



TYCOON

滿貫集團控股有限公司

Tycoon Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3390



2021

INTERIM REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Wong Ka Chun Michael
(Chairman and Chief Executive Officer)

Non-executive Directors

Mr. Yao Qingqi
Ms. Chong Yah Lien
Ms. Li Ka Wa Helen

Independent non-executive Directors

Mr. Wong Yuk Woo Louis
Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa

AUDIT COMMITTEE

Ms. Chan Ka Lai Vanessa (Chairman)
Mr. Wong Yuk Woo Louis
Mr. Chung Siu Wah

REMUNERATION COMMITTEE

Mr. Wong Yuk Woo Louis (Chairman)
Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa

NOMINATION COMMITTEE

Mr. Chung Siu Wah (Chairman)
Mr. Wong Yuk Woo Louis
Ms. Chan Ka Lai Vanessa

CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Ka Chun Michael (Chairman)
Mr. Wong Yuk Woo Louis
Mr. Chung Siu Wah

COMPANY SECRETARY

Mr. Cheung Yuk Chuen (CPA, ACCA)

AUTHORISED REPRESENTATIVES

Mr. Wong Ka Chun Michael
Mr. Cheung Yuk Chuen

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 14, 8/F
Wah Wai Centre
38-40 Au Pui Wan Street
Shatin, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISER

LCH Lawyers LLP

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
China Everbright Bank

COMPANY WEBSITE

www.tycoongroup.com.hk

STOCK CODE

3390

Financial Highlights

	Six months ended 30 June		Change
	2021 HK\$'000	2020 HK\$'000	
Revenue			
– Distribution	147,076	116,312	26.4%
– E-commerce	231,116	63,919	261.6%
– Retail stores	2,468	3,401	-27.4%
Total	380,660	183,632	107.3%
Gross profit	71,489	36,203	97.5%
Gross profit margin (%)	18.8%	19.7%	
Loss attributable to equity holders of the Company	(10,972)	(48,358)	-77.3%
Profit margin attributable to equity holders of the Company (%)	N/A	N/A	
Adjusted EBITDA (Note)	2,174	(23,472)	-109.3%
Adjusted EBITDA margin (%)	0.6%	N/A	
Return on equity (%)	N/A	N/A	
	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000	Change
Total assets	693,285	619,910	11.8%
Total liabilities	411,533	329,471	24.9%
Total equity	281,752	290,439	-3.0%

Note:

Adjusted EBITDA is calculated based on adjusted earnings before interest, taxes, depreciation and amortisation, where “interest” is regarded as including finance income and finance costs and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group’s earnings are further adjusted for share of results of investments accounted for using the equity method and non-recurring items attributable to the operations of the Group such as listing expenses.

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as adjusted EBITDA, are used for assessing the Group’s performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in its financial reporting.



Management Discussion and Analysis

The board (“**Board**”) of directors (“**Directors**”) of Tycoon Group Holdings Limited (“**Company**” or “**Tycoon Group**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (“**Period**” or “**1H2021**”), together with the comparative figures for the corresponding period in 2020 (“**Last Period**” or “**1H2020**”).

The Group is a Hong Kong-based provider of PCM (i.e. Proprietary Chinese Medicines as defined in the Chinese Medicine Ordinance, Chapter 549 of the Laws of Hong Kong), health supplement, skin care, personal care and other healthcare products, mainly selling and distributing such products of third party brands and the Group’s own brands (i.e. products developed and marketed under the brands of the Group and produced by external manufacturers engaged by the Group on an ODM basis) (“**Private Label Brands**”). As a reputable provider of health and well-being related products, the Group has distributed over 100 brands and is one of the major distributors for PCM in Hong Kong. With the mission of bringing health and vitality to consumers, the Group has established a diversified sales network through its distribution and retail business, bringing reputable and high-quality products to consumers by its online and offline dual-channel commerce strategy.

BUSINESS REVIEW

The Group operates three business segments, namely the distribution business, the e-commerce business and the retail store business.

The Group’s distribution business includes the distribution of consumer products to large chain retailers, non-chain retailers (mainly pharmacies) and traders primarily in Hong Kong and Macau. The Group’s e-commerce business includes the operation of online stores and wholesale to e-commerce customers. The Group’s retail store business includes sales of products through its brick-and-mortar retail store in Macau.

Both the e-commerce business and the distribution business are the Group’s main business segments.

Distribution business

During the Period and up to the date of this Interim Report, the coronavirus disease 2019 (“**COVID-19**”) pandemic has been impacting the economy of Hong Kong. Recovery of the retail and distribution market in Hong Kong has been slow, primarily due to the travel restrictions and the social distancing measures implemented by the HKSAR government remaining in place. According to statistics from the Hong Kong Tourism Board, the number of tourists from Mainland China visiting Hong Kong for the Period decreased by 99.1% to approximately 24,000 from 2.7 million for the Last Period.



Management Discussion and Analysis

In relation to the distribution business in Macau, the Group has implemented strategic plans in Macau to seize the opportunities brought by the economic recovery in Macau where COVID-19 has been relatively more under control. In September 2020, the Group acquired 80% interest in a distributor in Macau (“**Macau Distributor**”). The Macau Distributor is a holder of the licence for import, export and wholesale of pharmaceutical products in Macau and is principally engaged in the import and distribution of pharmaceuticals, PCM and healthcare products. It is an authorised sole exclusive distributor of certain brands of PCM and pharmaceutical products which are popular products amongst the tourists from Mainland China in Macau. Through the acquisition, the Group, by utilising the Macau Distributor’s existing and well-established distribution channels and customer base in Macau, expanded the Group’s operations in Macau. For the Period, the sales of the Group’s business in Macau increased by 345.5% to HK\$51.2 million, as compared to HK\$11.5 million for the Last Period.

As a result of the aforesaid, the Group’s segment revenue generated from the distribution business during the Period increased by 26.4% to HK\$147.1 million as compared to HK\$116.3 million for the Last Period.

E-commerce business

As opposed to the distribution business which has been adversely affected by the COVID-19 pandemic, the development of the Group’s e-commerce business has accelerated during the Period. During the Period, the Group recorded a significant increase in e-commerce sales by 261.6% to HK\$231.1 million from HK\$63.9 million for the Last Period. The majority of the e-commerce revenue was derived from Mainland China, probably because many consumers in Mainland China turned to online platforms for the purchase of reputable anti-pandemic and healthcare products as visiting Hong Kong through the Individual Visit Scheme was restricted. The Group expects that the trend of consumers switching from offline to online shopping will continue and thus will keep setting up more online stores and actively explore the market in Mainland China.

New product offerings

The Group is committed to sourcing quality health and well-being related products with the mission to bring a healthy and energetic lifestyle to customers. During the Period, the Group has successfully obtained the distribution right of several brands. Among these new brands, the Group has obtained the distribution right in China for certain health supplement products under the brand of Culturelle®. Culturelle® is a leading probiotic brand in the United States whose products help relieve digestive problems of infants, children and adults and improve intestinal health through improving the balance of intestinal microbiome. Enhancing immunity through improving intestinal microbiome has become an important trend in recent years. In 2020, the National Health Commission of the PRC pointed out that intestinal micro-ecological regulators (also known as “probiotics”) can be used to alleviate the symptoms of patients with COVID-19 infections. This is because after a virus infection, there is often a micro-ecological imbalance which leads to continued infections, and intestinal micro-ecological regulators can be used to maintain the intestinal micro-ecological balance of the body to reduce the risk of secondary infections. The Group anticipates that products of Culturelle® will be one of the key driving forces in sales.



Management Discussion and Analysis

In addition, the Group has established a new subsidiary in Japan and is in the course of establishing another subsidiary in Thailand for the purpose of liaising distribution rights of high-quality health and beauty related products to further expand the diversity of its product collections.

Cooperation with JBM Group for the development of own-brand products

In April 2021, the Group entered into an agreement for the formation of a new joint venture with a subsidiary of JBM (Healthcare) Limited (“**JBM Healthcare**”, stock code: 2161.hk) to take advantage of the two groups’ respective strengths to form a closer alliance for the execution of certain strategic cooperation. The joint venture partners desire to leverage the strong development and manufacturing capability of JBM Healthcare to develop and manufacture certain own-brand products which cater for and suit the market trends and consumers’ needs, and leverage the Group’s brand management expertise and distribution channels for distribution of such own-brand products. The joint venture company will also be responsible for formulating and implementing various sales and marketing strategies to build the brand image and increase the market shares of the own-brand products. The joint venture company is owned as to 50% by the Group and 50% by JBM Healthcare and will be jointly controlled by the two groups. As at the date of this Interim Report, new health supplement products under the own-brand “Seasons (田心日辰)” and “Slimming Expert (修腩素)” have been launched. It is expected that more own-brand products will be launched in the following months of 2021.

FUTURE OUTLOOK

Although the COVID-19 pandemic has severely impacted the retail and distribution industry, the Group remains optimistic about the business recovery in the near future and the future outlook for the healthcare industry.

Recovery of the retail and distribution industry

COVID-19 situation in Hong Kong remains relatively stable during the Period. In order to protect Hong Kong citizens from the pandemic and to prepare for reopening the border with Mainland China and the rest of the world, the HKSAR government has, in addition to the other preventive measures adopted, launched a territory-wide COVID-19 vaccination programme. Different sectors in the community have also rolled out various measures and reward programmes to boost the vaccination rate in Hong Kong. As at the date of this Interim Report, approximately 60% of the population in Hong Kong have at least received one jab of the vaccine. Apart from Hong Kong, a number of countries have made a significant progress in the COVID-19 vaccination programmes as well. Although there are worries that the highly contagious Delta variant of COVID-19 might slow down the global economic recovery, evidence shows that vaccination does help protect against serious illness and death. It is hoped that the COVID-19 pandemic will, through joint efforts from all over the world, be under control gradually, and Mainland China and Hong Kong will re-connect again, driving the recovery of the market.

Furthermore, it is expected that there will be a significant increase in public awareness of epidemic prevention in the post-COVID-19 era. Therefore, it is a great opportunity for the anti-epidemic and health supplement industry to flourish.



Management Discussion and Analysis

Further expansion of e-commerce business

COVID-19 has changed consumers' habits, driving them from shopping offline to shopping online. This phenomenon is reflected in the growth of the Group's e-commerce business despite the pandemic. The Directors expect the trend of online shopping will continue in the future and hence, the Group will seize the opportunities and invest more resources in the online e-commerce business, continue to set up online stores and communicate with reputable brands to seek opportunities for co-operation. Since Mainland China will be the key market of the Group's e-commerce business, the Group will continue to wholesale products to e-commerce clients such as JD.com, Inc. and Alibaba Health (Hong Kong) Technology Company Limited; sell global over-the-counter and healthcare products on e-commerce portals such as JD.hk and Tmall.com; and set up more online stores that target the Mainland Chinese consumers on a number of popular e-commerce portals (such as JD.hk, Tmall.com, Kaola.com and Youzan.com, etc) and build a more solid strategic co-operation with such e-commerce portals.

Future marketing strategies

The Group's marketing and promotion plan in the future will focus on digital marketing, mainly using social media as the main channel to promote and publicise the Group's Private Label Brands, such as establishing a team of key opinion leaders (KOL) in Mainland China.

The Group will actively expand its online to offline business and continue to adopt the online and offline dual-channel commerce strategy to sell more products to customers in Mainland China.

Favourable policy of the PRC

In November 2020, the central government of the PRC promulgated the Work Plan ("**Work Plan**") for Regulatory Innovation and Development of Pharmaceutical and Medical Device in the Guangdong- Hong Kong- Macao Greater Bay Area ("**GBA**"), which specifically allowed, among others, designated healthcare institutions operating in the nine cities of the GBA to use Hong Kong-registered drugs with urgent clinical use upon approval and simplification of the registration process for importing proprietary Chinese medicines for external use registered in Hong Kong. The Directors expect that there will be great business opportunities for the Group to source products for the hospitals in the GBA upon the implementation of the Work Plan.

Given the large population in Mainland China and the strong demand for reputable PCM and health supplement products, together with the favorable policy stated above, the Group expects that the future business growth will mainly come from Mainland China, and therefore will continue to actively develop the market in Mainland China and seize the opportunities in the GBA. The Group has set up a joint venture company in China with a wholly-owned subsidiary of China Resources Pharmaceutical Group Limited ("**CR Pharma**", stock code: 3320. hk), one of the substantial shareholders of the Company, in March 2020. The joint venture has commenced operation, making good use of CR Pharma's sales network of more than 100,000 downstream customers and over 850 self-owned retail pharmacies across Mainland China to distribute high quality anti-pandemic and healthcare related products selected by the Group from overseas for Chinese consumers.

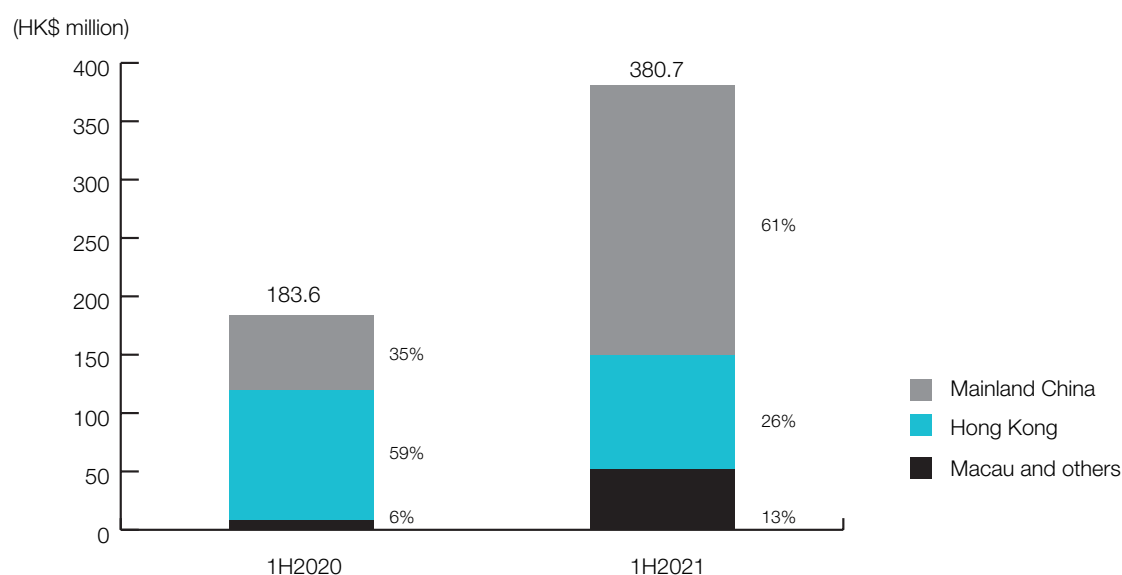
Management Discussion and Analysis

Aging population

Aging population is one of the factors that drives the healthcare industry to prosper. According to the United Nations statistics, the number and proportion of the elderly population in almost all countries in the world are increasing. The data in “World Population Prospects 2019: Revised Edition” published by the United Nations shows that 1 out of every 6 persons in the world will be 65 years old or older in 2050. By then, the population of elderly who are 80 years old or above is expected to double, from 143 million in 2019 to 426 million in 2050. The aging of the population may become one of the most important social trends in the 21st century. The constant growth of the aging population will greatly motivate the development of the health supplement product distribution industry.

FINANCIAL REVIEW

Revenue



Geographical markets	Revenue			Change
	1H2021 HK\$ million	1H2020 HK\$ million		
Mainland China	230.5	63.9	▲260.6%	
Hong Kong	98.4	108.1	▼9.0%	
Macau and others	51.8	11.6	▲347.5%	
Total	380.7	183.6	▲107.3%	



Management Discussion and Analysis

- The Group's total revenue for the Period was up by 107.3% to HK\$380.7 million (Last Period: HK\$183.6 million).
- During the Period, revenue from Mainland China jumped by 260.6% to HK\$230.5 million (Last Period: HK\$63.9 million). Such increase was mainly attributable to the tighter travel restrictions from Mainland China to Hong Kong, driving customers in Mainland China to online platforms for anti-pandemic and healthcare products of good reputation and quality.
- In Hong Kong, revenue shrank by 9.0% to HK\$98.4 million (Last Period: HK\$108.1 million) as the COVID-19 pandemic and closure of major border crossings weighed on consumer spending.
- In Macau and other markets, revenue increased substantially by 347.5% to HK\$51.8 million (Last Period: HK\$11.6 million) mainly due to the expansion of the Group's business in Macau following the acquisition of 80% interest in the Macau Distributor, when COVID-19 pandemic has been relatively more under control since the second half of year 2020.

Profitability

The gross profit of the Group increased by 97.5% to HK\$71.5 million for the Period as compared to that of HK\$36.2 million for the Last Period. Increase in gross profit primarily resulted from the expansion of the Group's e-commerce sales.

Selling and distribution expenses of the Group for the Period increased by 56.6% to HK\$47.2 million, as compared to that of HK\$30.1 million for the Last Period. Considering the weak consumer sentiment during the COVID-19 outbreak, the Group reduced expenses on advertising. However, the significant increase in e-commerce sales entails a substantial increase in website service fee and hence an overall increase in the selling and distribution expenses.

General and administrative expenses of the Group for the Period decreased by 28.5% to HK\$40.4 million, as compared to HK\$56.4 million for the Last Period. The decrease in general and administrative expenses was primarily due to (i) the absence of listing expenses during the Period while such expenses of HK\$11.4 million were recorded for the Last Period; and (ii) the absence of a one-off impairment on assets during the Period while such expense of HK\$6.5 million was recorded for the Last Period.

Finance costs of the Group for the Period were approximately HK\$3.0 million which were similar to the Last Period.



Management Discussion and Analysis

Other income and gains

Other income and gains of the Group increased to HK\$10.7 million for the Period as compared to that of HK\$2.1 million for the Last Period primarily due to a fair value gain on investment. The Company recorded a fair value gain on investment in the amount of HK\$9.6 million as at 30 June 2021. Such fair value gain on investment was due to the subscription of shares of JBM Healthcare prior to its listing by the Company in July 2020 for an aggregate subscription price of HK\$20.0 million (“**Subscription**”). JBM Healthcare was listed on the Main Board of The Stock Exchange on 5 February 2021. The shares acquired under the Subscription represent approximately 2.2% of JBM Healthcare’s issued shares.

Loss attributable to shareholders

The loss attributable to shareholders of the Company for the Period was HK\$11.0 million as compared to a loss of HK\$48.4 million for the Last Period. The significant decrease in the loss for the Period is primarily due to (i) the increase in revenue and gross profit; (ii) the absence of listing fee during the Period; and (iii) the fair value gain on investment, each as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group has funded the liquidity and capital requirements primarily through bank borrowings, a loan from a shareholder, cash generated from the operating activities and the net proceeds from the Global Offering (as defined below).

As at 30 June 2021, the Group had cash and bank balances of approximately HK\$104.5 million (31 December 2020: HK\$119.3 million), which were mainly denominated in Hong Kong dollars and Renminbi. The gearing ratio (defined as total debt divided by total equity, where total debt includes interest-bearing bank borrowings, a loan from a shareholder and lease liabilities) of the Group as at 30 June 2021 was 77.3% (31 December 2020: 68.3%). The increase was mainly due to more invoice financing during the Period.

CAPITAL STRUCTURE

As at 30 June 2021, the borrowings included secured interest-bearing bank borrowings of approximately HK\$114.4 million (31 December 2020: HK\$92.9 million), unsecured interest-bearing bank borrowings of approximately HK\$39.0 million (31 December 2020: HK\$39.0 million) and a loan from a shareholder with maturity date on 30 September 2021 of approximately HK\$50 million (31 December 2020: HK\$50 million). Except for the Group’s interest bearing bank borrowings of HK\$10.9 million (31 December 2020: HK\$11.4 million) which was denominated in MOP, the Group’s interest-bearing bank borrowings are all denominated in Hong Kong dollars. All borrowings are at floating rates.

Management Discussion and Analysis

Maturity analysis of bank borrowings of the Group as at 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one year	134,546	118,321
In the second year	2,099	1,302
In the third to fifth years, inclusive	4,646	2,445
Beyond five years	12,151	9,797
	153,442	131,865

As at 30 June 2021, the Company's issued share capital was HK\$8.0 million and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's reporting currency is Hong Kong dollars. The Group is exposed to currency risk primarily through sales and purchases, which give rise to receivables, payables and cash balances that are denominated in a foreign currency. The currency giving rise to this risk is primarily Renminbi. During the Period, the Group did not use any derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business. The Group's management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

PLEDGE OF ASSETS

As at 30 June 2021, (i) certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK\$57.1 million (31 December 2020: HK\$58.4 million) were pledged to secure certain bank loans granted to the Group; and (ii) all the Group's equity interest in Hong Ning Hong Limited were pledged to secure a loan from a shareholder granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 March 2020 ("Prospectus") and this Interim Report, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in this Interim Report, the Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the Period.



Management Discussion and Analysis

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investments during the Period.

CAPITAL COMMITMENT

Save as disclosed in this Interim Report, the Group had no material capital commitment (31 December 2020: Nil).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

UPDATE ON THE PRE-IPO SHAREHOLDERS AGREEMENT

Reference is made to the Prospectus and the announcement of the Company dated 18 June 2021.

As set out in the section headed “Pre-IPO Investments” in the Prospectus, the Company, the controlling shareholders of the Company (“**Controlling Shareholders**”) and the pre-IPO investors entered into a shareholders’ agreement on 19 February 2019 (“**Pre-IPO Shareholders Agreement**”).

Under the Pre-IPO Shareholders Agreement, China Resources Pharmaceutical Retail Group Limited (“**CR Pharma Retail**”), being one of the pre-IPO investors, was granted certain special rights by the Controlling Shareholders, which have survived after listing of the shares (“**Shares**”) of the Company on the Stock Exchange (“**Global Offering**”). Such rights include, without limitation, the right to receive compensation from the Controlling Shareholders in the event that the aggregated sum of the audited consolidated net profit of the Company for the two financial years ended 31 December 2020 (excluding certain expenses) is less than HK\$274.0 million (“**Target Profit**”).

Given that the Target Profit was not met, the Controlling Shareholders had approached CR Pharma Retail to liaise for amendment of certain terms of the Pre-IPO Shareholders Agreement. On 18 June 2021, the Company, the Controlling Shareholders, Pre-IPO Investor A and Pre-IPO Investor B entered into a modification deed to amend the Pre-IPO Shareholders Agreement (“**Amended Pre-IPO Shareholders Agreement**”). Pursuant to the Amended Pre-IPO Shareholders Agreement, certain special rights granted to Pre-IPO Investor A by the Controlling Shareholders were amended such as (i) the profit guarantee period is extended to 31 December 2023; and (ii) the Target Profit is still HK\$274.0 million but covering five financial years ending 31 December 2023.

For details of the Amended Pre-IPO Shareholders Agreement, please refer to the announcement of the Company dated 18 June 2021.



Management Discussion and Analysis

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

200,000,000 Shares are charged by Tycoon Empire Investment Limited (“**Tycoon Empire**”), the controlling shareholder of the Company, in favour of CR Pharma Retail, a wholly-owned subsidiary of CR Pharma (“**Share Charge**”) as security for the performance by Tycoon Empire and Mr. Wong Ka Chun Michael of their obligations under the Pre-IPO Shareholders Agreement, and such Share Charge was originally effective until 30 June 2021. With the profit guarantee period being extended to 31 December 2023 under the Amended Pre-IPO Shareholders Agreement, the parties to the Share Charge released the Share Charge and entered into a new share charge pursuant to which such new share charge shall be effective until 30 June 2024 with all other material terms remain unchanged.

For details of the Share Charge and the new share charge, please refer to “Pre-IPO Investments” in the Prospectus and the announcement of the Company dated 18 June 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 178 employees in Hong Kong, Mainland China, Macau, Singapore, Malaysia, Australia and Japan (30 June 2020: 167). For the Period, the total staff costs incurred were approximately HK\$25.6 million (Last Period: HK\$19.6 million). The Group’s remuneration policy is based on position, duties and performance of the employees. Employees’ remuneration varies according to their positions, which may include salary, overtime allowance, bonus and subsidies. The performance appraisal cycle varies according to the positions of employees. In order to provide incentives to and to recognise the contributions of employees of the Group, the Group has also adopted a share award scheme and share option scheme.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (Last Period: Nil).

USE OF PROCEEDS FROM LISTING

The Shares were listed on the Stock Exchange by way of Global Offering on 15 April 2020 (“**Listing Date**”), and the net proceeds from the Global Offering (after deducting listing expenses) amounted to approximately HK\$224.5 million (“**Net IPO Proceeds**”).

Management Discussion and Analysis

The Group has utilised and will continue to utilise the Net IPO Proceeds in accordance with the purposes set out in “Future Plans and Use of Proceeds” in the Prospectus. The table below sets out the planned applications of the Net IPO Proceeds and actual usage up to 30 June 2021:

Use of proceeds	Adjusted on a pro rata basis based on the actual Net IPO Proceeds (HK\$ million)	Percentage of the total Net IPO Proceeds	Actual use of the Net IPO Proceeds from the Listing Date to 30 June 2021 (HK\$ million)	Unutilised Net IPO Proceeds as at 30 June 2021 (HK\$ million)	Expected timeline of utilising the unutilised Net IPO Proceeds
Further developing supply chain and retail management	66.6	30%	54.0	12.6	On or before 31 December 2022
Further investing in brand management to increase mass awareness of the Group and its products	33.8	15%	12.4	21.4	On or before 31 December 2022
Repaying loans	101.6	45%	101.6	–	
General working capital	22.5	10%	22.5	–	
Total	224.5	100%	190.5	34.0	

As at the date of this Interim Report, the unutilised Net IPO Proceeds were deposited into interest-bearing bank accounts at licensed banks in Hong Kong.

EVENT OCCURRING AFTER THE REPORTING PERIOD

With a view to expand the Group’s distribution business overseas, on 14 May 2021, Key Zone Investment Inc. (“**Key Zone**”), a wholly-owned subsidiary of the Company, entered into a share purchase agreement with independent third parties to conditionally acquire the entire issued share capital of Fu Qing Chinese Medical Trading Pte. Limited (“**Fu Qing**”), a distributor in Singapore at an aggregate consideration of Singapore dollars 1,680,000 (equivalent to HK\$9,700,000) (“**Acquisition of Fu Qing**”), subject to certain adjustments. Immediately after completion of the Acquisition of Fu Qing, Fu Qing shall become an indirect wholly-owned subsidiary of the Company and the accounts of Fu Qing shall be consolidated to the accounts of the Group. The Acquisition of Fu Qing was completed on 3 August 2021. The Directors confirm that the Acquisition of Fu Qing is not a notifiable transaction under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).



Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules.

To the best of the knowledge of the Board, the Company has fully complied with the requirements under the CG Code during the Period, except for the deviation from code provisions A.2.1 and E.1.2 of the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company is not separated and are performed by the same individual, Mr. Wong Ka Chun Michael, who has been responsible for overall strategic planning and management of the Group since the Group was founded and has extensive knowledge and experience in the healthcare and personal care products industry. The Directors meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Wong Ka Chun Michael, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 25 May 2021 (“**2021 AGM**”) due to other business engagements. Mr. Wong Yuk Woo Louis, an independent non-executive Director, the chairman of the remuneration committee as well as a member of the audit committee, nomination committee and corporate governance committee, took the chair of the 2021 AGM. Ms. Chan Ka Lai Vanessa, an independent non-executive Director and the chairman of the audit committee, and Ms. Chong Yah Lien, a non-executive Director, also attended the 2021 AGM. The Board considered that such arrangements were sufficient to ensure that members of the Board were available to answer any questions at the 2021 AGM. Mr. Wong Ka Chun Michael will use his best endeavors to attend all future shareholders’ meetings of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Corporate Governance and Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions of the Company by the Directors (“**Securities Dealing Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with the Directors, all the Directors confirmed that they had complied with the Securities Dealing Code during the Period.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the change in information of the Directors since the publication of annual report of the Company for the year ended 31 December 2020 up to the date of this Interim Report is set out below:

- Mr. Ng Wang Yu, Gary resigned as a non-executive Director on 7 May 2021.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (“**SFO**”), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the Shares or underlying Shares of the Company

Name of director	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Wong Ka Chun Michael ^{(2), (3)}	Interest in controlled corporation	448,096,326(L)	56.01%
		200,000,000(S)	25.00%

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

(i) Interests in the Shares or underlying Shares of the Company (Continued)

Notes:

- (1) The letter "L" denotes the Director's long position in such Shares and the letter "S" denotes the Director's short position in such Shares.
- (2) The 448,096,326 Shares and the short position in the 200,000,000 Shares are registered in the name of Tycoon Empire, a company wholly owned by Mr. Wong Ka Chun Michael. By virtue of the provisions of Part XV of the SFO, Mr. Wong Ka Chun Michael is deemed to be interested in all the Shares held by Tycoon Empire.
- (3) The 200,000,000 Shares are charged by Tycoon Empire in favour of CR Pharma Retail as security for the performance by Tycoon Empire and Mr. Wong Ka Chun Michael of their obligations under the Pre-IPO Shareholders Agreement. On 18 June 2021, the parties to the Share Charge released the Share Charge and entered into a new share charge, pursuant to which such new share charge shall be effective until 30 June 2024 with all other material terms remain unchanged. For details, please refer to the Prospectus and the announcement of the Company dated 18 June 2021.

(ii) Interests in shares of the associated corporation of the Company

Name of director	Name of associated corporation	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Wong Ka Chun Michael ⁽²⁾	Tycoon Empire	Beneficial owner	1(L)	100%

Notes:

- (1) The letter "L" denotes the Director's long position in such share.
- (2) Mr. Wong Ka Chun Michael directly owns 100% of the issued share capital of Tycoon Empire.

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) and entities had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Tycoon Empire ⁽²⁾	Beneficial owner	448,096,326(L) 200,000,000(S)	56.01% 25.00%
Ngai Sze Kei ^{(2), (3)}	Interest of spouse	448,096,326(L) 200,000,000(S)	56.01% 25.00%
CR Pharma Retail ⁽²⁾	Beneficial owner	151,895,000(L)	18.99%
	Person having a security interest in shares	200,000,000(L)	25.00%
CR Pharma ⁽⁴⁾	Interest in controlled corporation	351,895,000(L)	43.99%
CRH (Pharmaceutical) Limited ⁽⁴⁾	Interest in controlled corporation	351,895,000(L)	43.99%
China Resources (Holdings) Company Limited ⁽⁴⁾	Interest in controlled corporation	351,895,000(L)	43.99%
CRC Bluesky Limited ⁽⁴⁾	Interest in controlled corporation	351,895,000(L)	43.99%
China Resources Inc. ⁽⁴⁾	Interest in controlled corporation	351,895,000(L)	43.99%
China Resources Company Limited ⁽⁴⁾	Interest in controlled corporation	351,895,000(L)	43.99%
Jacobson Group Treasury Limited ⁽⁵⁾	Beneficial owner	56,590,000(L)	7.07%
Jacobson Pharma Group (BVI) Limited ⁽⁵⁾	Interest in controlled corporation	56,590,000(L)	7.07%
Jacobson Pharma Corporation Limited ⁽⁵⁾	Interest in controlled corporation	56,590,000(L)	7.07%
Kingshill Development Limited ⁽⁵⁾	Interest in controlled corporation	56,590,000(L)	7.07%
Kingshill Development Group Inc. ⁽⁵⁾	Interest in controlled corporation	56,590,000(L)	7.07%
Sum Kwong Yip, Derek ⁽⁵⁾	Founder of a discretionary trust who can influence how the trustee exercises discretion	56,590,000(L)	7.07%
UBS Trustees (B.V.I.) Limited ⁽⁵⁾	Trustee	56,590,000(L)	7.07%



Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Notes:

- (1) The letter "L" denotes the person's long position in such Shares and the letter "S" denotes the person's short position in such Shares.
- (2) The 200,000,000 Shares are charged by Tycoon Empire in favour of CR Pharma Retail as security for the performance by Tycoon Empire and Mr. Wong Ka Chun Michael of their obligations under the Pre-IPO Shareholders Agreement. On 18 June 2021, the parties to the Share Charge released the Share Charge and entered into a new share charge, pursuant to which such new share charge shall be effective until 30 June 2024 with all other material terms remain unchanged. For details, please refer to the Prospectus and the Company's announcement dated 18 June 2021.
- (3) The 448,096,326 Shares and the short position in the 200,000,000 Shares are registered in the name of Tycoon Empire, a company wholly-owned by Mr. Wong Ka Chun Michael. Ms. Ngai Sze Kei is the spouse of Mr. Wong Ka Chun Michael. By virtue of the provisions in Part XV of the SFO, Ms. Ngai Sze Kei is deemed to be interested in all the Shares which Mr. Wong Ka Chun Michael is interested in or is deemed to be interested in.
- (4) These interests in Shares comprise the 151,895,000 Shares held by CR Pharma Retail and the 200,000,000 Shares under the Share Charge in favour of CR Pharma Retail (see note 2 above). CR Pharma Retail is a company wholly owned by CR Pharma (stock code: 3320.hk). Based on the notices of disclosure of interests dated 21 November 2016 of CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Inc. (formerly known as China Resources Co., Limited) and China Resources Company Limited (formerly known as China Resources National Corporation) filed with the Stock Exchange in relation to CR Pharma, CR Pharma is owned as to approximately 53.04% by CRH (Pharmaceutical) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited, which is wholly owned by CRC Bluesky Limited, which in turn is wholly owned by China Resources Inc., which in turn is wholly owned by China Resources Company Limited. By virtue of the provisions of Part XV of the SFO, each of CR Pharma, CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Inc. and China Resources Company Limited is deemed to be interested in all the Shares held by CR Pharma Retail.
- (5) These interests in Shares are held by Jacobson Group Treasury Limited, which is a direct wholly-owned subsidiary of Jacobson Pharma Group (BVI) Limited, which in turn is a wholly-owned subsidiary of Jacobson Pharma Corporation Limited (stock code: 2633.hk), in which 42.5% of the issued share capital of Jacobson Pharma Corporation Limited is owned by Kingshill Development Limited, a wholly-owned subsidiary of Kingshill Development Group Inc., which in turn is wholly-owned by UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, a discretionary trust established by Mr. Sum Kwong Yip, Derek (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries. By virtue of the provisions of Part XV of the SFO, each of Jacobson Pharma Group (BVI) Limited, Jacobson Pharma Corporation Limited, Kingshill Development Limited, Kingshill Development Group Inc., Mr. Sum Kwong Yip, Derek and UBS Trustees (B.V.I.) Limited is deemed to be interested in all the Shares held by Jacobson Group Treasury Limited.

Save as disclosed above, as at 30 June 2021, so far as the Directors were aware, no other persons (other than the Directors or chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.



Corporate Governance and Other Information

SHARE OPTION SCHEME

On 23 March 2020, a share option scheme ("**Share Option Scheme**") was approved and conditionally adopted by the Company, whereby the Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, supplier, customer, adviser or consultant of the Group, options to subscribe for the Shares. For details of the Share Option Scheme, please refer to the Prospectus.

As at 30 June 2021, no option has been granted or agreed to be granted under the Share Option Scheme. As at the date of this Interim Report, the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme is 80,000,000 Shares, representing 10% of the issued Shares.

SHARE AWARD SCHEME

On 25 May 2020, the Board adopted a share award scheme of the Company ("**Share Award Scheme**") in which any employee or consultant of the Group (other than a connected person of the Company or an associate of such connected persons (both terms as defined in the Listing Rules)) ("**Eligible Persons**") will be entitled to participate.

The Share Award Scheme is for the purposes of (i) recognising the contributions by certain Eligible Persons and giving incentives thereto in order to retain them for the continuing operation and development of the Group; and (ii) attracting suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a Share Option Scheme nor an arrangement analogous to a share option scheme within the meaning of Chapter 17 of the Listing Rules. No shareholders' approval is required for the adoption of the Share Award Scheme.

The Share Award Scheme will remain in force for a period of 10 years commencing from its adoption date.

The total number of the Shares to be awarded pursuant to the Share Award Scheme shall not exceed 40,000,000 Shares, being 5% of the total issued share capital of the Company as at its adoption date. The maximum number of Shares which may be awarded to a selected grantee at any one time shall not exceed 0.50% of the total number of the issued Shares as at the adoption date and the total number of Shares awarded to such selected grantee in aggregate shall not exceed 1% of the total number of the issued Shares as at the adoption date. Details of the Share Award Scheme are set out in the announcement of the Company dated 25 May 2020.



Corporate Governance and Other Information

SHARE AWARD SCHEME (Continued)

During the Period, a total of 10,348,000 awarded shares had been granted under the Share Award Scheme to the employees of the Group (none of them are Directors or connected persons of the Company). The vesting period of such awarded shares ranges from 1 April 2022 to 1 April 2026.

AUDIT COMMITTEE

The Board has established an audit committee (“**Audit Committee**”) with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Ms. Chan Ka Lai Vanessa (chairman), Mr. Wong Yuk Woo Louis and Mr. Chung Siu Wah. The primary duties of the Audit Committee include making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, reviewing the Group’s financial information, financial controls, internal control and risk management systems.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the Company’s management, the accounting principles and practices adopted by the Group, has discussed internal control and financial reporting matters and has reviewed the unaudited condensed consolidated financial statements of the Group for the Period.

The Audit Committee is satisfied that the unaudited condensed consolidated financial statements of the Group for the Period were prepared in accordance with the applicable accounting standards and fairly present the Group’s financial position and results for the Period.

On behalf of the Board
Tycoon Group Holdings Limited
Wong Ka Chun Michael
*Chairman, Executive Director and
Chief Executive Officer*

Hong Kong, 27 August 2021

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

		Unaudited Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	7	380,660	183,632
Cost of sales	8	(309,171)	(147,429)
Gross profit		71,489	36,203
Other income and gains	7	10,691	2,114
Selling and distribution expenses	8	(47,166)	(30,123)
General and administrative expenses	8	(40,353)	(56,406)
Operating loss		(5,339)	(48,212)
Finance costs		(3,029)	(2,970)
Share of results of investments accounted for using the equity method		(1,513)	(132)
Loss before income tax		(9,881)	(51,314)
Income tax (expense)/credit	9	(317)	2,956
Loss for the period		(10,198)	(48,358)
Other comprehensive income/(loss)			
<i>Item that has been reclassified or may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		32	(226)
Total comprehensive loss for the period		(10,166)	(48,584)
(Loss)/profit attributable to:			
Equity holders of the Company		(10,972)	(48,358)
Non-controlling interests		774	–
		(10,198)	(48,358)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(10,940)	(48,584)
Non-controlling interests		774	–
		(10,166)	(48,584)
Loss per share attributable to equity holders of the Company			
Basic and diluted (HK cents per share)	10	(1)	(7)

The above interim condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	12	61,890	63,271
Right-of-use assts	13	13,328	15,266
Goodwill		26,139	26,139
Intangible assets		6,137	6,621
Prepayments and deposits		2,575	3,542
Investments accounted for using the equity method	14	38,341	39,846
Financial assets at fair value through profit or loss		32,831	23,430
Deferred income tax assets		9,946	9,946
Total non-current assets		191,187	188,061
Current assets			
Inventories		153,553	125,336
Prepayments, deposits and other receivables		105,513	61,142
Amounts due from related parties	22	2,779	1,911
Trade receivables	15	135,736	124,116
Cash and cash equivalents		104,517	119,344
Total current assets		502,098	431,849
Total assets		693,285	619,910
Non-current liabilities			
Lease liabilities	13	5,877	7,413
Deferred income tax liabilities		662	778
Total non-current liabilities		6,539	8,191

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	Notes		
Current liabilities			
Trade payables	16	152,383	66,484
Other payables and accruals		35,780	50,045
Bank borrowings	17	153,442	131,865
Loan from a shareholder		50,000	50,000
Amounts due to related parties	22	4,376	–
Amount due to the ultimate holding company		–	996
Lease liabilities	13	8,437	9,042
Current tax liabilities		576	12,848
Total current liabilities		404,994	321,280
Total liabilities		411,533	329,471
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	8,000	8,000
Reserves		270,696	280,157
		278,696	288,157
Non-controlling interests		3,056	2,282
Total equity		281,752	290,439
Total equity and liabilities		693,285	619,910

Wong Ka Chun Michael
Director

Li Ka Wa Helen
Director

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Unaudited Attributable to equity holders of the Company									
	Share capital	Share premium account	Merge reserve	Shares held under share award plan	Share-based payment reserve	Exchange reserve	Retained profit	Total	Non-Controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2020	100	–	(80)	–	–	(166)	118,506	118,360	–	118,360
Loss for the period	–	–	–	–	–	–	(48,358)	(48,358)	–	(48,358)
Other comprehensive loss:										
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	(226)	–	(226)	–	(226)
Total comprehensive loss for the period	–	–	–	–	–	(226)	(48,358)	(48,584)	–	(48,584)
Transactions with owners in their capacity as owners:										
Issue of new shares pursuant to the global offering	7,900	278,806	–	–	–	–	–	286,706	–	286,706
Share issue expenses	–	(32,126)	–	–	–	–	–	(32,126)	–	(32,126)
Purchase of shares under share award scheme	–	–	–	(23,824)	–	–	–	(23,824)	–	(23,824)
Balance at 30 June 2020	8,000	246,680	(80)	(23,824)	–	(392)	70,148	300,532	–	300,532
Balance at 1 January 2021	8,000	246,967	(80)	(23,824)	–	(278)	57,372	288,157	2,282	290,439
(Loss)/profit for the period	–	–	–	–	–	–	(10,972)	(10,972)	774	(10,198)
Other comprehensive income:										
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	32	–	32	–	32
Total comprehensive (loss)/profit for the period	–	–	–	–	–	32	(10,972)	(10,940)	774	(10,166)
Transactions with owners in their capacity as owners:										
Vesting of shares under share award scheme	–	–	–	–	1,479	–	–	1,479	–	1,479
Balance at 30 June 2021	8,000	246,967	(80)	(23,824)	1,479	(246)	46,400	278,696	3,056	281,752

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Income taxes paid	11,497	(83,220)
	(12,698)	–
Net cash used in operating activities	(1,201)	(83,220)
Cash flows from investing activities		
Purchase of property, plant and equipment	(872)	(540)
Proceeds from disposal of property, plant and equipment	200	1,000
Investment in a joint venture	(8)	–
Interest received	4	–
Payment for acquisition of a subsidiary	(26,440)	–
Payment for acquisition of an associate	–	(41,650)
Net cash used in investing activities	(27,116)	(41,190)
Cash flows from financing activities		
Proceeds from issue of shares	–	286,706
Share issue expenses	–	(32,126)
Interest paid	(2,761)	(2,970)
Proceeds from bank borrowings	104,171	72,504
Repayment of bank borrowings	(82,627)	(157,471)
Principal elements of lease payments	(5,065)	(4,161)
Purchase of shares held under the share award scheme	–	(23,824)
Net cash generated from financing activities	13,718	138,658
Net (decrease)/increase in cash and cash equivalents	(14,599)	14,248
Cash and cash equivalents at beginning of the period	119,344	50,437
Effects of exchange rate changes on cash and cash equivalents	(228)	(206)
Cash and cash equivalents at end of the period	104,517	64,479

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.



Notes to Interim Condensed Consolidated Financial Information

30 June 2021

1 GENERAL INFORMATION

Tycoon Group Holdings Limited (“**Company**”) is an exempted company incorporated in the Cayman Islands with limited liability on 14 June 2017. The registered address of the Company is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 14, 8/F., Wah Wai Centre, 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) by way of global offering (“**Global Offering**”) on 15 April 2020.

The Company is an investment holding company. During the period, the Company’s subsidiaries were principally engaged in the distribution and retail of health and well-being related products.

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Tycoon Empire Investment Limited, which was incorporated in the British Virgin Islands (“**BVI**”).

This interim condensed consolidated financial information is presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the board of directors of the Company (“**Board**”) on 27 August 2021.

This interim condensed consolidated financial information has not been audited.

Significant events and transactions

Write-down of inventories

During the six months ended 30 June 2021, the ongoing global pandemic of COVID-19 has been affecting the demand of certain of the Group’s health and well-being related products. Management had carried out an assessment over the realisability of inventories based on their expiry dates, physical condition, expected market demand and other factors. As a result, HK\$11,140,000 of inventories (six months ended 30 June 2020: HK\$15,040,000) has been written down to their net realisable values and was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

1 GENERAL INFORMATION (continued)

Significant events and transactions (continued)

Fair value gain on financial assets at fair value through profit or loss

As disclosed in the announcement of the Company dated 27 July 2020, the Company entered into an agreement for the subscription of shares of JBM (Healthcare) Limited (“**JBM Healthcare**”), a subsidiary of Jacobson Pharma Corporation Limited (“**Jacobson Group**”), a shareholder of the Company, at the aggregate subscription price of HK\$20,000,000 (“**Subscription**”). JBM Healthcare was then listed on the Main Board of the Stock Exchange on 5 February 2021. During the six months ended 30 June 2021, a fair value gain of HK\$9,600,000 on the shares acquired under the Subscription was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information is for the Group consisting of the Company and its subsidiaries. This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, as described in the annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below. Income tax expenses for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Impact of new and amended standards issued but not yet applied by the Group

Certain new and amended standards have been issued but are not mandatory for application in the current reporting period. The Group did not early adopt these new and amended standards in the current reporting period. The Group is in the process of assessing the impact of adopting these standards on its current or future reporting periods and on foreseeable future transactions.



Notes to Interim Condensed Consolidated Financial Information

30 June 2021

4 ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

Compared to the year ended 31 December 2020, there was no material change in the contractual undiscounted cash flows for financial liabilities.

There have been no significant changes in the Group's risk management policies since 31 December 2020.

5.2 Fair value estimation

The fair value of the Group's assets and liabilities are classified into 3 levels of the fair value measurement hierarchy prescribed under the accounting standards and disclosed as below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to Interim Condensed Consolidated Financial Information

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5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2021.

	Unaudited			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Financial asset at fair value through profit or loss				
– Listed securities	29,600	–	–	29,600
– Contingent consideration receivables	–	–	2,499	2,499
– Call option	–	–	732	732
Total	29,600	–	3,231	32,831

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2020.

	Audited			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Financial asset at fair value through profit or loss				
– Unlisted securities	–	20,000	–	20,000
– Contingent consideration receivables	–	–	2,590	2,590
– Call option	–	–	840	840
Total	–	20,000	3,430	23,430

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5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial instruments for the six months ended 30 June 2021:

	Contingent consideration receivables (Note) HK\$'000	Call option HK\$'000
Balance at 1 January 2021	2,590	840
Fair value loss on revaluation recognised in profit or loss	(91)	(108)
Balance at 30 June 2021	2,499	732
Unrealised loss recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income attributable to interim condensed consolidated statement of financial position	(91)	(108)

Note:

The contingent consideration receivables represent the shortfall compensation the Group entitled to receive from the former owner of Jefferine Macau Limited, now a subsidiary of the Group, in the event that its actual profit for the year ended 31 December 2021 and 2022 be lower than HK\$14,000,000, up to a maximum undiscounted amount of HK\$15,000,000. There is no minimum amount payable.

There was no financial instrument in level 3 of the Group for the six months ended 30 June 2020.

Specific valuation techniques used to value level 3 financial instruments include techniques such as Monte Carlo simulation model and binominal options pricing model. There are no changes in valuation techniques during the period (six months ended 30 June 2020: same).

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer (CFO) and external valuers will be engaged, if necessary.

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5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value measurements using significant unobservable inputs (level 3) (continued)

The fair values of the contingent consideration receivable as at 30 June 2021 and 31 December 2020 were estimated, using a Monte Carlo simulation model, taking into account the following key significant unobservable inputs:

	Unaudited As at 30 June 2021	Audited As at 31 December 2020
Cost of equity (%)	28	33
Expected volatility (%)	33	37
Equity value of 100% interest (HK\$'000)	48,250	42,513

The fair values of the Call Option as at 30 June 2021 and 31 December 2020 were estimated, using a binomial options pricing model, with discounted cash flow analysis taking into account the following key significant unobservable inputs to the model used:

	Unaudited As at 30 June 2021	Audited As at 31 December 2020
Expected volatility (%)	33	37
Equity value of 20% interest (HK\$'000)	6,755	6,419

Notes to Interim Condensed Consolidated Financial Information

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5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value measurements using significant unobservable inputs (level 3) (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Valuation technique	Unobservable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Contingent consideration receivable	Monte Carlo simulation	Cost of equity	28% (31 December 2020: 33%)	5% (31 December 2020: 5%) increase/decrease in cost of equity would result in increase/decrease in fair value by HK\$800,000/HK\$1,030,000 (31 December 2020: HK\$630,000/HK\$880,000)
		Expected volatility	33% (31 December 2020: 37%)	5% (31 December 2020: 5%) increase/decrease in expected volatility would result in increase/decrease in fair value by HK\$ HK\$440,000/HK\$441,000 (31 December 2020: 320,000/HK\$360,000)
		Related equity value (HK\$'000)	HK\$48,250 (31 December 2020: HK\$42,513)	5% (31 December 2020: 5%) increase/decrease in equity value would result in decrease/increase in fair value by HK\$282,000/HK\$468,000 (31 December 2020: HK\$320,000/HK\$380,000)
Call Option	Binomial options pricing model	Expected volatility	33% (31 December 2020: 37%)	5% (31 December 2020: 5%) increase/decrease in expected volatility would result in increase/decrease in fair value by HK\$211,000/HK\$198,000 (31 December 2020: HK\$200,000/HK\$190,000)
		Related equity value (HK\$'000)	HK\$6,755 (31 December 2020: HK\$6,419)	5% (31 December 2020: 5%) increase/decrease in equity value would result in increase/decrease in fair value by HK\$140,000/HK\$122,000 (31 December 2020: HK\$150,000/HK\$140,000)

Notes to Interim Condensed Consolidated Financial Information

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5 FINANCIAL RISK MANAGEMENT (continued)

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair values of the following financial assets and liabilities approximate their carrying values due to their short-term maturities, or they are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group:

- Deposits and other receivables
- Amounts due from related parties
- Trade receivables
- Cash and cash equivalents
- Trade payables
- Other payables and accruals
- Bank borrowings
- Loan from a shareholder
- Amounts due to related parties
- Amount due to the ultimate holding company
- Lease liabilities



Notes to Interim Condensed Consolidated Financial Information

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6 SEGMENT INFORMATION

The executive director has been identified as the chief operating decision-maker. The executive director reviews the Group's internal reports in order to assess performance and allocate resources. The executive director has determined the operating segments based on these reports. Operating segments are reported in manner consistent with the internal reporting to the Group's key management personnel as follows:

- (a) the distribution segment, which includes the operation of distributing products to chain retailers, non-chain retailers and traders;
- (b) the retail stores segment, which includes the operation of retail stores; and
- (c) the e-commerce segment, which includes the operation of online stores and wholesale to e-commerce customers.

The management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that share of results of investments accounted for using the equity method, gain on disposal of property, plant and equipment, gain on disposal of subsidiaries, fair value gain on financial assets at fair value through profit or loss, foreign exchange differences, net, finance income, finance costs (other than interest on lease liabilities), corporate and other unallocated expenses and income tax (expense)/credit are excluded from such measurement.

Segment assets exclude investments accounted for using the equity method, financial assets at fair value through profit or loss, deferred income tax assets, amounts due from related parties, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis. Segment liabilities exclude deferred income tax liabilities, bank borrowings, loan from a shareholder, amounts due to related parties, amount due to the ultimate holding company, current tax liabilities, and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Information provided to the executive director is measured in a manner consistent with that the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information

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6 SEGMENT INFORMATION (continued)

The following table presents revenue and results for the Group's reportable segments:

	Six months ended 30 June (Unaudited)							
	Distribution		Retail stores		E-commerce		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue from external customers	147,076	116,312	2,468	3,401	231,116	63,919	380,660	183,632
Inter-segment revenue	26,580	6,299	–	–	–	–	26,580	6,299
Reportable segment revenue	173,656	122,611	2,468	3,401	231,116	63,919	407,240	189,931
Reportable segment results	(15,011)	(25,631)	(1,006)	(9,560)	7,746	29	(8,271)	(35,162)
Share of results of investments accounted for using the equity method							(1,513)	(132)
Gain on disposal of property, plant and equipment							200	651
Gain on disposal of subsidiaries							–	109
Fair value gain on financial assets at fair value through profit or loss							9,401	–
Foreign exchange differences, net							(1,025)	(199)
Finance income							4	109
Finance costs							(2,684)	(2,594)
Corporate and other unallocated expenses							(5,993)	(14,096)
Loss before income tax							(9,881)	(51,314)
Income tax (expense)/credit							(317)	2,956
Loss for the period							(10,198)	(48,358)

Notes to Interim Condensed Consolidated Financial Information

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6 SEGMENT INFORMATION (continued)

The following table presents the total assets and liabilities for the Group's reportable segments:

	Distribution		Retail stores		E-commerce		Total	
	unaudited	audited	unaudited	audited	unaudited	audited	unaudited	audited
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	307,966	345,534	1,604	1,980	186,738	36,247	496,308	383,761
Investments accounted for using the equity method							38,341	39,846
Financial assets at fair value through profit or loss							32,831	23,430
Deferred income tax assets							9,946	9,946
Amounts due from related parties							2,779	1,911
Cash and cash equivalents							104,517	119,344
Corporate and other unallocated assets							8,563	41,672
Total							693,285	619,910

Notes to Interim Condensed Consolidated Financial Information

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6 SEGMENT INFORMATION (continued)

	Distribution		Retail stores		E-commerce		Total	
	unaudited	audited	unaudited	audited	unaudited	audited	unaudited	audited
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	(71,809)	(84,281)	(285)	(81)	(100,835)	(12,593)	(172,929)	(96,955)
Deferred income tax liabilities							(662)	(778)
Bank borrowings							(153,442)	(131,865)
Loan from a shareholder							(50,000)	(50,000)
Amounts due to related parties							(4,376)	-
Amount due to the ultimate holding Company							-	(996)
Current tax liabilities							(576)	(12,848)
Corporate and other unallocated liabilities							(29,548)	(36,029)
Total							(411,533)	(329,471)

	Six months ended 30 June (Unaudited)				
	Distribution	Retail stores	E-commerce	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2021					
Other segment information					
Depreciation of property, plant and equipment	2,023	14	209	29	2,275
Depreciation of right-of-use assets	3,000	-	1,406	472	4,878
Amortisation of intangible assets	484	-	-	-	484
Addition to non-current assets	1,515	-	662	1,663	3,840
2020					
Other segment information					
Depreciation of property, plant and equipment	1,557	558	131	5	2,251
Depreciation of right-of-use assets	2,668	1,438	101	363	4,570
Addition to non-current assets	1,962	185	410	1,361	3,918

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

7 REVENUE, OTHER INCOME AND GAINS

Revenue, other income and gains recognised during the period are as follows:

		Unaudited	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Revenue			
Sale of goods		380,660	183,632
Disaggregated revenue information			
Geographical markets			
Hong Kong		98,391	108,143
Mainland China		230,493	63,919
Macau		51,226	11,498
Singapore		477	72
Others		73	–
Timing of revenue recognition			
Goods transferred at a point of time		380,660	183,632
Other income and gains			
Fair value gain on financial assets at fair value through profit or loss		9,401	–
Gain on disposal of property, plant and equipment		200	651
Gain on disposal of subsidiaries		–	109
Government subsidies (<i>Note</i>)		230	1,348
Others		860	6
		10,691	2,114

Note:

The amounts recognised were primarily related to the government subsidies in relation to the COVID-19 pandemic. There were no unfulfilled conditions and other contingencies attaching to these grants.

Notes to Interim Condensed Consolidated Financial Information

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8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	309,171	147,429
Depreciation of property, plant and equipment	2,275	2,251
Depreciation of right-of-use assets	4,878	4,570
Amortisation of intangible assets	484	–
Employee benefit expenses	25,608	19,552
Share-based payment expense	1,479	–
Expenses under short-term leases	2,008	276
Write-down of inventories (<i>Note</i>)	11,140	15,040
Impairment of property, plant and equipment (<i>Note 12</i>)	–	1,103
Impairment of right-of-use assets (<i>Note 13</i>)	–	4,961
Impairment of intangible assets	–	450
Listing expenses	–	11,447

Note:

During the six months ended 30 June 2021, the ongoing global pandemic of COVID-19 has been affecting the demand of certain of the Group's health and well-being related products. Management had carried out an assessment over the realisability of inventories based on their expiry dates, physical condition, expected market demand and other factors. As a result, HK\$11,140,000 of inventories (six months ended 30 June 2020: HK\$15,040,000) has been written down to their net realisable values and was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

9 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at 16.5% (six months ended 30 June 2020: same) of the estimated assessable profits for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax – Hong Kong	–	–
Current tax – Macau	433	–
Deferred tax	(116)	(2,956)
Total income tax expense/(credit) for the period	317	(2,956)

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

10 LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Loss attributable to equity holders of the Company (HK\$'000)	(10,972)	(48,358)
Weighted average number of ordinary shares in issue (in thousands)	780,000	685,362
Basic loss per share (HK cents)	(1)	(7)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one category of potentially dilutive ordinary shares: share awards. For the share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the outstanding share awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share awards.

For the six months ended 30 June 2021, the diluted loss per share was same as the basic loss per share as the share awards would result in an antidilutive impact to the basic loss per share.

11 DIVIDEND

No dividends have been declared for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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12 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 2021 HK\$'000	Unaudited 2020 HK\$'000
Net book value as at 1 January	63,271	57,292
Addition	872	540
Disposals	—	(349)
Depreciation	(2,275)	(2,251)
Impairment	—	(1,103)
Exchange differences	22	(20)
Net book value as at 30 June	61,890	54,109

At 30 June 2021, certain of the Group's property, plant and equipment with net carrying values of approximately HK\$57,135,000 (31 December 2020: HK\$58,420,000), were pledged to secure bank loans of the Group (Note 17).

13 LEASES

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Right-of-use assets		
Properties	13,328	15,266
Lease liabilities		
Non-current	5,877	7,413
Current	8,437	9,042
	14,314	16,455

During the six months ended 30 June 2021, the additions to right-of-use assets amounted to HK\$2,968,000 (six months ended 30 June 2020: HK\$3,378,000) and the depreciation expense incurred for the period amounted to HK\$4,878,000 (six months ended 30 June 2020: HK\$4,570,000).

During the six months ended 30 June 2020, an impairment loss of HK\$4,961,000 was recognised for the right-of-use assets of the retail stores segment as a result of the imminent closure of one of the two brick-and-mortar retail stores in Macau.

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14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 30 June 2021, the Group's investments accounted for using the equity method represent the investments in Hong Ning Hong Limited ("**HNH**"), Fancy Summit Inc. ("**Fancy Summit**") and Five Ocean Inc. ("**Five Ocean**") (31 December 2020: HNH and Fancy Summit).

Name of company	Place of incorporation	Place of operation	Percentage of ownership interest attributable to the Group	Nature of relationship	Principal activities	Measurement method
HNH	Hong Kong	Hong Kong	49%	Associated company	Retail and wholesale of pharmaceutical products and proprietary medicine	Equity method
Fancy Summit	The BVI	The BVI	50%	Joint venture	Investment holding	Equity method
Five Ocean	The BVI	The BVI	50%	Joint venture	Provision of marketing services	Equity method

15 TRADE RECEIVABLES

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Trade receivables	127,482	105,637
Amounts due from related parties (<i>Note 22 (b)</i>)	8,254	18,479
Total	135,736	124,116

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15 TRADE RECEIVABLES (continued)

The Group's credit terms to trade debtors range generally from 30 to 105 days. As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables (including amounts due from related parties in trade nature) based on invoice date is as follows:

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Within 90 days	128,978	116,191
91 to 180 days	1,483	4,977
Over 180 days	5,275	2,948
Total	135,736	124,116

16 TRADE PAYABLES

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Trade payables	70,892	64,297
Amounts due to related parties (Note 22 (b))	81,491	2,187
Total	152,383	66,484

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16 TRADE PAYABLES (continued)

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date is as follows:

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Within 30 days	25,186	23,026
31 to 60 days	18,667	19,715
61 to 120 days	85,062	22,974
Over 120 days	23,468	769
Total	152,383	66,484

17 BANK BORROWINGS

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Current:		
Bank borrowings – Secured	114,442	92,865
Bank borrowings – Unsecured	39,000	39,000
	153,442	131,865

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18 SHARE CAPITAL

The movements in the Company's share capital during the period from 1 January 2021 to 30 June 2021 and 1 January 2020 to 30 June 2020 were as follows:

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised		
At 1 January 2020 (<i>note (i)</i>)	38,000,000	380
Increase in authorised share capital on 23 March 2020 (<i>note (iii)</i>)	9,962,000,000	99,620
At 30 June 2020, 31 December 2020 and 30 June 2021	10,000,000,000	100,000
Issued and fully paid		
At 1 January 2020 (<i>note (i) and (ii)</i>)	10,000,000	100
Capitalisation issue of shares (<i>note (iv)</i>)	597,580,000	5,976
Issue of new shares pursuant to the Global Offering (<i>note (v)</i>)	192,420,000	1,924
At 30 June 2020, 31 December 2020 and 30 June 2021	800,000,000	8,000

Notes:

- (i) On 14 June 2017, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, 1 nil-paid ordinary share of HK\$0.01 was issued and allotted by the Company to its then shareholder.
- (ii) Pursuant to a written resolution passed on 30 November 2018, 9,999,999 ordinary shares of HK\$0.01 each were allotted, issued and credited as fully paid to the Company's then sole shareholder and the one nil-paid share held by such sole shareholder was also credited as fully paid.
- (iii) Pursuant to the written resolutions of the shareholders of the Company passed on 23 March 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of a par value of HK\$0.01 each, by the creation of an additional 9,962,000,000 shares with a par value of HK\$0.01 each.
- (iv) Pursuant to the authority given by the resolutions in writing of the then shareholders of the Company passed on 23 March 2020, an aggregate amount of approximately HK\$5,976,000 standing to the credit of the share premium of the Company was approved to be capitalised and applied in paying in full at par of 597,580,000 ordinary shares of HK\$0.01 each for allotment and issue to the then shareholders of the Company on 15 April 2020.
- (v) In connection with the Global Offering, 192,420,000 ordinary shares of par value of HK\$0.01 each were issued at a price of HK\$1.49 per share for a total cash consideration of approximately HK\$286,706,000 excluding share issue expenses. Dealings in the shares of the Company on the Stock Exchange commenced on 15 April 2020.

19 SHARE-BASED SCHEME

(a) Share option scheme

The Company has adopted a share option scheme ("**Share Option Scheme**") pursuant to the shareholders' written resolution passed on 23 March 2020. The purposes of the Share Option Scheme are to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Eligible persons include (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest; (b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The initial total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares in issue on the listing date. The total number of shares issued and which may fall to be issued upon exercise of the options to be granted under the Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted to such participant must be fixed before shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the Listing Rules.

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19 SHARE-BASED SCHEME (continued)

(a) Share option scheme (continued)

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee. The period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for shares under the Share Option Scheme will be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK\$1.0 is payable on acceptance of the grant of an option.

No share options were granted, exercised or cancelled under the Share Option Scheme during the current and prior period.

(b) Share award scheme

On 25 May 2020, the Board adopted a share award scheme as means to recognise the contributions by certain eligible persons and giving incentives thereto in order to retain them for the continuing operation and development of the Group and attract suitable personnel for further development of the Group ("**Share Award Scheme**").

Subject to any early termination as may be determined by the Board in accordance with the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on 25 May 2020 ("**Adoption Date**"), provided that no further settlement of the reference amount ("**Reference Amount**") shall be made by the Company on or after the 10th anniversary of the Adoption Date. Subject to compliance with all applicable laws, codes or regulations including without limitation those imposed by the Listing Rules from time to time, the Board shall cause the Company to instruct the trustee ("**Trustee**") to purchase the awarded shares. In each case, the purchase shall be made on the open market with the Reference Amount from the funds of the Group. The shares purchased shall be held by the Trustee until they are vested in the selected grantees. The Trustee shall not exercise any voting rights in respect of any shares held under the trust.

Notes to Interim Condensed Consolidated Financial Information

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19 SHARE-BASED SCHEME (continued)

(b) Share award scheme (continued)

The aggregate number of shares to be awarded pursuant to the Share Award Scheme shall not exceed 5% of the total issued share capital of the Company as at the Adoption Date (i.e. 40,000,000 shares). The maximum number of shares which may be awarded to a selected grantee at any one time shall not exceed 0.50% of the total number of issued shares as at the Adoption Date. If and whenever there shall be an alteration to the nominal value of the shares as a result of consolidation or subdivision ("**Capital Reorganisation**") and the effective date of such Capital Reorganisation falls on a day when the Share Award Scheme remains in effect, the maximum number of the shares referred to above shall be adjusted proportionally. Such adjustment shall automatically become effective on the date on which the Capital Reorganisation takes effect.

Awarded shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the grant of the award and on each relevant vesting date an eligible person and the transfer documents and any other relevant documents as prescribed by the Trustee to effect the transfer have been duly executed by the selected grantee.

During the six months ended 30 June 2021, no shares were purchased by the Group on the Stock Exchange. During the six months ended 30 June 2020, the Company purchased 20,000,000 ordinary shares of the Company at an average price of HK\$1.19 per share at an aggregate consideration of HK\$23,824,000 through the Trustee for the Share Award Scheme.

During six months ended 30 June 2021, 10,348,000 awarded shares have been granted for the selected grantees under the Share Award Scheme (six months ended 30 June 2020: Nil).

Movements in the number of share award outstanding are as follows:

	2021 Share awards (thousands)	2020 Share awards (thousands)
At 1 January	–	–
Granted	10,348	–
At 30 June	10,348	–

Notes to Interim Condensed Consolidated Financial Information

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19 SHARE-BASED SCHEME (continued)

(b) Share award scheme (continued)

The share awards will be vested to the selected grantees with the vesting periods of five years. For the six months ended 30 June 2021, the weighted average fair value of share awards granted was HK\$1.58. The fair value is directly derived from the share price of the Company listed on the Stock Exchange on the date of grant.

No share awards were vested during the six months ended 30 June 2021. During the six months ended 30 June 2021, share-based payment expense of HK\$1,479,000 was recognised in the interim condensed consolidated profit or loss and other comprehensive income and was credited to equity. As at 30 June 2021, out of 10,348,000 outstanding share awards, no share awards were exercisable.

20 CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no contingent liabilities (31 December 2020: Nil).

21 CAPITAL COMMITMENT

Save as disclosed elsewhere in the interim condensed consolidated financial information, the Group had no material capital commitment as at 30 June 2021 (31 December 2020: Nil).

Notes to Interim Condensed Consolidated Financial Information

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22 RELATED PARTIES TRANSACTIONS

In addition to the transactions set out elsewhere in the interim condensed consolidated financial information, the Group had the following transactions with related parties during the period:

(a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Sale of products:		
– Hong Kong Han Lam Tong Medicine Limited ("Han Lam Tong") (note (i))	17,733	685
– China Resources Pharmaceutical Group Limited ("CR Pharma") and its subsidiaries (together, the "CR Pharma Group") (note (ii))	8,714	11,014
Purchase of products:		
– The CR Pharma Group (note (ii))	80,992	3,386
– Han Lam Tong (note (i))	6,782	–
Service expense:		
– JMM Healthcare Limited ("JMM") (note (iii))	2,755	–
Service income:		
– JMM (note (iii))	949	–

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

22 RELATED PARTIES TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

During the period ended 30 June 2021, the Group leased properties from Mr. Wong Ka Chun Michael, the controlling shareholder of the Company, ("**Controlling Shareholder**") for warehouse and carpark use. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Right-of-use assets of HK\$1,875,000 (31 December 2020: HK\$3,149,000) and lease liabilities of HK\$1,947,000 (31 December 2020: HK\$3,246,000) in respect to the leases were recognised in the interim condensed consolidated statement of financial position as at 30 June 2021.

During the period ended 30 June 2021, depreciation of right-of-use assets of HK\$1,623,000 (six months ended 30 June 2020: HK\$1,535,000) and interest expense on the lease liabilities of HK\$61,000 (six months ended 30 June 2020: HK\$132,000) was charged to the interim condensed consolidated statement of profit or loss and other comprehensive income.

Pursuant to the Company's announcement dated 1 June 2020, the Group has acquired 49% of equity interest in HNH at a cash consideration of HK\$41,650,000 during the six months ended 30 June 2020 from the Jacobson Group.

Pursuant to the Company's announcement dated 8 April 2021, the Group has entered a joint venture agreement for the establishment of a joint venture with JBM Healthcare during the six months ended 30 June 2021.

Notes:

- (i) The sales to and purchase from Han Lam Tong, a wholly-owned subsidiary of HNH, an associate of the Company, were transacted pursuant to terms and conditions mutually agreed between the two parties.
- (ii) The sales to and purchase from CR Pharma Group, a shareholder of the Company, were conducted (a) pursuant to terms and conditions set out in the framework agreement ("**Existing Master Agreement**") entered into by the Company and CR Pharma Group on 1 January 2020 for the period prior to 16 April 2021; and (b) pursuant to the framework agreement entered into by the Company and CR Pharma Group on 8 February 2021 for the period commencing on 16 April 2021. The Existing Master Agreement was terminated upon the conclusion of an extraordinary general meeting on 16 April 2021.
- (iii) Service income from and service expense to JMM, a wholly owned subsidiary of Five Ocean, a joint venture of the Company, were transacted pursuant to the terms and conditions set out in the service agreement entered into by the Company and JMM on 8 April 2021.

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22 RELATED PARTIES TRANSACTIONS (continued)

(b) Outstanding balances with related parties

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Trade and other receivables			
Trade receivables due from			
– The CR Pharma Group	(i)	3,995	11,492
– Han Lam Tong	(ii)	4,259	6,987
		8,254	18,479
Amounts due from			
– Han Lam Tong	(iii)	272	36
– Joint ventures	(iii)	1,928	1,875
– Controlling Shareholder	(iii)	579	550
		2,779	2,461
Trade and other payables			
Trade payable due to			
– The CR Pharma Group	(i)	78,223	–
– Han Lam Tong	(ii)	3,268	2,187
		81,491	2,187
Amounts due to			
– Joint ventures	(iii)	4,376	–

Note:

- (i) As at 30 June 2021, the balances with the CR Pharma Group are unsecured, interest-free and with a credit period of 30 to 120 days.
- (ii) As at 30 June 2021, the balances with the Han Lam Tong are unsecured, interest-free and repayable on demand.
- (iii) Balances were unsecured, interest-free and repayable on demand.

Notes to Interim Condensed Consolidated Financial Information

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23 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 14 May 2021, Key Zone Investment Inc. (“**Key Zone**”), a wholly-owned subsidiary of the Company, entered into a share purchase agreement with independent third parties to acquire 100% of the issued share capital of Fu Qing Chinese Medical Trading Pte. Limited (“**Fu Qing**”) at an aggregate consideration of Singapore dollars 1,680,000 (equivalent to HK\$9,700,000) (“**Acquisition of Fu Qing**”), subject to certain adjustments. Immediately after completion, Fu Qing shall become an indirect wholly-owned subsidiary of the Company and the accounts of Fu Qing shall be consolidated to the accounts of the Group. The Acquisition of Fu Qing has been completed on 3 August 2021. Goodwill arising from the Acquisition will be finalised upon completion of management’s assessment of the fair values of identifiable assets and liabilities of the Fu Qing as at the date of completion.