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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 2023

Financial Highlights

	Year ended 31 March		
	2023	2022	Change
	HK$'000	*HK$'000*	*%*
Revenue	**81,460**	120,546	(32.4)
Gross profit	**38,836**	69,075	(43.8)
Loss for the year	**(49,168)**	(13,105)	275.2
Other comprehensive expense for the year	**(12,721)**	(4,670)	172.4
Loss per share			
– Basic and diluted *(HK cents)*	**(4.53)**	(1.09)	

RESULTS

The Board announces the audited consolidated results of Hin Sang Group (International) Holding Co. Ltd. and its subsidiaries for the year ended 31 March 2023 together with the comparative figures for the year ended 31 March 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
Revenue	*3*	**81,460**	120,546
Cost of sales		**(42,624)**	(51,471)
Gross profit		**38,836**	69,075
Other income	*5*	**5,874**	7,155
Other gains and losses, net	*6*	**(4,215)**	10,106
Selling and distribution expenses		**(5,349)**	(6,839)
Administrative and other operating expenses		**(70,309)**	(78,069)
Finance costs	*7*	**(14,060)**	(12,846)
Loss before tax		**(49,223)**	(11,418)
Income tax credit/(expense)	*8*	**55**	(1,687)
Loss for the year	*9*	**(49,168)**	(13,105)
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income		**(1,216)**	(10,065)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(11,505)**	5,395
Other comprehensive expense for the year		**(12,721)**	(4,670)
Total comprehensive expense for the year		**(61,889)**	(17,775)

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Loss for the year attributable to:			
– Owners of the Company		**(49,491)**	(11,910)
– Non-controlling interests		**323**	(1,195)
		(49,168)	(13,105)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(62,210)**	(16,684)
– Non-controlling interests		**321**	(1,091)
		(61,889)	(17,775)
Loss per share	*10*		
– Basic *(HK cents)*		**(4.53)**	(1.09)
– Diluted *(HK cents)*		**(4.53)**	(1.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**322,230**	362,371
Right-of-use assets		**214,789**	230,204
Investment properties		**13,679**	10,243
Financial assets at fair value through profit or loss		**6,267**	6,029
Deposits for acquisition of property, plant and equipment		**–**	17
Financial assets at fair value through other comprehensive income		**18,541**	19,757
Deferred tax assets		**437**	389
		575,943	629,010
Current assets			
Inventories		**15,865**	27,258
Trade and other receivables	*12*	**13,808**	19,413
Financial assets at fair value through profit or loss		**1,665**	3,182
Tax refundable		**221**	513
Bank balances and cash		**10,775**	14,395
		42,334	64,761
Total assets		**618,277**	693,771
Current liabilities			
Trade and other payables	*13*	**39,273**	49,626
Contract liabilities		**20,372**	18,615
Bank borrowings		**156,110**	119,108
Lease liabilities		**698**	967
Current tax liabilities		**97**	2,394
		216,550	190,710
Net current liabilities		**(174,216)**	(125,949)
Total assets less current liabilities		**401,727**	503,061

	2023	2022
	HK$'000	*HK$'000*
Non-current liabilities		
Bank borrowings	**160,985**	199,508
Lease liabilities	**627**	1,325
Deferred tax liabilities	**204**	428
	161,816	201,261
Net assets	**239,911**	301,800
Capital and reserves		
Share capital	**109,180**	109,180
Reserves	**130,204**	192,414
Equity attributable to owners of the Company	**239,384**	301,594
Non-controlling interests	**527**	206
Total equity	**239,911**	301,800

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$49,168,000 during the year ended 31 March 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$174,216,000. 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 2023, the Group had unutilised banking facilities of approximately HK$38,385,000. 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 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 economic recovery after COVID-19. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity and the continuous availability of banking facilities.

The Directors are of the opinion that, taking into account the expected renewals of the bank borrowings and the unutilised banking facilities, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2023. 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 2022 for the preparation of the 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
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations

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:

	2023	2022
	HK$'000	*HK$'000*
Sales of goods	**80,765**	118,938
Provision of healthcare services	**695**	1,608
	81,460	120,546

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 2023

	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	**78,644**	**1,374**	**747**	**695**	**81,460**
Segment profit/(loss)	**(24,723)**	**(56)**	**424**	**(768)**	**(25,123)**
Interest income					**757**
Loss on fair value change of financial assets at fair value through profit or loss					**(1,279)**
Finance costs					**(14,060)**
Unallocated expenses					**(9,518)**
Loss before tax					**(49,223)**

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	117,277	1,351	310	1,608	120,546
Segment profit/(loss)	786	123	(379)	(3,191)	(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					(5,812)
Loss before tax					(11,418)

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, (loss)/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 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 assets and deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong, China	**46,038**	72,459	**214,626**	222,429
Mainland China	**35,422**	48,087	**336,072**	380,406
	81,460	120,546	**550,698**	602,835

Information about major customers

	2023	2022
	HK$'000	*HK$'000*
Customer A	**9,779**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Interest income on bank deposits	**757**	120
Rental income	**607**	821
Government grants	**2,666**	4,933
Others	**1,844**	1,281
	5,874	7,155

6. OTHER GAINS AND LOSSES, NET

	2023	2022
	HK$'000	*HK$'000*
(Loss)/Gain on fair value change of financial assets at fair value through profit or loss	**(1,279)**	518
Loss on fair value change of investment properties	**(765)**	(719)
Loss on revaluation of right-of-use assets and property, plant and equipment upon the transfer from owner-occupied property to investment property	**(616)**	–
(Loss)/Gain on disposal of property, plant and equipment	**(7)**	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	**(285)**	(113)
Gain on lease termination	**–**	263
Gain on deregistration of a subsidiary	**–**	16
Gain arising from use of trademark	**–**	1,042
Net foreign exchange loss	**(1,263)**	(373)
	(4,215)	10,106

7. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest expense on bank loans	**13,971**	12,689
Interest expense on lease liabilities	**89**	157
Total borrowing costs	**14,060**	12,846

8. INCOME TAX (CREDIT)/EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax		
– Current year	**405**	2,187
– Over provision in prior year	**(272)**	(198)
	133	1,989
PRC Enterprise Income Tax		
– Current year	**46**	65
– Under/(Over) provision in prior year	**5**	(74)
	51	(9)
Deferred tax		
– Current year	**(239)**	(293)
Total income tax (credit)/expense recognised in profit or loss	**(55)**	1,687

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**18,304**	20,937
Depreciation of right-of-use assets	**7,260**	7,952
Total depreciation	**25,564**	28,889
Less: amounts capitalised in inventories	**(7,454)**	(8,500)
	18,110	20,389
Staff costs, including directors' emoluments	**30,004**	39,327
Less: amounts capitalised in inventories	**(2,366)**	(7,024)
	27,638	32,303
Cost of inventories recognised as an expense	**38,194**	36,246
Auditors' remuneration	**850**	850
Gross rental income from investment properties	**(607)**	(821)
Less: direct operating expenses	**18**	22
Net rental income from investment properties	**(589)**	(799)

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:

	2023	2022
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(49,491)**	(11,910)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,091,796**	1,091,796

The computation of diluted loss per share for the years ended 31 March 2023 and 2022 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 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

12. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**12,627**	14,777
Less: Allowance for credit losses	**(2,658)**	(2,373)
	9,969	12,404
Prepayments to suppliers	**1,055**	1,373
Prepayments for other expenses	**2,276**	1,620
Deposits	**508**	489
Value-added tax recoverable	**–**	3,527
	13,808	19,413

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:

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**5,520**	9,975
31–60 days	**2,135**	479
61–90 days	**919**	315
91–365 days	**357**	1,635
Over 365 days	**1,038**	–
	9,969	12,404

13. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**6,875**	11,901
Accruals and other payables	**32,398**	37,725
	39,273	49,626

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

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**1,365**	4,134
31–60 days	**1,435**	1,692
61–90 days	**451**	558
Over 90 days	**3,624**	5,517
	6,875	11,901

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 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 Year, the Group's revenue was approximately HK$81.5 million, representing a decrease of approximately 32.4% from approximately HK$120.5 million for the last year. The Group has four business segments which are classified according to their ownership, licensing rights and services rendered. During the Year, 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 96.5% (2022: 97.3%) of the Group's revenue. On the other hand, the revenue contribution from the Brand Development and Management Segment increased slightly from approximately 1.1% of the total revenue for the last year to approximately 1.7% of the total revenue for the Year. The Trading of Goods Segment accounted for approximately 0.9% of total revenue for the Year (2022: 0.3%), and the Healthcare Segment accounted for approximately 0.9% (2022: 1.3%) of the Group's total revenue for the Year.

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 Year recorded approximately HK$46.1 million (2022: HK$72.4 million), representing approximately 56.5% of the total revenue for the Year (2022: 60.1%). Revenue generated from the Mainland China market for the Year was approximately HK$35.4 million (2022: HK$48.1 million), representing approximately 43.5% of the total revenue for the Year (2022: 39.9%). Revenue generated from sales in Hong Kong decreased mainly due to the decline in sales of COVID-19 antigen rapid testing kits during the Year as a result of the slowdown of the COVID-19 pandemic.

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 Year, including but not limited to “Hin Sang Lung Relief Granules (衍生清冠靈顆粒沖劑)”, “Hin Sang Cold Relief Granules (衍生去感靈顆粒沖劑)”, “Hin Sang Heat Relief Herbal Tea Granules (衍生去熱靈顆粒沖劑)”, “Hin Sang Dampness Expel Granules (衍生去濕靈顆粒沖劑)”, “Hin Sang Jiao Jiao Zhu Herbal Concentrated Whey Protein Solid Beverage (衍生覺覺豬草本濃縮乳清蛋白固體飲料)”, “Hin Sang Shi De Qiao Herbal Concentrated Whey Protein Solid Beverage (衍生食得巧草本濃縮乳清蛋白固體飲料)”, “Hin Sang Ai Tong Zhi Ying Su Herbal Concentrated Whey Protein Solid Beverage (衍生愛童智營素草本濃縮乳清蛋白固體飲料)” and “Hin Sang Bei Er Qi Xing Solid Beverage (衍生蓓兒七星固體飲料)”.

Revenue of this segment was approximately HK$78.6 million for the Year, representing a decrease of approximately 32.9% from approximately HK$117.3 million for the last year. The decrease was mainly due to a decline in sales of anti-epidemic products for the Year as a result of the slowdown of the COVID-19 pandemic. The segment’s loss and loss margin for the Year were approximately HK$24.7 million and 31.4% respectively, representing a turnaround from profit and profit margin of approximately HK$0.8 million and 0.7% respectively for the last year.

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$1.4 million for the Year, representing a slight increase of approximately 1.7% compared to the segment revenue of approximately HK$1.3 million for the last year. The segment’s loss and loss margin for the Year were approximately HK$56,000 and 4.1% respectively, representing a turnaround from profit and profit margin of approximately HK$123,000 and 9.1% respectively for the last year. Despite the slight increase in revenue of this segment, the Group had always focused on the Product Development Segment during the Year to enhance the brand image of its 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. 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.

Revenue of this segment was approximately HK$747,000 for the Year, compared to approximately HK$310,000 for the last year, and it accounted for approximately 0.9% (2022: 0.3%) of the Group's revenue for the Year. Despite the increase in revenue of this segment, the Group had always focused on the Product Development Segment during the Year to enhance the brand image of its own branded products.

Healthcare Segment

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

Revenue of this segment was approximately HK$695,000 (2022: HK$1.6 million) for the Year, representing approximately 0.9% (2022: 1.3%) of the Group's revenue for the Year. The segment loss decreased by approximately 75.9% from approximately HK$3.2 million for the last year to approximately HK$768,000 for the Year.

SOCIAL RESPONSIBILITIES

The Group is committed to fulfilling its corporate social responsibility and creating shared value for its stakeholders. It recognises that its business performance is not only determined by the financial results, but also by social and environmental impact.

The Group has consistently supported various charitable causes, especially in the face of the unprecedented COVID-19 crisis that affected many lives and livelihoods. Through the Hin Sang Volunteer Team, the Group provided timely assistance to medical professionals, frontline workers and underprivileged groups, such as children and the elderly. The Group also distributed essential items to those most in need. It was honoured to be a socially conscious company that makes a positive impact in the community.

One of the Group's main areas of philanthropy is education. The Group believes that education is the foundation of a prosperous society and the key to unlocking human potential. This is why we have established the "Hin Sang Scholarship (衍生獎學金)" for students from kindergarten to university level in Hong Kong for the ninth consecutive year. The scholarship aims to encourage students with potential and diverse interests to pursue their academic and personal goals. The Group particularly values the needs and development of children: they are the future of the society and their well-being is always the Group's top priority.

HUMAN RESOURCES

The Group had a total of 253 staff as at 31 March 2023 (2022: 262). The remuneration of the employees consists of fixed salary, individual sales commission and year-end discretionary performance bonus. The Group has devised an assessment system for its employees, and the Group uses the assessment result for salary review and promotion decisions. All 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 contributed 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 programmes 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. For example, The Group responded to the pressing demand for products that enhance immunity and respiratory health by introducing "Hin Sang Lung Relief Granules (衍生清冠靈顆粒沖劑)" during the Year. 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. The Group's new product development initiative for the coming year will focus on the development of more products in the mother and children health supplement segment in Hong Kong and 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 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$25.9 million (2022: HK$29.3 million) of the Group's total revenue for the Year.

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$81.5 million for the Year as compared to HK$120.5 million for the last year, representing a decrease of approximately 32.4%, which was mainly due to the decrease in the sales of products under the Product Development Segment.

During the Year, the revenue generated from the Product Development Segment decreased by approximately HK$38.6 million, representing a decrease of approximately 32.9% as compared to last year. The revenue generated from the Brand Development and Management Segment slightly increased by approximately HK$23,000, representing an increase of approximately 1.7% as compared to last year. Revenue generated from Trading of Goods Segment was approximately HK$747,000 for the Year, compared to approximately HK$310,000 for the last year. Revenue generated from the Healthcare Segment was approximately HK$695,000 for the Year, compared to approximately HK$1.6 million for the last year.

Cost of Sales

The Group's cost of sales decreased by approximately 17.2% from approximately HK$51.5 million for the last year to approximately HK$42.6 million for the Year. The reason for the decrease was primarily the decrease 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 decreased by approximately 43.8% from approximately HK$69.1 million for the last year to approximately HK$38.8 million for the Year. The gross profit margin for the Year decreased from 57.3% to 47.7%, which mainly resulted from the decrease in sales of higher profit margin products from the Product Development Segment.

Other Income

The Group's other income decreased from approximately HK$7.2 million for the last year to approximately HK$5.9 million for the Year, which was mainly due to decrease in government grants from approximately HK$4.9 million for the last year to approximately HK$2.7 million for the Year.

Other Gains and Losses

The Group recorded other losses of approximately HK$4.2 million for the Year (2022: other gains of approximately HK$10.1 million). It was mainly attributable to absence of a one-off gain on disposal of assets classified as held for sale of approximately HK$8.2 million as recorded in the year ended 31 March 2022.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 21.8% from approximately HK$6.8 million for the last year to approximately HK$5.3 million for the Year. Such a 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 placing more marketing and advertising online rather than through TV media in Hong Kong.

Administrative Expenses

Administrative expenses decreased by approximately HK$7.8 million or 9.9% from approximately HK$78.1 million for the last year to approximately HK$70.3 million for the Year, which was mainly attributable to the decrease in staff costs from approximately HK$25.2 million for the last year to approximately HK$22.2 million for the Year.

Taxation

The Group recorded an income tax credit of approximately HK$55,000 for the Year, as compared to an income tax expense of approximately HK$1.7 million for the last year.

Loss for the Year

The Group recorded a net loss of approximately HK$49.2 million for the Year, as compared to a net loss of approximately HK$13.1 million for the last year.

Other Comprehensive Expense

The comprehensive expense increased by approximately 172.4% from approximately HK$4.7 million for the last year to approximately HK$12.7 million for the Year, which was mainly attributable to the exchange loss on translating foreign operations of approximately HK$11.5 million for the Year, as compared to the exchange gain on translating foreign operations of approximately HK$5.4 million for the last year.

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 2023, the carrying amount of these shares amounted to approximately HK$13.2 million (2022: HK$13.8 million), with the fair value loss of approximately HK$0.6 million recognised as other comprehensive expense for the Year, and these shares represented approximately 0.4% of the issued ordinary shares of Fullshare as at 31 March 2023. The carrying amount of these shares represented approximately 2.1% of the total assets of the Group as at 31 March 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 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 2023, the carrying amount of these shares amounted to approximately HK$5.4 million (2022: HK$5.0 million), with the fair value gain of approximately HK$0.4 million was recognised as other comprehensive income 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 2023. The carrying amount of these shares represented approximately 0.9% of the total assets of the Group as at 31 March 2023.

The fair value of these securities as at the date of this announcement was approximately HK$16.6 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 41.8% from approximately HK$27.3 million as at 31 March 2022 to approximately HK$15.9 million as at 31 March 2023, which was primarily due to the decrease in finished products for distribution by approximately 52.0% from approximately HK$21.3 million as at 31 March 2022 to approximately HK$10.2 million as at 31 March 2023.

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 2023, the carrying amount of equity securities held for trading amounted to approximately HK$1.7 million and represented approximately 0.3% of the total assets of the Group as at 31 March 2023. The fair value of these securities as at the date of this announcement was approximately HK$3.2 million.

Trade Receivables

The Group's trade receivables decreased by approximately 19.6% from approximately HK$12.4 million as at 31 March 2022 to approximately HK$10.0 million as at 31 March 2023.

Trade Payables

The Group's trade payables decreased by approximately 42.2% from approximately HK$11.9 million as at 31 March 2022 to approximately HK$6.9 million as at 31 March 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 by approximately 25.1% from approximately HK$14.4 million as at 31 March 2022 to approximately HK$10.8 million as at 31 March 2023. As at 31 March 2023, the amount of Group's outstanding bank borrowings was approximately HK$317.1 million (2022: HK$318.6 million); and the amount of unutilised banking facilities was approximately HK$38.4 million (2022: HK$48.1 million). The gearing ratio (total debts divided by total equity) as at 31 March 2023 was 1.3 (2022: 1.1). The current ratio (total current assets divided by total current liabilities) as at 31 March 2023 was 0.2 (2022: 0.3).

Contingent Liabilities

As at 31 March 2023, 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 2023, the carrying value of the assets of the Group that were pledged in favour of banks was approximately HK$491.2 million (2022: HK$530.6 million).

Capital Commitment

As at 31 March 2023, the Group did not have any capital commitment in respect of the acquisition of property, plant and equipment (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 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 2023 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$49,168,000 during the year ended 31 March 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$174,216,000. 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 AGM of the Company, the register of members of the Company will be closed from Monday, 25 September 2023 to Thursday, 28 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 22 September 2023.

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 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. Since 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 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, Ms. Kho Polien ("**Ms. Kho**"), an external provider, had been the company secretary of the Company (the "**Company Secretary**"). During such period, Ms. Kho, in performing her duties as the Company Secretary, had reported to the Board and maintained contact with the financial controller of the Company. 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.

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 Mainland China
"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
"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)"
"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 2023

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, 29 June 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.