	618,277

		As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Trade and other payables	14	38,403	39,273
Contract liabilities		22,919	20,372
Bank borrowings		158,271	156,110
Lease liabilities		285	698
Current tax liabilities		180	97
		<u>220,058</u>	<u>216,550</u>
Net current liabilities		<u>(178,221)</u>	<u>(174,216)</u>
Total assets less current liabilities		<u>363,285</u>	<u>401,727</u>
Non-current liabilities			
Bank borrowings		140,593	160,985
Lease liabilities		1,645	627
Deferred tax liabilities		204	204
		<u>142,442</u>	<u>161,816</u>
Net assets		<u><u>220,843</u></u>	<u><u>239,911</u></u>
Capital and reserves			
Share capital		109,180	109,180
Reserves		111,340	130,204
		<u>220,520</u>	<u>239,384</u>
Equity attributable to owners of the Company		220,520	239,384
Non-controlling interests		323	527
		<u>220,843</u>	<u>239,911</u>
Total equity		<u><u>220,843</u></u>	<u><u>239,911</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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\$10,462,000 during the period ended 30 September 2023 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$178,221,000. 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 2023. 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 2023. 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2023.

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 2023 for the preparation of the Group’s condensed consolidated financial statements.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to Hong Kong Accounting Standards (“ HKAS ”) 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2023 (unaudited)				
	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods and service					
Sales of healthcare products	50,618	-	-	-	50,618
Sales of personal care products	545	560	35	-	1,140
Sales of household products	189	75	-	-	264
Healthcare service	-	-	-	296	296
Total	51,352	635	35	296	52,318
Geographical markets					
Hong Kong, China	38,359	635	35	-	39,029
Mainland China	12,993	-	-	296	13,289
Total	51,352	635	35	296	52,318
Timing of revenue recognition					
A point of time	51,352	635	35	296	52,318

For the 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>
Type of goods and service					
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	39,085	885	615	401	40,986
Geographical markets					
Hong Kong, China	18,987	885	615	-	20,487
Mainland China	20,098	-	-	401	20,499
Total	39,085	885	615	401	40,986
Timing of revenue recognition					
A point of time	39,085	885	615	401	40,986

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 2023 (unaudited)

	Product Development Segment <i>HK\$'000</i>	Brand Development and Management Segment <i>HK\$'000</i>	Trading of Goods Segment <i>HK\$'000</i>	Healthcare Segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	51,352	635	35	296	52,318
Segment profit/(loss)	279	77	(396)	(397)	(437)
Interest income					62
Gain arising on financial assets measured at fair value through profit or loss					1,950
Unallocated expenses					(3,913)
Finance costs					(7,895)
Loss before tax					(10,233)

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	39,085	885	615	401	40,986
Segment (loss)/profit	(15,934)	(32)	607	(427)	(15,786)
Interest income					32
Loss arising on financial assets measured at fair value through profit or loss					933
Unallocated expenses					(3,063)
Finance costs					(6,137)
Loss before tax					(24,021)

5. OTHER INCOME

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Interest income on bank deposits	62	32
Rental income	215	231
Government grants	418	2,210
Others	295	1,220
	<u>990</u>	<u>3,693</u>

6. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Gain/(Loss) on fair value change of financial assets at fair value through profit or loss	1,949	(656)
Loss on disposal of property, plant and equipment	-	(6)
Loss on revaluation of property, plant and equipment and right-of-use assets	-	(635)
Net foreign exchange loss	(1,176)	(428)
	<u>773</u>	<u>(1,725)</u>

7. FINANCE COSTS

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$000</i>	<i>HK\$000</i>
Interest expense on bank loans	7,879	6,101
Interest expense on lease liabilities	16	36
	<u>7,895</u>	<u>6,137</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$000	HK\$000
Current tax:		
Hong Kong Profits Tax	229	215
PRC Enterprise Income Tax	-	1
	<u>229</u>	<u>216</u>

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

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

9. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$000	HK\$000
Depreciation of property, plant and equipment	8,541	9,663
Depreciation of right-of-use assets	3,572	3,622

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2022: Nil). The Directors have determined that no dividend will be paid in respect of the interim period (2022: Nil).

11. LOSS PER SHARE

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

	Six months ended 30 September 2023 (Unaudited) HK\$000	2022 (Unaudited) HK\$000
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	<u>(10,450)</u>	<u>(24,222)</u>
	Six months ended 30 September 2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,091,796,000	1,091,796,000
Effect of dilutive potential ordinary shares:		
– Share options	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,091,796,000</u>	<u>1,091,796,000</u>

The computation of diluted loss per share for the six months ended 30 September 2023 and 2022 does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2023 (Unaudited) HK\$000	As at 31 March 2023 (Audited) HK\$000
Equity securities listed in Hong Kong	<u>14,776</u>	<u>18,541</u>

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 (Unaudited) HK\$000	As at 31 March 2023 (Audited) HK\$000
Trade receivables	16,175	12,627
Less: Allowance for credit losses	<u>(2,658)</u>	<u>(2,658)</u>
	13,517	9,969
Prepayments to suppliers	1,712	1,055
Prepayments for other expenses	1,456	2,276
Deposits	490	508
Value-added tax recoverable	<u>430</u>	<u>-</u>
	<u>17,605</u>	<u>13,808</u>

The Group's sales to most customers are made on cash on delivery, whilst the Group generally allows an average credit period of 60 days (with 15 days of grace period in certain cases) to certain major trade customers with established trading records.

The following is an aging analysis of the Group's trade receivables net of allowance for credit losses at the end of the reporting period, presented based on invoice date:

	As at 30 September 2023 (Unaudited) HK\$000	As at 31 March 2023 (Audited) HK\$000
0-30 days	2,581	5,520
31-60 days	2,921	2,135
61-90 days	2,193	919
91-365 days	4,958	357
Over 365 days	<u>864</u>	<u>1,038</u>
	<u>13,517</u>	<u>9,969</u>

14. TRADE AND OTHER PAYABLES

	As at 30 September 2023 (Unaudited) HK\$000	As at 31 March 2023 (Audited) HK\$000
Trade payables	7,566	6,875
Accruals and other payables	<u>30,837</u>	<u>32,398</u>
	<u>38,403</u>	<u>39,273</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 2023 (Unaudited) HK\$000	As at 31 March 2023 (Audited) HK\$000
0-30 days	1,510	1,365
31-60 days	721	1,435
61-90 days	736	451
Over 90 days	<u>4,599</u>	<u>3,624</u>
	<u>7,566</u>	<u>6,875</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the marketing, selling and manufacturing of healthcare products primarily targeting children, among which “Hin Sang (衍生)” is a long-established reputable brand. The Group continues to expand its e-commerce business through various popular and influential online and mobile platforms in order to keep pace with consumer trends and seize business opportunities. In addition, the Group trades in personal care products of reputable brands, to leverage existing resources to increase profits. Furthermore, the Group is developing its business in Chinese medical healthcare as well as diagnosis and treatment services projects.

For the Period, the Group’s revenue was approximately HK\$52.3 million, representing an increase of approximately 27.6% as compared to the revenue of approximately HK\$41.0 million for the same period in 2022. The Group has four business segments which are classified according to their ownership, licensing rights and services rendered. During the Period, the Product Development Segment, which engages in the sale of the Group’s own branded products, remained the largest business segment of the Group and contributed approximately 98.1% (2022: 95.4%) of the Group’s revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment decreased from approximately 2.1% of the total revenue for the same period in 2022 to approximately 1.2% of the total revenue for the Period. The Trading of Goods Segment accounted for approximately 0.1% of total revenue for the Period (2022: 1.5%), and the Healthcare Segment accounted for approximately 0.6% (2022: 1.0%) of the Group’s total revenue for the Period.

The normal clearance of travellers between Hong Kong and Mainland China resumed at the beginning of February 2023. This policy has paved the way for the recovery of tourism and retail in the territory. The Group promptly adjusted and upgraded its marketing plans, increasing advertising placements, TV programme sponsorships and outdoor and indoor advertisements. At the same time, the Group continued to spend on online advertising, which has proven to be a cost-effective approach. As a result, the Group’s sales in Hong Kong gradually picked up and initially showed an encouraging post-pandemic performance.

The Group's business operations are based in both Hong Kong and Mainland China. Revenue generated from the Hong Kong market for the Period recorded approximately HK\$39.0 million (2022: HK\$20.5 million), representing approximately 74.6% of the total revenue for the Period (2022: 50.0%). On the other hand, revenue generated from the Mainland China market for the Period recorded approximately HK\$13.3 million (2022: HK\$20.5 million), representing approximately 25.4% of the total revenue for the Period (2022: 50.0%). The notable increase in the revenue generated from the Hong Kong market was mainly due to the general improvement in consumer sentiments as a result of the gradual recovery of tourism and retail industry in Hong Kong since the resumption of the normal clearance of travellers between Hong Kong and Mainland China at the beginning of February 2023, resulting in the increase in demand for the Group's products in Hong Kong.

Product Development Segment

In the Product Development Segment, the Group develops and sells healthcare products, personal care products and household products under its own brand names, which are mainly "Hin Sang (衍生)", "Tai Wo Tong (太和堂)", "Cheers Smart (千里馬)", "Care Plus (私+呵護)" and "King's Antiseptic (殺菌王)". The Group launched the "Hin Sang (衍生)" brand in 2004, mainly for health supplements. In 2012, the Group launched "Tai Wo Tong (太和堂)" mainly for the Group's proprietary Chinese medicine category. With a view to further leverage its brand value and explore the opportunities of the less tapped markets, the Group launched several products during the Period, including but not limited to "Hin Sang Jiushaoji Vegetable Beverage (衍生酒筲箕植物飲料)", "Hin Sang Jiao Jiao Zhu Spine Date Seed γ -Aminobutyric Acid Vegetable Beverage (衍生覺覺豬酸棗仁 γ -氨基丁酸植物飲料)", "Hin Sang Jineijin Shanzha Glucose Solid Beverage (衍生雞內金山楂葡萄糖固體飲料)" and "Hin Sang Shan Yao Bai He Bird's Nest Congee (衍生山藥百合燕窩粥)".

The revenue of this segment was approximately HK\$ 51.4 million for the Period, representing an increase of approximately 31.4% as compared to the segment revenue of approximately HK\$39.1 million for the same period in 2022. Such increase was mainly due to the general improvement in consumer sentiments as a result of the gradual recovery of tourism and retail industry in Hong Kong since the resumption of the normal clearance of travellers between Hong Kong and Mainland China at the beginning of February 2023. The segment's profit and profit margin for the Period were approximately HK\$0.3 million and 0.5% respectively, representing a turnaround from loss and loss margin of approximately HK\$15.9 million and 40.8% respectively for the same period in 2022.

Brand Development and Management Segment

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

Among the products managed and developed by the Group for the brand proprietors, the major brands are “Pahmi (芭菲)”, “Enear (櫻雪)”, “Vcnic (花世界)”, “Zici (滋采)” and “Sunew (閃新)”. The revenue of this segment was approximately HK\$0.6 million for the Period, representing a decrease of approximately 28.2% as compared to the segment revenue of approximately HK\$0.9 million for the same period in 2022. Such decrease was mainly due to the concentration of resources allocated to the Product Development Segment during the Period, to enhance the brand image of the Group’s own branded products. The revenue of this segment contributed approximately 1.2% of the total revenue of the Group for the Period (2022: 2.1%). The segment’s profit and profit margin for the Period were approximately HK\$77,000 and 12.1% respectively, representing a turnaround from loss and loss margin of approximately HK\$32,000 and 3.6% respectively for the same period in 2022.

Trading of Goods Segment

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

The revenue of this segment was approximately HK\$35,000 for the Period, representing a decrease of approximately 94.3% as compared to the segment revenue of approximately HK\$615,000 for the same period in 2022. Such decrease was mainly due to the concentration of resources allocated to the Product Development Segment during the Period, to enhance the brand image of the Group’s own branded products. The revenue of this segment contributed approximately 0.1% of the total revenue of the Group for the Period (2022: 1.5%).

Healthcare Segment

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

The revenue of this segment was approximately HK\$0.3 million (2022: HK\$0.4 million) for the Period, representing approximately 0.6% (2022: 1.0%) of the Group’s total revenue for the Period. The segment loss for the Period was approximately HK\$0.4 million (2022: HK\$0.4 million).

HUMAN RESOURCES

The Group had a total of 265 staff as at 30 September 2023. 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 appraisal provides the Group with an opportunity to assess each employee’s strengths and areas for improvement, and facilitate the Group to provide necessary training and career development opportunities accordingly. A Share Option Scheme was adopted in September 2014 to recognise and acknowledge those employees who have made a contribution to the Group.

PROSPECTS

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

The Group has prudently outlined the following strategies for its future business development with the aim of creating value for the Shareholders:

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

The Group has developed the "Hin Sang (衍生)" brand into a well-recognised brand in Hong Kong through effective, targeted and well-positioned advertising programs that emphasise product safety and quality.

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

(b) To expand the manufacturing arm of the Group

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

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

The Group will continue to develop and upgrade its e-commerce platform, which focuses on online sales of products under "Hin Sang (衍生)", enabling customers, particularly customers in Mainland China, to place orders online and enjoy home delivery services. Despite the popularity of online shopping in the Mainland China market, the economic environment and consumer sentiment have not fully recovered after the COVID-19 pandemic. Revenue from the Group's e-commerce platforms accounted for approximately HK\$8.1 million (2022: HK\$15.0 million) of the Group's total revenue for the Period.

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

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$52.3 million for the Period as compared to the revenue of approximately HK\$41.0 million for the same period in 2022, representing an increase of approximately 27.6%. Such increase was mainly due to the increase in its sales of products under the Product Development Segment.

During the Period, the revenue generated from the Product Development Segment increased by approximately HK\$12.3 million, representing an increase of approximately 31.4% as compared to the same period in 2022, which was mainly due to the increase in revenue from the Hong Kong market. The revenue generated from the Brand Development and Management Segment decreased by approximately HK\$0.3 million, representing a decrease of approximately 28.2% as compared to the same period in 2022. The revenue generated from Trading of Goods Segment decreased by approximately HK\$0.6 million, representing a decrease of approximately 94.3% as compared to the same period in 2022. The revenue generated from the Healthcare Segment decreased by approximately HK\$0.1 million, representing a decrease of approximately 26.2% as compared to the same period in 2022.

Cost of Sales

The Group's cost of sales decreased by 8.1% from approximately HK\$21.5 million for the six months ended 30 September 2022 to approximately HK\$19.7 million for the Period. The reason for the decrease was primarily due to the decrease in cost of sales under the Product Development Segment as compared to same period in 2022.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately 67.0% from approximately HK\$19.5 million for the six months ended 30 September 2022 to approximately HK\$32.6 million for the Period. The gross profit margin for the Period increased significantly from approximately 47.6% for the six months ended 30 September 2022 to 62.3% 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 decreased by approximately 73.2% from approximately HK\$3.7 million for the six months ended 30 September 2022 to approximately HK\$1.0 million for the Period, which was mainly attributable to the decrease in government grants from approximately HK\$2.2 million for the six months ended 30 September 2022 to approximately HK\$0.4 million for the Period.

Other Gains and Losses

The Group recorded other gains of approximately HK\$0.8 million for the Period, as compared to other losses of approximately HK\$1.7 million for the six months ended 30 September 2022. The change was mainly attributable to gain on fair value change of financial assets at fair value through profit or loss of approximately HK\$2.0 million for the Period, as compared to loss on fair value change of financial assets at fair value through profit or loss of approximately HK\$0.7 million for the six months ended 30 September 2022.

Selling and Distribution Expenses

The selling and distribution expenses slightly increased by approximately 5.4% from approximately HK\$2.6 million for the six months ended 30 September 2022 to approximately HK\$2.8 million for the Period. Such increase was mainly attributable to the change of the Group's marketing and advertising strategy by placing more TV advertisements and outdoor and indoor advertisements, besides online marketing.

Administrative Expenses

The administrative expenses decreased by approximately 7.7% from approximately HK\$36.7 million for the six months ended 30 September 2022 to approximately HK\$33.9 million for the Period, which was mainly attributable to the decrease in sundry expenses from approximately HK\$3.0 million for the six months ended 30 September 2022 to approximately HK\$0.7 million for the Period.

Taxation

The Group's income tax expense slightly increased from approximately HK\$216,000 for the six months ended 30 September 2022 to approximately HK\$229,000 for the Period. The increase in income tax expense was in line with the increase in assessable profits in Hong Kong for the Period compared to that for the six months ended 30 September 2022.

Loss for the Period

During the Period, the Group recorded a net loss of approximately HK\$10.5 million, as compared to a net loss of approximately HK\$24.2 million for the six months ended 30 September 2022.

Other Comprehensive Expense

The other comprehensive expense significantly increased by approximately 674.6% from approximately HK\$1.1 million for the six months ended 30 September 2022 to approximately HK\$8.6 million for the Period. Although the exchange loss on translating foreign operations decreased by approximately 68.6% from approximately HK\$15.4 million for the six months ended 30 September 2022 to approximately HK\$4.8 million for the Period, the Group recorded a fair value loss on financial assets at fair value through other comprehensive income of approximately HK\$3.8 million for the Period, as compared to a fair value gain on financial assets at fair value through other comprehensive income of approximately HK\$14.3 million for the six months ended 30 September 2022.

Financial Assets at Fair Value through Other Comprehensive Income

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

The first listed equity security represents 118,765,000 shares in Fullshare (stock Code: 607), and there was no acquisition or disposal of the shares of Fullshare during the Period. Fullshare is principally engaged in property, tourism, investment and financial services, healthcare and education and new energy businesses. As at 30 September 2023, the carrying amount of these shares amounted to approximately HK\$3.0 million (31 March 2023: HK\$13.2 million), with the fair value loss of approximately HK\$10.2 million being recognised as other comprehensive expense for the Period, and these shares represented approximately 0.4% of the issued ordinary shares of Fullshare as at 30 September 2023. The carrying amount of these shares represented approximately 0.5% of the total assets of the Group as at 30 September 2023.

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 2023, the carrying amount of these shares amounted to approximately HK\$11.8 million (31 March 2023: HK\$5.4 million), with the fair value gain of approximately HK\$6.4 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 2023. The carrying amount of these shares represented approximately 2.0% of the total assets of the Group as at 30 September 2023.

The fair value of these securities as at the date of this announcement was approximately HK\$14.5 million.

Inventories

The Group’s inventories increased by approximately 7.1% from approximately HK\$15.9 million as at 31 March 2023 to approximately HK\$17.0 million as at 30 September 2023, which was primarily due to the increase in finished goods for distribution by approximately 22.7% from approximately HK\$10.2 million as at 31 March 2023 to approximately HK\$12.6 million as at 30 September 2023.

Trade Receivables

The Group's trade receivables increased by approximately 35.6% from approximately HK\$10.0 million as at 31 March 2023 to approximately HK\$13.5 million as at 30 September 2023, which was primarily attributable to the increase in trade receivables from distributors arising from the purchase of healthcare products of the Product Development Segment.

Trade Payables

The Group's trade payables increased by approximately 10.1% from approximately HK\$6.9 million as at 31 March 2023 to approximately HK\$7.6 million as at 30 September 2023.

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\$10.8 million as at 31 March 2023 to approximately HK\$3.6 million as at 30 September 2023.

The Group's borrowings were denominated in HKD and RMB and interests on borrowings were charged at floating rate. As at 30 September 2023, the Group had HK\$298.9 million bank borrowings; and the amount of unutilised banking facilities was approximately HK\$22.0 million. The maturity profile of the bank borrowings was as follows:

	As at 30 September 2023 (Unaudited) HK\$000	As at 31 March 2023 (Audited) HK\$000
Within 1 year	158,271	156,110
More than 1 year, but not more than 2 years	26,184	25,756
More than 2 years, but not more than 5 years	92,512	112,005
More than 5 years	21,897	23,224

The gearing ratio (total debts divided by total equity) as at 30 September 2023 was 1.4 (31 March 2023: 1.3). The current ratio (total current assets divided by total current liabilities) as at 30 September 2023 was 0.2 (31 March 2023: 0.2).

Foreign Exchange Exposure

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

Contingent Liabilities

As at 30 September 2023, the Directors were not aware of any significant events that would have resulted in material contingent liabilities (31 March 2023: Nil).

Charges on the Group's Assets

As at 30 September 2023, the carrying value of the assets of the Group were pledged in favor of banks was approximately HK\$466.4 million (31 March 2023: HK\$491.2 million).

Capital Commitments

As at 30 September 2023, the Group did not have any capital commitment in respect of the acquisition of property, plant and equipment (31 March 2023: Nil).

Financial Management and Policy

The Group continues to adopt prudent financing and treasury policies. The Group's entire financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk. The executive Directors, with the assistance of the Group's financial controller, are responsible for identifying, reviewing, evaluating and analysing the investment opportunities of the Group. The executive Directors also regularly monitor the cash position and funding requirements of the Group.

Interim Dividend

The Board has resolved not to declare an interim dividend for the Period (six months ended 30 September 2022: Nil).

Material Acquisition and Disposals and Significant Investments

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

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurred after 30 September 2023 and up to the date to this announcement which require disclosure.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

Corporate Governance Practice

The Board and senior management of the Company strive to maintain a high standard of corporate governance, formulate sound corporate governance practice for improvement of accountability and transparency in operations, and to strengthen the internal control system from time to time so as to ensure the expectations of the shareholders of the Company are met.

Save for the below deviation, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set forth in Appendix 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.

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 had complied with the standards required by the Model Code during the Period.

REVIEW OF INTERIM RESULTS

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at “www.hkexnews.hk” and on the website of the Company at “www.hinsanggroup.com”. The interim report of the Company for the six months ended 30 September 2023 will be despatched to the Shareholders and published on the above websites by December 2023 according to the Listing Rules.

DEFINITIONS

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

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Brand Development and Management Segment”	the business segment in which the Group purchases primarily personal care products from the brand proprietors and manages and develops the brand of such products
“Company”	Hin Sang Group (International) Holding Co. Limited (衍生集團 (國際) 控股有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 October 2010
“Director(s)”	the director(s) of the Company
“Fullshare”	Fullshare Holdings Limited (豐盛控股有限公司), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Stock Exchange (stock code: 607)
“Group”	the Company and its subsidiaries
“Healthcare Segment”	the business segment in which the Group engages in providing Chinese medical healthcare related services which targets for mothers and children in the Mainland China
“HK\$”	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 2023
“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)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trading of Goods Segment”	the business segment in which the Group engages in trading and distributing skin care products, personal care products and household products purchased from various authorised dealers and independent traders or directly from suppliers

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

Hong Kong, 29 November 2023

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.