

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



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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. Cao Weiyong
Ms. Chong Yah Lien
Ms. Li Ka Wa Helen
Mr. Lau Ka On David

Independent non-executive Directors

Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa
Mr. Mak Chung Hong (also known as Mak Tommy Chung Hong)

AUDIT COMMITTEE

Ms. Chan Ka Lai Vanessa *(Chairwoman)*
Mr. Chung Siu Wah
Mr. Mak Chung Hong

REMUNERATION COMMITTEE

Mr. Mak Chung Hong *(Chairman)*
Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa

NOMINATION COMMITTEE

Mr. Chung Siu Wah *(Chairman)*
Ms. Chan Ka Lai Vanessa
Mr. Mak Chung Hong

CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Ka Chun Michael *(Chairman)*
Mr. Chung Siu Wah
Mr. Mak Chung Hong

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISER

LCH Lawyers LLP

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank
Standard Chartered Bank

COMPANY WEBSITE

www.tycoongroup.com.hk

STOCK CODE

3390

Financial Highlights

Six months ended 30 June

	2022 HK\$'000	2021 HK\$'000 As restated	Change
Revenue			
– E-commerce	296,331	231,116	28.2%
– Distribution	291,872	147,076	98.4%
– Others	–	2,468	-100.0%
Total	588,203	380,660	54.5%
Gross profit	128,385	60,349	112.7%
Gross profit margin (%)	21.8%	15.9%	
Profit/(loss) attributable to equity holders of the Company	22,472	(10,972)	-304.8%
Profit margin attributable to equity holders of the Company (%)	3.8%	N/A	
EBITDA (<i>Note</i>)	42,353	781	5,322.9%
EBITDA margin (%)	7.2%	0.2%	
Return on equity (%)	8.3%	N/A	

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000	Change
Total assets	922,709	881,463	4.7%
Total liabilities	650,686	620,201	4.9%
Total equity	272,023	261,262	4.1%

Note:

EBITDA is a non-HKFRS measure used by the management for monitoring the core business performance of the Group. EBITDA is calculated based on profit/(loss) for the period (1H2022: HK\$22,795,000; 1H2021: HK\$(10,198,000)) before interest (1H2022: HK\$4,054,000; 1H2021: HK\$3,025,000), tax expense (1H2022: HK\$6,642,000; 1H2021: HK\$317,000), depreciation and amortisation (1H2022: HK\$8,862,000; 1H2021: HK\$7,637,000), where “interest” is regarded as including finance income and finance costs.

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as 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’s 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**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**” or “**Tycoon Group**”) for the six months ended 30 June 2022 (“**Period**” or “**1H2022**”), together with the comparative figures for the corresponding period in 2021 (“**Last Period**” or “**1H2021**”).

Tycoon Group is a reputable omnichannel brand marketing and management service integrator of healthcare and well-being related products in Hong Kong. The Group specializes in providing one-stop services for Proprietary Chinese Medicine (PCM) and health supplement products, including brand agent, marketing, management, distribution, and sales. Through years of efforts, the Group has established a strong online and offline sales network in Hong Kong, Macau, and the People’s Republic of China (“**PRC**”). The Group has provided over 100 local and overseas brands, over 1,500 products to consumers and developed several popular and quality self-owned brands. As one of the market leaders, the Group has diversified its businesses to maintain competitive advantages in the market. The Group strives in bringing reputable and quality products to consumers through its online and offline dual-channel business model.

“Big Health” has become one of the national strategies and nine pillar industries, introducing a new round of development opportunities. The COVID-19 outbreak and the normalization of anti-epidemic measures lead to a rise of public awareness in healthcare. In 2020, the PRC government has issued many guidelines and specific instructions including but not limited to the Opinions on Promoting the Development on “Internet + Media Health” (《關於促進「互聯網+醫療健康」發展的意見》) to enhance the development of the “Big Health” industry (「大健康」產業), giving the industry a further boost. Meanwhile, the digitalisation of the “Big Health” industry is also accelerating, and technology is gradually changing the medical and health services in terms of circumstances, channels, and models. According to the Frost & Sullivan Report, the market scale of “Big Health” industry in China is expected to exceed RMB21 trillion by 2030 and maintain a rapid growth for a prolonged period. As one of the industry leaders in Hong Kong, the Group is expected to benefit from the support of national policies and maintain long-term rapid growth.

MARKET REVIEW

Looking back at the market performance in 2021, Hong Kong’s overall retail industry remained under pressure as COVID-19 still loomed over the globe. Hong Kong was at the height of the fifth wave of the epidemic in the first quarter of 2022, and the economy contracted by 4% year-on-year in real terms in the first quarter of 2022. As the epidemic eased in the second quarter of 2022, the Hong Kong SAR government has gradually relaxed its anti-epidemic policies, coupled with the launch of electronic consumption voucher scheme, which further stimulated consumer sentiment, and brought about a recovery in the overall retail market in Hong Kong. The Group expects that the retail market in Hong Kong will recover from its low. It is expected that in the second half of this year, with the epidemic in Hong Kong under control, social distancing measures being relaxed and the launch of the second round of the consumption voucher scheme, local consumption will recover in the next few months, driving the retail market to become strong. The Hong Kong SAR government will prudently relax social distancing measures in stages, increase vaccination rates and restart local activities. All these measures help boost consumer sentiment in the market. Once the normal traveller clearance with the Mainland China is resumed, tourists will come to Hong Kong for consumption and thus business expansion of the Group will be possible.

BUSINESS REVIEW

The Group mainly operates two major operating segments, namely e-commerce business and distribution business. The e-commerce business of the Group includes the operation of online stores and wholesale business to e-commerce clients, focusing on cross-border e-commerce selling to Mainland China. The distribution business of the Group mainly includes the distribution of consumer products to sizable chain retailers, non-chain retailers (mainly pharmacies) and traders in Hong Kong, Macau and Mainland China.

During the Period, the revenue of the Group increased by 54.5% to approximately HK\$588.2 million, as compared to HK\$380.7 million for the Last Period. The net profit of the Group is HK\$22.8 million (1H2021: loss of HK\$10.2 million). The successful turnaround from loss to profit is attributed to the increase in overall revenue and gross profit of the Group, and the effect of a significant decrease in the write-down of inventories.

In addition, the Group recorded a fair value loss of approximately HK\$4.6 million on its investment in JBM (Healthcare) Limited (“**JBM**”, stock code: 2161.hk) for the Period. Excluding the fair value loss on the investment in JBM, the Group recorded a net profit of HK\$27.4 million for the 1H2022.

E-commerce business

As COVID-19 epidemic persists, consumers have accustomed to consumption through online e-commerce platforms. The Group has taken the lead and has been actively expanding its online and offline dual-channel commerce strategy, as well as searching for more high-quality healthcare and well-being related products for consumers. The Group continued to leverage its advantages of omnichannel brand marketing with a mission to bring consumers a healthy and vibrant lifestyle. The growth in e-commerce business of the Group continued in 2022. For the Period, the revenue from e-commerce business of the Group increased by 28.2% to HK\$296.3 million as compared to HK\$231.1 million for the Last Period. The revenue from e-commerce business of the Group mainly derives from the cross-border e-commerce selling to Mainland China. It is believed that Mainland China consumers turned to online platforms for the purchase of reputable healthcare and anti-epidemic products as they were unable to visit Hong Kong through the Individual Visit Scheme (“**IVS**”). The Group will continue to actively expand its e-commerce business and explore the blue ocean market in Mainland China.

Distribution business

During the Period, the Group also actively sourced more overseas healthcare brands and optimised its product portfolio. As the epidemic eased in the second quarter of 2022, the Hong Kong SAR government has gradually relaxed its anti-epidemic policies, coupled with the launch of electronic consumption voucher scheme, which further stimulated the consumer sentiment, and brought about a boost in distribution business in Hong Kong. For the Period, the distribution business of the Group recorded a 2-fold increase to HK\$291.9 million, as compared to HK\$147.1 million for the Last Period.

Reviewing the Group's performance since the COVID-19 outbreak in 2020, it is proven that the Group taking the lead in developing cross-border e-commerce business and adopting an online and offline dual-channel drive strategy are in right direction and have achieved with results. On the one hand, it injected new momentum into the performance growth of the Group during the peak of the epidemic; on the other hand, once traveller clearance between Mainland China and Hong Kong has resumed normal, both the distribution business and e-commerce business will keep pace, boosting the Group's revenue and profits and making the dual-channel drive strategy into harvest.

Strategic collaborations with CR Pharma

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. The joint venture has commenced operation since the fourth quarter of 2021, leveraging on CR Pharma's sales network of more than 130,000 downstream customers and over 800 self-owned retail pharmacies across Mainland China to expand the distribution business and explore offline market in Mainland China for several renowned or century-old local PCM brand products.

In addition, the Group has entered into a strategic cooperation framework agreement last year with CR Pharma and Hong Kong Guobiao Inspection and Testing Co., Ltd to further the cooperation in various areas including the provision of integrated services for research and development and full commercial scale production of medicines in the Guangdong-Hong Kong-Macao Greater Bay Area (“**GBA**”), exploring the business opportunities in the GBA. The Group currently is assisting several century-old local PCM brands to apply for registration in preparation for the cross-border trade.

Omnichannel brand marketing and management services for brands

The Group actively develops the omnichannel brand marketing and management business which includes brand agent, promotion and marketing, management and distribution, providing one-stop services for brands as well as upgrading the Group's business chain and diversifying the Group's product portfolio and businesses. After obtaining of the sole distributorship in China for the global best-selling probiotic brand, Culturelle®, and the offline distributorship in China for Australia's leading hand cream brand, DU'IT, the Group has also successively obtained the exclusive distribution rights in Hong Kong for Japanese anti-hair loss and hair protection brand, Kaminowa, and France's leading baby washing care brand, Biolane, which is the best-selling baby washing care brand in France. For Biolane, the Group has also obtained the exclusive distribution rights in Singapore and Malaysia recently. In addition, the Group has set up a joint venture with a subsidiary of JBM in 2021 to develop own-brand products and jointly explore the healthcare product market. The own-brand “SEASONS (田心日辰)” and “Slimming Expert (修膈專家)” launched a number of healthcare products since 2021, and “SEASONS (田心日辰)” has launched 6 products in 2022 which are well received by consumers. As for sales channels in Mainland China, apart from the established cross-border e-commerce channels, the offline channel network of which the Group had laid the foundation in early years is strengthening. The Group is actively introducing more high-quality overseas healthcare brands to healthcare and beauty chain stores in Mainland China such as Mannings, Watsons, Olé, The Colorist, Sam's Club, PureH2B and Rainbow shopping mall etc.

International Strategies

In order to build a diversified sales network and enrich product portfolio, the Group continued to strengthen its overseas presence during the Period. In addition to its presence in Australia, Japan, Malaysia, Singapore, Macau and Thailand, the Group also established sourcing centres in France and South Korea this year. As an integrated provider of omnichannel brand marketing and management services, the Group will continue to source various high-quality healthcare and beauty products for local and Mainland China consumers so as to diversify the product portfolio and further internationalise the Group's businesses.

FUTURE OUTLOOK

In recent years, the PRC has promulgated a number of favourable policies for the "Big Health" industry in the GBA, creating huge business opportunities for the industry. In April this year, the PRC central government promulgated the "14th Five-Year Plan for the Development of Traditional Chinese Medicine" (《「十四五」中醫藥發展規劃》), proposing development goals such as significant enhancement in the capacity of traditional Chinese medicine healthcare services, and further improvement in the high-quality development policies and system of traditional Chinese medicine by 2025.

The plan proposed 15 main indicators on various areas including traditional Chinese medicine service system, talent resources, heritage and innovation, industry, culture, openness and development, and governance. For example, the plan proposed a ratio of 0.85 bed in public Chinese medicine hospitals per thousand population and a ratio of 0.62 Chinese medicine professional (assistant) physician per thousand population. In order to cater to the public healthcare needs in the new era, it is proposed that 100% of the tertiary public traditional Chinese medicine hospitals and integrated traditional Chinese medicine and western medicine hospitals (excluding traditional Chinese medicine specialist hospitals) should set up fever clinics. The plan takes the key areas of traditional Chinese medicine development into account, such as medical treatment, education, research, industry, culture, and international cooperation etc, and sets many goals, showing that the PRC places heavy emphasis on the traditional Chinese medicine industry. It is believed that the favourable policies of the PRC will be beneficial for the medium and long-term development of the industry, as well as the future business expansion of the Group.

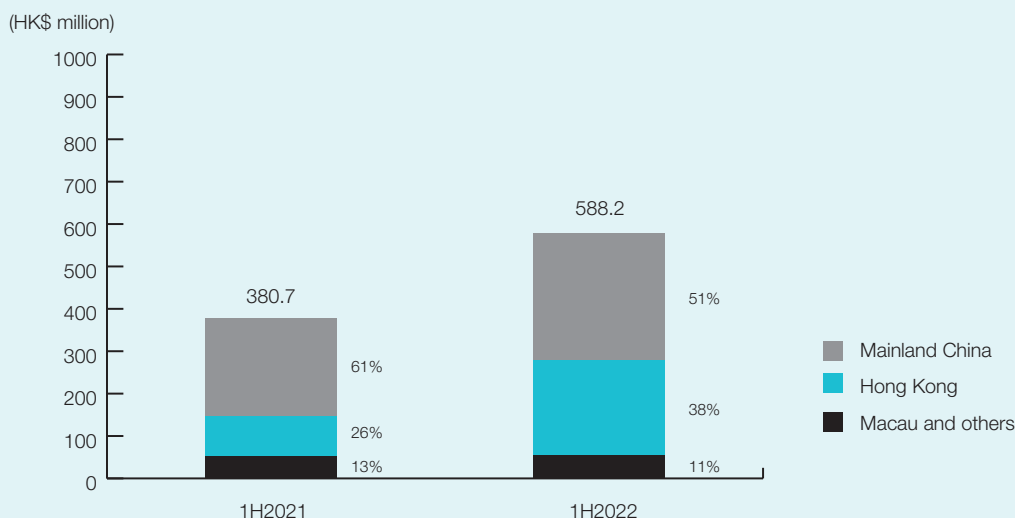
On the market side, despite the severe impact of the COVID-19 pandemic on the retail and distribution markets, the Group remains optimistic about the future outlook of the healthcare industry. Despite that (i) the travel restrictions and social distancing measures are still in place, (ii) the travel restriction between Mainland China and Hong Kong have not yet been fully lifted, and (iii) the number of mainland IVS travellers visiting Hong Kong remains at a low level yet slowly recovers, with the orderly relaxation of social distancing measures, local consumers have increased their spending, which has also led to a gradual recovery of the economy. At the beginning of July this year, in order to resume border-crossing with the mainland as soon as possible, Macau implemented the Zero-COVID policy and adopted strong and pragmatic measures. While the market in Macau remained "relatively static", the Macau SAR government announced an additional budget of MOP\$ 10 billion to fight the epidemic and provide inclusive financial assistance to people affected by the current wave of the epidemic in Macau. Once all epidemic prevention restrictions are lifted and the normal traveller clearance between Mainland China and Macau is resumed, the Group will benefit from the rapid recovery in the distribution business in Macau.

On the other hand, governments around the world are working together to fight COVID-19, and remarkable progress in vaccination has been made in many countries. Countries around the world reopened their borders in July this year, for example, inbound travellers can enter Thailand with a recognized vaccination certificate or an RT-PCR test within 72 hours before departure; South Korea requires K-ETA application 72 hours before entry and has no vaccination and test requirements; and European and American countries do not require vaccination records for entry. The reopening of the global tourism is believed to contribute to the steady growth of business. The PRC made major adjustments to its epidemic prevention policy in June 2022, adjusting the entry quarantine period from “14 days of centralized isolation medical observation + 7 days of home health monitoring” to “7 days of centralized isolation medical observation + 3 days of home health monitoring”, which means a total of 10 days of quarantine. It shows that the PRC is also paving its way to reopening of borders. If the Hong Kong SAR government follows suit and allows entry of non-Hong Kong residents, the number of arrivals will be increased significantly. If the quarantine time is further shortened, it will further help the recovery of the number of tourists visiting Hong Kong. The shortening of quarantine period for entry in Mainland China has contributed to help recovery of the retail industry, which is expected to boost the growth of revenue of the Group. Currently, the Hong Kong SAR government and Beijing are discussing the resumption of normal traveller clearance between Mainland China and Hong Kong. Limited test-free traveller clearance is likely to resume, and Hong Kong tourists entering Mainland China are not required to be quarantined. With the combined efforts around the world, COVID-19 crisis will eventually pass, and normal traveller clearance between Mainland China and Hong Kong will hopefully be resumed in the second half of this year or in the beginning of next year. The Group is cautiously optimistic about the future business prospects.

The Group fortified its positioning as an omnichannel brand marketing and management service integrator of healthcare and well-being related products after listing. The Group possesses great growth potential as its e-commerce business will continue to be a strong advantage and it has developed the offline distribution business in the GBA, plus normal traveller clearance of Mainland China and Hong Kong will hopefully be resumed soon. In the past few years, management of the Group has been working hard to diversify the Group’s businesses despite the impact of the epidemic. Apart from strengthening the business chain, the Group continued to develop its online and offline dual-channel distribution model, driving the growth of the Group and gradually entering the harvest period. In the future, the management will continue to take a prudent yet proactive attitude and explore different opportunities for collaborations. The management will continue to monitor and adapt to the market situation, maximizing the return for shareholders and reaping success in the future.

FINANCIAL REVIEW

Revenue



Geographical markets	Revenue		Change
	1H2022 HK\$ million	1H2021 HK\$ million	
Mainland China	300.9	230.5	△30.6%
Hong Kong	223.0	98.4	△126.6%
Macau	54.2	51.2	△5.8%
Others	10.1	0.6	△1,745.6%
Total	588.2	380.7	△54.5%

- The Group's total revenue for the Period was up by 54.5% to HK\$588.2 million (Last Period: HK\$380.7 million).
- During the Period, revenue from Mainland China increased by 30.6% to HK\$300.9 million (Last Period: HK\$230.5 million), as a result of continuous efforts in the development and expansion of e-commerce sales in Mainland China.
- In Hong Kong, revenue for the Period jumped by 126.6% to HK\$223.0 million (Last Period: HK\$98.4 million) as there is a significant increase in the distribution sale as we optimised our product portfolio.
- In Macau, revenue for the Period increased stably by 5.8% to HK\$54.2 million (Last Period: HK\$51.2 million).
- In other markets such as Singapore, revenue for the Period increased by 1,745.6% to HK\$10.1 million (Last Period: HK\$0.6 million) as a result of the acquisition of Fu Qing Chinese Medical Trading Pte. Limited in August 2021.

Profitability

The gross profit of the Group increased by 112.7% to HK\$128.4 million for the Period as compared to that of HK\$60.3 million for the Last Period, and the gross profit margin increased by 5.9 percentage points to 21.8%. Increase in gross profit and gross profit margin was primarily due to (i) the expansion of the Group's total revenue; (ii) the improvement in the gross profit margin of certain products; and (iii) the decrease in write-down of inventories from HK\$11.1 million in Last Period to HK\$2.2 million in the Period.

The Group had written down inventories of HK\$11.1 million in general and administrative expenses for the six months ended 30 June 2021. An adjustment is made to reclassify write-down of inventories from general and administrative expenses to cost of sales. As a result, the gross profit of HK\$71.5 million for the six months ended 30 June 2021 as previously stated in the interim condensed consolidated statement of profit or loss and other comprehensive income have been restated to HK\$60.3 million. For details of the re-classification, please refer to note 2.2 of the notes to the interim condensed consolidated information of the Group for the six months ended 30 June 2022 contained in this Interim Report.

Selling and distribution expenses of the Group for the Period increased by 11.9% to HK\$52.8 million, as compared to HK\$47.2 million for the Last Period because the increase in e-commerce sales entails an increase in website service fee and certain marketing fee.

General and administrative expenses of the Group for the Period increased by 22.5% to HK\$35.8 million, as compared to HK\$29.2 million for the Last Period which was mainly due to the increase in staff costs, donation, depreciation and amortisation, and share-based payment expense.

Finance costs of the Group for the Period increased by 33.9% to HK\$4.1 million as compared to HK\$3.0 million for the Last Period due to the increase in interest-bearing bank borrowings and the general increase in interest rate.

Other losses and income/gains, net

Other losses of the Group for the Period was HK\$3.5 million (Last Period: other income and gains of HK\$10.7 million) which was mainly composed of the fair value loss or gain on the investment in JBM as at the period end due to its fluctuation in share price.

Profit/loss attributable to shareholders

The profit attributable to shareholders of the Company for the Period was HK\$22.5 million as compared to a loss of HK\$11.0 million for the Last Period. The turnaround in results for 1H2022 is primarily due to (i) an increase in revenue and gross profit; and (ii) a significant decrease in write-down of inventories, which is partly offset with the increase in overall selling and distribution expenses, general and administrative expenses, and finance costs as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group has funded the liquidity and capital requirements primarily through bank borrowings, 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 2022, the Group had cash and cash equivalents of approximately HK\$96.6 million (31 December 2021: HK\$71.6 million), which were mainly denominated in Hong Kong dollars and Chinese Renminbi. The gearing ratio (defined as net debt divided by total equity plus net debt, where net debt includes interest-bearing bank borrowings, loan from a shareholder, lease liabilities less cash and cash equivalents) of the Group as at 30 June 2022 was 41.6% (31 December 2021: 39.4%). The increase was mainly due to the increase in invoice financing during the Period.

CAPITAL STRUCTURE

As at 30 June 2022, the borrowings included secured interest-bearing bank borrowings of approximately HK\$143.3 million (31 December 2021: HK\$140.0 million), unsecured interest-bearing bank borrowings of approximately HK\$83.6 million (31 December 2021: HK\$39.0 million) and loan from a shareholder with maturity date on 30 September 2022 of approximately HK\$50 million (31 December 2021: HK\$50 million). Except for the Group's interest-bearing bank borrowings of HK\$9.8 million (31 December 2021: HK\$10.3 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.

Maturity analysis of bank borrowings of the Group as at 30 June 2022 and 31 December 2021 is as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Within one year	184,385	137,835
In the second year	7,114	7,020
In the third to fifth years, inclusive	23,974	22,756
Beyond five years	11,473	11,349
	226,946	178,960

As at 30 June 2022, 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 Chinese 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 2022, (i) certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK\$54.6 million (31 December 2021: HK\$55.9 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 INVESTMENT 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

On 1 April 2022, Key Zone Investment Inc., a wholly-owned subsidiary of the Company as purchaser ("**Purchaser**"), entered into a sale and purchase agreement ("**Sale and Purchase Agreement**") with Mr. Kan Chi Kit as vendor ("**Vendor**") pursuant to which the Purchaser has purchased and the Vendor has sold, a quota ("**Acquisition**") representing the remaining 20% of the issued share capital of Jefferine Macau Limited (傑飛澳門有限公司) ("**Jefferine**"), a company then owned as to 80% by the Group. Completion of the Acquisition took place immediately upon the signing of the Sale and Purchase Agreement, whereby Jefferine became a wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 1 April 2022.

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.

SIGNIFICANT INVESTMENT HELD

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

CAPITAL COMMITMENT

As at 30 June 2022, the Group had no material capital commitment (31 December 2021: Nil).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: 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 the 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.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

200,000,000 ordinary shares of the Company 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 Amended Pre-IPO Shareholders Agreement.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 174 employees in Hong Kong, Mainland China, Macau, Singapore, Malaysia, Australia, Japan and Thailand (30 June 2021: 178). During the Period, the total staff costs incurred was approximately HK\$27.8 million (Last Period: HK\$25.6 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 a 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**").

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 as at 30 June 2022:

Use of proceeds	Adjusted on a pro rata basis based on the actual Net IPO Proceeds (HK\$ million)	Percentage of total Net IPO Proceeds	Actual use of the Net IPO Proceeds from the Listing Date to 30 June 2022 (HK\$ million)	Unutilised Net IPO Proceeds as at 30 June 2022 (HK\$ million)	Expected timeline of utilising the unutilised Net IPO Proceeds
Further developing supply chain and retail management	66.6	30%	58.5	8.1	On or before 31 December 2022
Further investing in brand management to increase mass awareness of the group and its products	33.8	15%	33.8	–	
Repaying loans	101.6	45%	101.6	–	
General working capital	22.5	10%	22.5	–	
Total	224.5	100%	216.4	8.1	

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.

ADOPTION OF NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

In order to be in line with the latest legal and regulatory requirements, including (i) the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and (ii) the amendments made to Appendix 3 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), which took effect on 1 January 2022, introducing a common set of core shareholder protection standards applicable to all listed issuers in Hong Kong, the Board has put forward to the shareholders of the Company a special resolution to adopt a new memorandum and articles of association of the Company (“**New M&A**”) in substitution for, and to the exclusion of, the existing constitution of the Company (“**Existing M&A**”). On 25 May 2022, a special resolution for adopting the New M&A in substitution for and to the exclusion of the Existing M&A was passed by the shareholders of the Company at the 2022 annual general meeting of the Company.

For details of the New M&A, please refer to the announcements of the Company dated 21 April 2022 and 25 May 2022 and the circular of the Company dated 22 April 2022.

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 C.2.1 of the CG code.

Under the code provision C.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 Group 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.

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.

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 OF DIRECTORS

The change of the Directors during the Period and up to the date of this Interim Report is set out below:

- Mr. Yao Qingqi resigned as a non-executive Director with effect from 18 July 2022.
- Mr. Cao Weiyong has been appointed as a non-executive Director with effect from 18 July 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, 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%

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. 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 2022, 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 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) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 30 June 2022, 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)	56.01%
		200,000,000(S)	25.00%
Ngai Sze Kei ^{(2), (3)}	Interest of spouse	448,096,326(L)	56.01%
		200,000,000(S)	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%

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. 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 (form 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 43.98% 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 2022, 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.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Neither the Company nor any of its holding companies was a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the Period and up to the date of this Interim Report.

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.

Since its adoption and up to 30 June 2022, no option has been granted or agreed to be granted under the Share Option Scheme. Therefore, no options were exercised or cancelled or lapsed during the Period and there were no outstanding options under the Share Option Scheme as at 30 June 2022. 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.

As at 30 June 2022, a total of 10,348,000 awarded shares had been granted, pending vesting, under the Share Award Scheme to the employees of the Group (none of them are Directors or connected persons of the Company) and out of which, 1,474,000 awarded shares have been forfeited. The vesting period of such awarded shares ended or will end on a date falling between 1 April 2022 to 1 April 2026.

For details of the movement in the number of outstanding awarded shares, please refer to Note 19(b) to the interim condensed consolidated financial information of the Company.

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 (chairwoman), Mr. Chung Siu Wah and Mr. Mak Chung Hong. 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.

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

For the six months ended 30 June 2022

	Notes	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
			As restated (Note 2.2)
Revenue	7	588,203	380,660
Cost of sales	8	(459,818)	(320,311)
Gross profit		128,385	60,349
Other (losses) and income/gains, net	7	(3,491)	10,691
Selling and distribution expenses	8	(52,766)	(47,166)
General and administrative expenses	8	(35,784)	(29,213)
Operating profit/(loss)		36,344	(5,339)
Finance costs		(4,057)	(3,029)
Share of results of investments accounted for using the equity method		(2,850)	(1,513)
Profit/(loss) before income tax		29,437	(9,881)
Income tax expense	9	(6,642)	(317)
Profit/(loss) for the period		22,795	(10,198)
Other comprehensive (loss)/income			
<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		(2,359)	32
Total comprehensive profit/(loss) for the period		20,436	(10,166)
Profit/(loss) attributable to:			
Equity holders of the Company		22,472	(10,972)
Non-controlling interests		323	774
		22,795	(10,198)

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2022

	Notes	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
			As restated (Note 2.2)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		20,113	(10,940)
Non-controlling interests		323	774
		20,436	(10,166)
Earnings/(loss) per share attributable to equity holders of the company			
Basic and diluted (HK cents per share)	10	3	(1)

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

As at 30 June 2022

		Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Non-current assets			
Property, plant and equipment	12	62,654	65,673
Right-of-use assets	13	12,728	9,389
Intangible assets		39,393	40,122
Investments accounted for using the equity method	14	34,050	36,900
Prepayments and deposits		1,056	1,145
Financial assets at fair value through profit or loss		18,565	23,633
Deferred income tax assets		5,778	11,897
Other non-current asset		8,159	–
Total non-current assets		182,383	188,759
Current assets			
Inventories		327,914	303,214
Prepayments, deposits and other receivables		115,255	108,333
Amounts due from related parties	22	7,523	4,561
Trade receivables	15	193,061	204,971
Cash and cash equivalents		96,573	71,625
Total current assets		740,326	692,704
Total assets		922,709	881,463
Non-current liabilities			
Lease liabilities	13	3,787	3,618
Deferred income tax liabilities		1,266	1,379
Other payable		8,360	–
Total non-current liabilities		13,413	4,997

Interim Condensed Consolidated Statement of Financial Position
As at 30 June 2022

	<i>Notes</i>	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Current liabilities			
Trade payables	16	285,330	306,637
Other payables and accruals		63,759	71,992
Bank borrowings	17	226,946	178,960
Loan from a shareholder		50,000	50,000
Amounts due to related parties	22	8	8
Lease liabilities	13	9,490	6,503
Current tax liabilities		1,740	1,104
Total current liabilities		637,273	615,204
Total liabilities		650,686	620,201
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	8,000	8,000
Reserves		264,060	249,918
		272,060	257,918
Non-controlling interests		(37)	3,344
Total equity		272,023	261,262
Total equity and liabilities		922,709	881,463

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 2022

	Unaudited Attributable to equity holders of the Company											
	Share capital	Share premium account	Merge reserve	Other reserve	Share held under share award plan	Share-based payment reserve	Statutory 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	HK\$'000	HK\$'000
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 profit/(loss) 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
Balance at 1 January 2022	8,000	230,967	(80)	-	(23,824)	4,126	278	173	38,278	257,918	3,344	261,262
Profit for the period	-	-	-	-	-	-	-	-	22,472	22,472	323	22,795
Other comprehensive loss:												
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	-	(2,359)	-	(2,359)	-	(2,359)
Total comprehensive (loss)/profit for the period	-	-	-	-	-	-	-	(2,359)	22,472	20,113	323	20,436
Transactions with owners in their capacity as owners:												
Acquisition of non-controlling interests of a subsidiary	-	-	-	(8,065)	-	-	-	-	-	(8,065)	(1,762)	(9,827)
Dividends paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,942)	(1,942)
Vesting of shares under share award scheme	-	-	-	-	-	2,094	-	-	-	2,094	-	2,094
Vested of shares under share award scheme	-	-	-	425	1,297	(1,722)	-	-	-	-	-	-
Balance at 30 June 2022	8,000	230,967	(80)	(7,640)	(22,527)	4,498	278	(2,186)	60,750	272,060	(37)	272,023

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 2022

	Unaudited	
	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities		
Income taxes paid	(227)	11,497
	-	(12,698)
Net cash used in operating activities	(227)	(1,201)
Cash flows from investing activities		
Purchase of property, plant and equipment	(242)	(872)
Proceeds from disposal of property, plant and equipment	-	200
Investment in a joint venture	-	(8)
Interest received	3	4
Acquisition of a subsidiary	-	(26,440)
Addition of a non-current asset	(8,159)	-
Net cash used in investing activities	(8,398)	(27,116)
Cash flows from financing activities		
Interest paid	(4,057)	(2,761)
Acquisition of non-controlling interests of a subsidiary	(1,000)	-
Dividends paid to non-controlling interests of a subsidiary	(1,942)	-
Proceeds from bank borrowings	158,219	104,171
Repayment of bank borrowings	(110,250)	(82,627)
Principal elements of lease payments	(5,335)	(5,065)
Proceeds from loan from a shareholder	50,000	-
Repayment of loan from a shareholder	(50,000)	-
Net cash generated from financing activities	35,635	13,718
Net increase/(decrease) in cash and cash equivalents	27,010	(14,599)
Cash and cash equivalents at beginning of the period	71,625	119,344
Effects of exchange rate changes on cash and cash equivalents	(2,062)	(228)
Cash and cash equivalents at end of the period	96,573	104,517

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

1 GENERAL INFORMATION

Tycoon Group Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is an exempted company incorporated in the Cayman Islands with limited liability on 14 June 2017. The registered office of the Company is situated at 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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) by way of global offering (“**Global Offering**”) since 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 30 August 2022.

This interim condensed consolidated financial information are unaudited and have been reviewed by the audit committee of the Board and approved for issue by the Board on 30 August 2022.

2 BASIS OF PREPARATION

2.1 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 2022 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.2 RECLASSIFICATION OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Group had written down inventories of HK\$11,140,000 in general and administrative expenses for the six months ended 30 June 2021. An adjustment is made to reclassify write-down of inventories from general and administrative expenses to cost of sales with reference to HKAS 1 and HKAS 2. Hence, the cost of sales of HK\$309,171,000 and general and administrative expenses of HK\$40,353,000 for the six months ended 30 June 2021 as previously stated in the interim condensed consolidated statement of profit or loss and other comprehensive income have been restated to HK\$320,311,000 and HK\$29,213,000, respectively. As a result, the gross profit of HK\$71,489,000 for the six months ended 30 June 2021 as previously stated in the interim condensed consolidated statement of profit or loss and other comprehensive income have been restated to HK\$60,349,000. The above reclassification has no impact on the loss of HK\$10,166,000 on the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months then ended 30 June 2021.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021, as described in the annual consolidated financial statements, except for the estimation of income tax, the adoption of new and amended standards and the accounting policies related to investment in an insurance contract 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.

(a) 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.

(b) 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.

(c) Investment in an insurance contract

The management life insurance contract of the Group includes both investment and insurance elements. The investment in an insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract (cash surrender value) at the end of each reporting period, with changes in value being recognised in profit or loss. The investment in an insurance contract is included in non-current asset in the interim condensed consolidated statement of financial position.

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 2021.

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 2021.

Compared to the year ended 31 December 2021, 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 2021.

5 FINANCIAL RISK MANAGEMENT (continued)

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).

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2022.

	Unaudited			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through profit or loss				
– Listed securities	16,000	–	–	16,000
– Contingent consideration receivables	–	–	2,565	2,565
Total	16,000	–	2,565	18,565

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 31 December 2021.

	Audited			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through profit or loss				
– Listed securities	20,600	–	–	20,600
– Contingent consideration receivables	–	–	2,565	2,565
– Call option	–	–	468	468
Total	20,600	–	3,033	23,633

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 2022:

	Contingent consideration receivables (Note a) HK\$'000	Call option (Note b) HK\$'000
Balance at 1 January 2022	2,565	468
Terminated	–	(468)
Balance at 30 June 2022	2,565	–

Note:

- (a) The contingent consideration receivables represent the amount that the Group is entitled to receive from the former owner of Jefferine Macau Limited (“Jefferine”), 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.

5 FINANCIAL RISK MANAGEMENT (continued)

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

Note: (continued)

- (b) The call option represents a right to purchase the remaining 20% of the equity interest in Jefferine, at a purchase price of HK\$9,360,000. Pursuant to the original agreement, the exercise period of this option should commence from the day that the audited financial statements of Jefferine for the year ending 31 December 2022 are made available to the Group and up to 31 December 2023. On 1 April 2022, the Group negotiated and agreed with the former owner of Jefferine to terminate the call option and to enter into a sales and purchase agreement to acquire the remaining equity interest at the same purchase price. Jefferine became a wholly owned subsidiary of the Group thereafter.

As a result of this transaction, the Group recognised a decrease in non-controlling interests of HK\$1,762,000 and a debit of HK\$8,065,000 in the interim condensed consolidated statement of changes in equity. HK\$1,000,000 of the purchase price was settled during the period and the remaining balance of HK\$8,360,000 would be settled by 31 December 2023. The outstanding balance was recognised as an other payable in the interim condensed consolidated statement of financial position as at 30 June 2022.

Specific valuation techniques used to value level 3 financial instruments include techniques such as Monte Carlo simulation model. There are no changes in valuation techniques during the period (six months ended 30 June 2021: 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.

The fair values of the contingent consideration receivable as at 30 June 2022 and 31 December 2021 were estimated, using a Monte Carlo simulation model, taking into account the following key significant unobservable inputs:

Description	Valuation technique	Unobservable inputs*	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Contingent consideration receivables	Monte Carlo Simulation	Cost of equity	27% (31 December 2021: 27%)	Increase/decrease in cost of equity would result in increase/decrease in fair value
		Expected volatility	29% (31 December 2021: 29%)	Increase/decrease in expected volatility would result in increase/decrease in fair value
		Related equity value (HK\$'000)	HK\$46,904 (31 December 2021: HK\$46,904)	Increase/decrease in equity value would result in decrease/increase in fair value

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
- Lease liabilities

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

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, fair value (loss)/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 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, 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.

6 SEGMENT INFORMATION (continued)

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

	Six months ended 30 June (Unaudited)							
	E-commerce		Distribution		Others		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue from external customers	296,331	231,116	291,872	147,076	-	2,468	588,203	380,660
Inter-segment revenue	-	-	98,110	26,580	-	-	98,110	26,580
Reportable segment revenue	296,331	231,116	389,982	173,656	-	2,468	686,313	407,240
Reportable segment results	14,071	7,746	34,594	(15,011)	-	(1,006)	48,665	(8,271)
Share of results of investments accounted for using the equity method							(2,850)	(1,513)
Gain on disposal of property, plant and equipment							-	200
Fair value (loss)/gain on financial assets at fair value through profit or loss							(4,600)	9,401
Foreign exchange differences, net							95	(1,025)
Finance income							3	4
Finance cost							(3,785)	(2,684)
Corporate and other unallocated expenses							(8,091)	(5,993)
Profit/(loss) before income tax							29,437	(9,881)
Income tax expense							(6,642)	(317)
Profit/(loss) for the period							22,795	(10,198)

6 SEGMENT INFORMATION (continued)

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

	E-commerce		Distribution		Others		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
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	418,966	385,429	322,878	318,829	-	307	741,844	704,565
Investments accounted for using the equity method							34,050	36,900
Financial assets at fair value through profit or loss							18,565	23,633
Deferred income tax assets							5,778	11,897
Amounts due from related parties							7,523	4,561
Cash and cash equivalents							96,573	71,625
Corporate and other unallocated assets							18,376	28,282
Total							922,709	881,463
Segment liabilities	(228,324)	(215,525)	(130,464)	(135,496)	-	(162)	(358,788)	(351,183)
Deferred income tax liabilities							(1,266)	(1,379)
Bank borrowings							(226,946)	(178,960)
Loan from a shareholder							(50,000)	(50,000)
Amounts due to related parties							(8)	(8)
Current tax liabilities							(1,740)	(1,104)
Corporate and other unallocated liabilities							(11,938)	(37,567)
Total							(650,686)	(620,201)

6 SEGMENT INFORMATION (continued)

	Six months ended 30 June (Unaudited)				Total HK\$'000
	E-commerce HK\$'000	Distribution HK\$'000	Others HK\$'000	Unallocated HK\$'000	
2022					
Other segment information					
Depreciation of property, plant and equipment	781	2,126	-	73	2,980
Depreciation of right-of-use assets	2,582	2,123	-	448	5,153
Amortisation of intangible assets	-	729	-	-	729
Addition to non-current assets	1,598	6,977	-	8,317	16,892
2021					
Other segment information					
Depreciation of property, plant and equipment	209	2,023	14	29	2,275
Depreciation of right-of-use assets	1,406	3,000	-	472	4,878
Amortisation of intangible assets	-	484	-	-	484
Addition to non-current assets	662	1,515	-	1,663	3,840

7 REVENUE, OTHER (LOSSES) AND INCOME/GAINS, NET

Revenue, other (losses) and income/gains, net recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue		
Sale of goods	588,203	380,660
Disaggregated revenue information		
Geographical markets		
Mainland China	300,909	230,493
Hong Kong	222,951	98,391
Macau	54,192	51,226
Singapore	10,032	477
Others	119	73
Timing of revenue recognition		
Goods transferred at a point of time	588,203	380,660
Other (losses) and income/gains, net		
Fair value (loss)/gain on financial assets at fair value through profit or loss	(4,600)	9,401
Gain on disposal of property, plant and equipment	–	200
Loss on disposal of subsidiaries	(8)	–
Government subsidies (<i>Note</i>)	565	230
Others	552	860
	(3,491)	10,691

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.

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	
	2022	2021
	HK\$'000	HK\$'000
		As restated (Note 2.2)
Cost of inventories sold	457,570	309,171
Written-down of inventories (<i>Note</i>)	2,248	11,140
Depreciation of property, plant and equipment	2,980	2,275
Depreciation of right-of-use assets	5,153	4,878
Amortisation of intangible assets	729	484
Employee benefit expenses	27,841	25,608
Share-based payment expense	2,094	1,479
Expenses under short-term leases	1,151	2,008
Service expenses paid to a related party	10,315	2,755
Advertising fee	12,394	15,471

Note:

During the six months ended 30 June 2022, 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\$2,248,000 (six month ended 30 June 2021: HK\$11,140,000) of inventories 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

Hong Kong profits tax has been provided at 16.5% (six months ended 30 June 2021: 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	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong	–	–
Current tax – Macau	637	433
Deferred tax	6,005	(116)
Total income tax expense for the period	6,642	317

10 EARNINGS/(LOSS) PER SHARE

Basic

Basic earnings/(loss) per share is calculated by dividing the earnings/(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	
	2022	2021
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	22,472	(10,972)
Weighted average number of ordinary shares in issue (in thousands)	780,548	780,000
Basic earnings/(loss) per share (HK cents)	3	(1)

10 EARNINGS/(LOSS) PER SHARE (continued)

Diluted

Diluted earnings/(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 2022, the calculation of diluted earnings/(loss) per share was based on the profit attributable to equity holders of the Company and the adjusted weighted average number of ordinary shares outstanding assuming the conversion of all potentially dilutive ordinary shares, which was calculated as follows:

	Unaudited Six months ended 30 June 2022
Profit attributable to the equity holders of the Company (HK\$'000)	22,472
Weighted average number of ordinary shares in issue (thousand shares)	780,548
Adjustment for share awards (thousand shares)	2,213
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	782,761
Diluted earnings per share attributable to the equity holders of the Company (HK cents per share)	3

For the six months ended 30 June 2021, the diluted loss per share was the 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 2022 (six months ended 30 June 2021: Nil).

12 PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2022 HK\$'000	Unaudited As at 30 June 2021 HK\$'000
Net book value as at 1 January	65,673	63,271
Addition	242	872
Depreciation	(2,980)	(2,275)
Exchange differences	(281)	22
Net book value as at 30 June	62,654	61,890

At 30 June 2022, certain of the Group's property, plant and equipment with a net carrying values of approximately HK\$54,566,000 (31 December 2021: HK\$55,851,000), were pledged to secure bank loans of the Group (Note 17).

13 LEASES

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Right-of-use assets		
Properties	12,728	9,389
Lease liabilities		
Non-current	3,787	3,618
Current	9,490	6,503
	13,277	10,121

During the six months ended 30 June 2022, the additions to right-of-use assets amounted to HK\$8,492,000 (six months ended 30 June 2021: HK\$2,968,000) and the depreciation expense incurred for the period amounted to HK\$5,153,000 (six months ended 30 June 2021: HK\$4,878,000).

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 30 June 2022, 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 2021: same).

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 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Trade receivables	182,647	190,392
Amounts due from related parties	10,414	14,579
Total	193,061	204,971

The Group's credit terms to trade debtors range generally from 30 to 105 days. As at 30 June 2022 and 31 December 2021, 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 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Trade receivables		
Within 90 days	125,401	172,629
91 to 180 days	50,774	25,912
Over 180 days	16,886	6,430
Total	193,061	204,971

16 TRADE PAYABLES

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Trade payables	140,418	115,742
Amounts due to related parties	144,912	190,895
Total	285,330	306,637

As at 30 June 2022 and 31 December 2021, 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 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Within 30 days	76,869	60,543
31 to 60 days	57,286	88,264
61 to 120 days	89,888	112,385
Over 120 days	61,287	45,445
Total	285,330	306,637

17 BANK BORROWINGS

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Current:		
Bank borrowings – Secured	87,648	98,097
Invoice financing loans – Secured	55,648	41,863
Invoice financing loans – Unsecured	44,650	–
Bank borrowings – Unsecured	39,000	39,000
Total	226,946	178,960

18 SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:		
At 31 December 2021, 1 January 2022 and 30 June 2022	10,000,000,000	100,000
Issued and fully paid:		
At 31 December 2021, 1 January 2022 and 30 June 2022	800,000,000	8,000

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.

19 SHARE-BASED SCHEME (continued)

(a) Share option scheme (continued)

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 (i.e. 80,000,000 shares). 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.

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.

19 SHARE-BASED SCHEME (continued)

(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.

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.

19 SHARE-BASED SCHEME (continued)

(b) Share award scheme (continued)

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. No shares were purchased by the Group on the Stock Exchange during the six months ended 30 June 2022.

During six months ended 30 June 2021, 10,348,000 awarded shares have been granted to the selected grantees under the Share Award Scheme, subject to vesting. No awarded shares have been granted under the Share Award Scheme during the six months ended 30 June 2022.

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

	2022 Share awards (thousands)	2021 Share awards (thousands)
At 1 January	9,364	–
Granted	–	10,348
Vested	(1,090)	–
Forfeited	(490)	–
At 30 June	7,784	10,348

The share awards will be vested to the selected grantees during the vesting periods up to five years. For the six months ended 30 June 2022, the weighted average fair value of share awards granted was HK\$1.58 (six months ended 30 June 2021: HK\$1.58). The fair value is the same with the closing share price of the Company quoted on the Stock Exchange on the date of grant.

1,090,000 awarded shares were vested during the six months ended 30 June 2022. During the six months ended 30 June 2022, share-based payment expense of HK\$2,094,000 (six months ended 30 June 2021: HK\$1,479,000) was recognised in the interim condensed consolidated profit or loss and other comprehensive income and was credited to equity.

20 CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no contingent liabilities (31 December 2021: 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 2022 (31 December 2021: Nil).

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	
	2022	2021
	HK\$'000	HK\$'000
Sale of products:		
– Hong Kong Han Lam Tong Medicine Limited (“ Han Lam Tong ”) (note (i))	10,357	17,733
– China Resources Pharmaceutical Group Limited (“ CR Pharma ”) and its subsidiaries (together, the “ CR Pharma Group ”) (note (ii))	2,742	8,714
Purchase of products:		
– The CR Limited Group (note (ii))	145,180	80,992
– Han Lam Tong (note (i))	8,337	6,782
Service expenses:		
– JMM Healthcare Limited (“ JMM ”) (note (iii))	10,315	2,755
Services income:		
– JMM (note (iv))	226	949
Payment made on behalf of:		
– Han Lam Tong (note (v))	47	238
– JMM (note (v))	19	1,720
– Fancy Summit and its subsidiaries (note (v))	24	30

22 RELATED PARTIES TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

During the period ended 30 June 2022, 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 at the time when the lease agreement was entered into. Right-of-use assets of HK\$5,060,000 (31 December 2021: HK\$223,000) and lease liabilities of HK\$5,099,000 (31 December 2021: HK\$227,000) in respect to the leases were recognised in the interim condensed consolidated statement of financial position as at 30 June 2022.

During the period ended 30 June 2022, depreciation of right-of-use assets of HK\$1,687,000 (six months ended 30 June 2021: HK\$1,623,000) and interest expense on the lease liabilities of HK\$89,000 (six months ended 30 June 2021: HK\$61,000) was charged to the interim condensed consolidated statement of profit or loss and other comprehensive income.

Notes:

- (i) The sales to and purchase from Han Lam Tong, a wholly-owned subsidiary of HNH, an associate of the Company, were made at a mutually agreed price.
- (ii) Sales to and purchase from CR Pharma Group, a shareholder of the Company, were transacted pursuant to terms and conditions set out in the master agreement entered into by the Company and CR Pharma on 8 February 2021. These transactions were continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements under Chapter 14A of the Listing Rules during the period under review in respect of these transactions.
- (iii) Service expenses 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.
- (iv) Service income from JMM was charged at a rate mutually agreed between the two parties.
- (v) The amounts represent expenses paid on behalf of the related parties during the six months ended 30 June 2022 and 2021.

22 RELATED PARTIES TRANSACTIONS (continued)

(b) Outstanding balances with related parties

		Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Trade and other receivables			
Trade receivables due from			
– CR Pharma Group	(i)	1,798	6,929
– Han Lam Tong	(ii)	8,616	7,650
		10,414	14,579
Amounts due from			
– Han Lam Tong	(ii)	337	297
– Joint ventures	(ii)	7,163	4,248
– Controlling Shareholder	(ii)	23	16
		7,523	4,561
Trade and other payables			
Trade payable due to			
– CR Pharma Group	(i)	135,975	185,055
– Han Lam Tong	(ii)	8,937	5,840
		144,912	190,895
Amounts due to			
– Joint ventures	(ii)	8	8

Note:

- (i) As at 30 June 2022, 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 2022, these balances are unsecured, interest-free and repayable on demand.